

Public Document Pack



**Nottingham
City Council**

Nottingham City Council Audit Committee

Date: Friday, 28 June 2024

Time: 9.30 am

Place: Ground Floor Committee Room - Loxley House, Station Street, Nottingham,
NG2 3NG

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

Director for Legal and Governance

Governance Officer: Kate Morris

Direct Dial: 0115 8764214

- 1 Apologies**
- 2 Appointment of Vice Chair**
- 3 Declarations of interest**
- 4 Minutes** 3 - 12
To confirm the minutes of the meeting held on 22 March 2024
- 5 Work Programme** 13 - 20
To note the work programme for 2024/25
- 6 Recommendation Tracker** 21 - 24
To note the Recommendation Tracker.
- 7 Future Meeting Dates**
To agree to meet on the following Fridays at 9.30am

26 July 2024
27 September 2024
29 November 2024
28 February 2025
25 April 2025

8	IAB instructions: Theme 6 Workforce, Culture & Performance Outcomes Report of the Strategic Director of HR & EDI	25 - 32
9	Exemption from Contract Procedure Rules Q4 2023/24 Report of the Corporate Director of Finance and Resources	33 - 38
10	External Auditor Update Verbal update from the External Auditor, Grant Thornton	
11	Statement of Accounts Progress Update Report of the Corporate Director of Finance and Resources	39 - 48
12	Treasury Management Annual Report 2023/24 Report of the Corporate Director of Finance and Resources	49 - 66
13	Finance Improvement Plan Progress Update Report of the Corporate Director of Finance and Resources	67 - 168
14	Internal Audit Report – No Assurance Reports Report of the Corporate Director of Finance and Resources	169 - 172
15	Exclusion of the Public To consider excluding the public from the meeting during consideration of the remaining item(s) 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	
16	Internal Audit - No Assurance - EXEMPT APPENDIX Report of the Corporate Director of Finance and Resources	173 - 174
17	Exempt Minutes To confirm the exempt minutes of the meeting held on 22 March 2024	175 - 178
18	Exempt Recommendation Tracker To note	179 - 182

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.

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Nottingham City Council

Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 22 March 2024 from 9.31 am - 12.17 pm

Membership

Present

Councillor Samuel Gardiner (Chair)
Councillor Michael Edwards
Councillor Sulcan Mahmood (Vice Chair)
Councillor Eunice Regan
Councillor Andrew Rule
Councillor Naim Salim
Councillor Adele Williams

Absent

Councillor AJ Matsiko

Colleagues, partners and others in attendance:

Councillor Audra Wynter - Deputy Leader and Portfolio Holder for Finance and HR
Beth Brown - Head of Legal and Deputy Monitoring Officer
Ross Brown - Corporate Director for Finance & Resources
Glenn Hammons - Interim Finance Lead – Technical Finance
Shabana Kausar - Director of Finance
Lucy Littlefair - Head of EMSS
Naomi Matthews - Data Protection Officer
Kate Morris - Scrutiny and Audit Support Officer
John Slater - Group Assurance & Audit Governance Manager
Damon Stanton - Scrutiny and Audit Support Officer
Simon Salmon - Head of IT
Andrew J Smith - Grant Thornton
Shail Shah - Head of Audit and Risk
Joanne Taylor - Grant Thornton

80 Apologies

Councillor AJ Matsiko – Work Commitments.

81 Declarations of interest

None.

82 Minutes

The Minutes of the meeting held on 23 February 2024 were confirmed as a true and accurate record and signed by the Chair.

83 Work Programme

The Chair presented the Committee's current Work Programme. The following points were made:

- a) Work is underway in planning the Work Programme for the 2024/25 municipal year with a view to reducing the number of reports and length of meetings.
- b) A full draft of the 2024/25 Work Programme will be circulated in advance of the next meeting in the new municipal year.

84 Recommendation Tracker

The Committee noted the recommendation tracker.

85 Change in Order of Agenda Items

With the agreement of the Chair, there was a change in the order of agenda items as set out within these Minutes.

86 Statement of Accounts Progress Update

Glenn Hammons, Interim Finance Lead – Technical Finance, provided an update on the Statement of Accounts. The following points were highlighted:

- a) The draft accounts for 2019/20 and 2020/21 are complete.
- b) Progress has been made since the last meeting with the accounts for 2021/22 and these are expected to be available in draft format after April.
- c) Further progress has been made with the 2022/23 accounts since the last meeting.
- d) In regards to the consultation on the local audit backlog, the Council has submitted a response to the government consultation. A consultation has also been issued by CIPFA and officers are reviewing the proposals.
- e) The report highlights some indicative timelines for the outstanding accounts in order to meet the backstop dates. There are some risks to these indicative timelines, including the timeliness of concluding the 2019/20 audit and also the finalisation of the national backstop dates and any related requirements.
- f) In regards to the 2023/24 closedown position of the draft accounts, there is an indicative timeline which would take the Council to meet the backstop date of 31 May 2025.
- g) The Council has been working with Grant Thornton in respect of their preparation and planning work for the closedown of accounts and work has been done with senior management, budget managers, and finance staff.

The Committee raised the following points in discussion:

- h) Members queried the timeframes for external sign off of the 2019/20 accounts. It was explained that Grant Thornton are aiming to complete the work and draft the audit findings report by the end of April.

- i) The Committee sought assurance on the resources allocated to completing the outstanding accounts. The Council has brought in additional resource over the past 12 months, however, there has been some staff turnover which has caused some disruption. There is also a lot of work to do in regard to resolving the outstanding accounts and that has taken time. The Council welcomed the timelines established to resolve the outstanding accounts so that the Authority and Grant Thornton can work together and avoid delays which bring cost. Finance regularly reviews capacity and skills and bring them in if needed to work to the indicative timelines.
- j) The Committee agreed to call an extraordinary meeting, if required, to approve the finalised 2019/20 accounts.

Resolved:

- 1) To note the current position with the statement of accounts for the years 2019/20 through to 2023/24.**
- 2) To note the indicative timeline and associated risks for publishing the statement of accounts for financial years 2020/21, 2021/22, and 2022/23 to meet the proposed national backstop dates.**
- 3) To note the indicative timeline and associated risks for publishing the draft statement of accounts for 2023/24 to ensure the outstanding accounts from previous years can be completed ahead of the proposed national backstop date dates.**

87 Annual Governance Statement - Process for producing 2023/24 Statement & prior year updates

John Slater, Group Assurance and Audit Governance Manager, presented a report which gave an overview of the Council's governance arrangements measured against standards and set out plans to improve compliance and to prepare an annual governance statement. The following information was highlighted:

- a) The report set out
 - a process for compiling the 2022/23 and 2023/24 Annual Governance Statements (AGS),
 - the process for completing drafting of the 2021/22 AGS and updating the 2019/20 and 2020/21 AGS
 - proposals to review the local code of governance and establish a Corporate Assurance Framework, and
 - a summary of changes to the governance environment since the last update.
- b) The Local Code of Governance is a summary of the Council's governance arrangements and was last updated in 2017. It is based on good practice and principles of good governance as put forward by CIPFA which was updated in 2016.

- c) CIPFA has produced more recent guidance on local authority assurance frameworks and they are working with the LGA to provide new guidance this year. It was proposed to review the Local Code of Governance and to establish a Corporate Assurance Framework by October 2024.
- d) In regard to the production of the AGS, these are consistent with the indicative timelines as proposed with the Statement of Accounts.
- e) An AGS is required to be produced by the Accounts and Audit Regulations 2015 for each set of draft and final accounts.
- f) For 2022/23 and 2023/24 a combined AGS compilation process will take place with the aim of completion by June or July.
- g) A number of key governance changes were outlined such as government intervention, external auditor recommendations, and the section 114 (3) report issued in 2023.

The Committee raised the following points in discussion:

- h) The Committee welcomed the establishment of a Corporate Assurance Framework.
- i) Members discussed the interpretation of the latest CIPFA guidance and whether local authorities have interpreted the guidance varyingly. It was explained that the Council will be looking to conform with the guidance, but that other local authorities may have made more progress in its implementation. The Council will be looking to other local authorities to assess best practice.
- j) The new model will be a live process and thus assurances will be generated on an ongoing basis across all lines of activity which will be available to assess any issues.
- k) The Committee discussed areas of control such as performance management, financial controls, system controls and business continuity controls.
- l) Members commented that the Council needs to ensure that reporting is focussed and proportionate to the levels of risk and challenges that the Council faces.
- m) The Committee sought assurance on how the proposed frameworks are adding value to the Organisation. It was explained that the aim is to give senior managers assurances and an understanding of the issues that their specialisms face. It reflects best practice on what should be in place in all Councils. It is hoped that the majority of the control information will be automated and therefore would not be a burden on staff.
- n) It was clarified that the changes will allow Audit Committee to receive a clearer focus on any issues identified and this will allow it to add more value.

Resolved:

- 1) To note the proposed establishment of a Corporate Assurance Framework by October 2024 following a review of the local governance framework, complying with the CIPFA, Leadership Assurance Frameworks guidance (December 2023), and the LGA Improvement and Assurance Framework for Local Government currently in consultation.**
- 2) To note the process to update prior year Annual Governance Statements for 2019/20 and 2020/21 to support statutory requirements for the financial statements outlined in the report.**
- 3) To note the process and timetable for compiling and completing the 2021/22, 2022/23, and 2023/24 Annual Governance Statement and associated risks as detailed in the report.**
- 4) To note the summary changes to Governance as outlined in the report.**

88 Combined 2019/20, 2020/21, 2021/22 and 2022/23 Value For Money Report

Andrew Smith and Joanne Taylor, representing the Council's External Auditors Grant Thornton, presented the Auditor's Annual Report focussing on arrangements for Nottingham City Council covering the financial years 2020/21, 2021/22 and 2022/23. The following information was highlighted:

- a) The report highlights a number of significant weaknesses and a number of recommendations made. The report covers several key areas.
- b) The report sets out in detail progress made by the Council on the recommendations made by Grant Thornton in previous years.
- c) There has been some positive movement in some areas such as the Covid-19 response, procurement, and risk management, where good arrangements had been in place.
- d) The external debt position has remained static from the start to the end of the reporting period.
- e) OFSTED have rated the Council's children's services as inadequate despite the service receiving higher levels of investment when compared to its nearest statistical neighbours.
- f) As previously reported, misappropriation of funds between the Housing Revenue Account (HRA) and General Fund had been discovered.
- g) There had been various other issues surrounding governance processes such as incorrect handling of client money through the appointeeship function.
- h) Overspends have occurred in each year of the reporting period.

- i) The programme to dispose of capital assets and generate receipts to fund the Council's Transformation Programme was slower than anticipated.
- j) External consultants were brought in to assess the control environment and their conclusions were not positive.

The following points were raised in discussion:

- k) The Committee commented that large parts of the Council's external debts had been supported as it allowed the funding of the expansion of the City's transport network. The S151 Officer explained that the Council does continue to reduce the amount of overall debt in-line with the Voluntary Debt Repayment Policy and that it did have a large amount of external debt when compared with peers due to the supported debt that assisted in funding infrastructure as well as commercial debt that brought an income. The Council's external debt was complex.
- l) Members agreed that the increased levels of funding for children's services reflected the challenging local context which the City found itself in including demand and market sufficiency. An improvement board is targeting improved Ofsted rating.
- m) The Committee received assurance from the Corporate Director of Finance & Resources that the misappropriations of funds is a matter that has been fully addressed. Control measures and practices are now in place to ensure it does not occur again and plans for reimbursements between the respective areas have been made which have been signed off by the Improvement and Assurance Board (IAB).
- n) The Committee received assurance from the Corporate Director of Finance & Resources that incorrect handling of client money through the appointeeship function has been resolved and the majority of that money either returned to individuals or where appropriate the Treasury.
- o) Members were reminded that the predominant driving force for the Council requiring Exceptional Financial Support (EFS) has been the increased demand and costs for social care for children and adults.
- p) The Committee received assurance that the asset sales trajectory does not present a risk to the level of transformation investment that the Council can afford to make.
- q) The Council has made good progress on implementing the recommendations made in the Ernest Young (EY) report but accepts the Finance vacancy rate is a concern, progress across these issues and the control environment will be outlined in further detail in the Financial Improvement Plan update.
- r) The Committee and Portfolio Holder for Finance agreed that more foresight could have been included in the report due to the progress the Council has made recently. The External Auditors commented that this report outlines the position statement up until October 2023 and that recent progress made will

be outlined in the 2023/2024 Value for Money Report and considered by Members.

- s) The Committee discussed the delays to the signing off of the accounts and the factors behind them. There was a consensus that delays had been caused by both the Council and the External Auditors due to the volume of issues.
- t) There still remains some uncertainty in regards to the backstop dates for resolving the outstanding accounts.
- u) The Committee expressed disappointment that the Council's Audit Committee had not been consulted prior to the issuing of the Section 24 Notice by Grant Thornton and queried why concerns had not been raised in meetings which the External Auditors had attended. Andrew Smith, Grant Thornton, commented that there was no requirement to consult the Audit Committee when issuing a statutory recommendation, however, would endeavour to consult the Committee if time allowed either at a full meeting or informally with the Chair.

The Committee noted the report.

89 Financial Improvement Plan Update

Shabana Kausar, Director of Finance and Deputy S151 Officer presented a report and provided an update on progress made to date on the Council's Financial Improvement Plan (FIP). The following information was highlighted:

- a) There has been substantial progress to date with 83.5% of the 248 financial deliverables/actions identified as of February 2024 completed, embedded into business as usual, or in progress.
- b) Despite resourcing issues in finance, priority has been placed on delivering the improvement plan.
- c) the FIP will continue for a few years, more work will be done over the next 12 months on fundamentals such as the financial accountability framework, whilst actions addressing control weaknesses and value for money have either happened or are in progress.
- d) Greater openness has led to additional weaknesses being highlighted.

The following points were raised in discussion:

- e) The Chair and Portfolio Holder for Finance commented that the report highlights consistent improvement and actions work recommended by the External Auditors. Officers were thanked for the improvements made.
- f) The Committee sought assurance on the work generated by the section 114 spending controls and its impact on workloads given declining resources. The S151 Officer explained that the spending controls were a necessary and proportionate measure to put in place following the S114 (3) report. The

process continues to be refined and works as well as can be expected. There are between 300-400 transactions approved daily by the S151 Officer. He believed it was important to maintain this financial grip given the scale of the financial challenge even though it was resulting in resourcing issues but it was intended that approvals would be returned to more junior level officers. The S151 Officer informed the committee that as a result of the controls useful insight had been gained, in particular from a procurement perspective which provided opportunities for future savings. Controls would evolve to avoid the administrative burden.

- g) There is a scheme of delegation where if the S151 Officer is not present decisions will be taken by Deputy S151 Officer.
- h) The S151 Officer has rejected fewer than 50 transactions. It was stated that most rejected transactions take place at Corporate Director level. A projected overspend of £23.6m had been reduced to £19.6m over the course of the S114 spending control implementation period.
- i) The Budget Monitoring process, particularly period 12 data, will ascertain the overall level of success and impact of the spend prohibition period to date.
- j) The S151 Officer was asked whether as a result of delaying or stopping £100 grants to voluntary community groups there would be increased costs and agreed to respond separately to councillors on this issue.
- k) The Committee queried what was being done to address the delivery risks to the FIP. It was explained that the main risk is capacity and resources and that activities within the FIP sometimes needed to be re-prioritised. Due to the Council's financial situation it is a constant risk that needs to be managed.
- l) The Committee discussed wider resourcing within the Council and how it can continue to balance activities such as financial improvement and other strategic responsibilities whilst simultaneously funding adult's and children's social care and temporary accommodation services which continue to increase in demand and cost. Members noted that this was a considerable demand and was a constant challenge for senior officers. An improvement plan will be produced following the appointment of commissioners and a budget refresh will further outline how that balance can be made. The aim in the new financial year would be to shift deployment of resource to enable more strategic capacity. The Council had improved in its forecasting and work continued to take place with Corporate Directors to ensure it remains accurate.
- m) Members queried the delivery of capacity building and training actions within the FIP and that a substantial number remained outstanding. It was explained that a refresh was due to take place soon and new training will be introduced at the start of the new financial year and first quarter whilst also embedding the new financial structure. The capacity issues would remain ongoing due to the wider challenging recruitment and retention environment within local government. Agency staff would be used but Finance would also look to implement permanent recruitment to its structure.

Resolved:

- 1) The Committee note the progress to date on the Financial Improvement Plan and remediation controls project.**
- 2) The Committee note the progress in achieving the City Council's Finance Improvement Plan (FIP).**
- 3) The Committee note the specific improvements delivered since the last update to the Committee in February 2024 and the planned activities within the FIP to the end of March 2024.**
- 4) The Committee note the update on the other finance related activities listed in paragraph 1.2.**

90 Audit Committee Improvement Plan

The Chair presented a report which outlined actions to allow a structured and trackable programme of work to start to address improvements identified on the work of the Council's Audit Committee. The following points were raised:

- a) Audit Committee should be self-reflective to drive an improvement plan. The CIPFA self-assessment guide has been completed by the Committee. Plans are now in place to work on any weaknesses identified.
- b) The Committee now has a dedicated support officer and it receives briefing papers and notes in-line with the support given to the Council's Scrutiny Committees.
- c) The improvement plan formalises the work underway to improve how the Committee operates. It will have input from Committee Members alongside colleagues in finance and external audit.
- d) There will be an opportunity for a co-opted member to join the Committee.

The Committee approved the Audit Committee Improvement Plan.

91 Exclusion of the Public

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda 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 outweighed the public interest in disclosing the information, as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

92 Annual Information Compliance and Information Security Assurance Report

Simon Salmon, Head of IT, and Naomi Matthews, Data Protection Officer, presented the Annual Information Compliance and Information Security Assurance Report

The Committee asked a number of questions, and made recommendations, as detailed in the exempt minutes.

93 East Midlands Shared Services - Annual Report 2022/23

Lucy Littlefair, Head of East Midlands Share Services (EMSS), presented the Annual Report of EMSS that provided the Committee with an update on the people, customer, operational, and technological priorities and performance for EMSS for 2022-23

Committee members asked a number of questions and received detailed answers as set out in the exempt minutes.

The Committee noted the report.

94 Exempt minutes

The Exempt Minutes of the meeting held on 23 February 2024 were confirmed as a true and accurate record and signed by the Chair.

Audit Committee Work Programme for 2024-25

The schedule of meetings set out below is proposed but the committee reserve the right to review and amend the work programme content and meeting dates throughout the year.

Key to activity

Governance risks around high-level financial strategy and reserves
Governance risks connected to asset realisation
Governance of Capital programme and projects
Value for money and Delivering Objectives
Core Functions arising from Statutory obligations and guidance
Governance of linked incorporated bodies
Assurance reports

Date	Item	Committee Objective	Director	Author
tbc	External Audit Report 2019-20	Consider the outcome of the External Audit and assurance on management response to issues identified.		A Smith
	External Audit Report 2020-21			A Smith
	External Audit Report 2021-22			A Smith
	External Audit Report 2022-23			A Smith
	External Audit Report 2023-24			A Smith
	Pre Account sign off informal briefing.	Informal briefing for committee members for 19-20 accounts sign off.		G Hammons
June Training	Skills evaluation for new members			

Date	Item	Committee Objective	Director	Author
June 2024	Statements of accounts progress update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts including financial improvement plan.	R Brown	G Hammons
	Finance improvement plan update	Assurance that satisfactory progress is being made on the financial improvement plan.	R Brown	S Kausar
	Internal Audit – No Assurance reports.	<p>Highlighted Internal Audit Reports where the lowest assurance rating has been given</p> <p>Business Continuity</p> <p>Colleague Expenses</p> <p>Update - Service Response - Physical & Environmental Security</p> <p>Update – Appointeeship</p> <p>Update - HR and Payroll</p>	R Brown	<p>HoIA</p> <p>P Millward</p> <p>S Kausar / L Mann</p> <p>T Bone</p> <p>L Lee</p> <p>L Mann</p>
	Exemption from Contract Procedure Rules annual report	Oversight of procurement dispensations and assurance on their future procurement process.	R Brown	D Cafferty
	IAB instructions: Theme 6 Workforce, Culture & Performance Outcomes	Assurance on progress, benefit realisation, controls, associated risks and management of IAB instructions under this theme.	M Barrett	L Mann

Date	Item	Committee Objective	Director	Author
	Treasury Management Annual Report Annual Investment Strategy 2024/25 Revision	Assurance on management of Treasury Management risks in accordance with Council policy.	R Brown R Brown	P Kilgallan S Kausar
July training	Risk Management			
July 24	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	19-20 Accounts and Audit Report 20/21 accounts and audit report			
	IAB instructions: Governance	Assurance on progress, benefit realisation, controls, associated risks and management of IAB instructions under this theme.	R Brown	B Brown
	IAB Instructions: Asset Management	Assurance on progress, benefit realisation, controls, associated risks and their management.	S Rose	N Jenkins
	Corporate Risk and Assurance Register	Assurance that appropriate arrangements are in place to manage risk.	R Brown	HoIA D Bowring
	Audit Committee Terms of Reference	To review proposed changes to the Terms of Reference for the Audit committee to bring them in line with the 2022 CIPFA guidelines.	R Brown	K Morris
	HR & EDI Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.		L Mann

Date	Item	Committee Objective	Director	Author
	IA Progress Update	Consider arrangements for Internal Audit, reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion, and seek assurance on the implementation of agreed action updated audit Charter counter fraud strategy	R Brown	J Slater
Sept Training	General Audit training. AGS and Local Code training			
Sep 2024	Statements of accounts progress update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts.	R Brown	S Kausar
	Finance improvement plan update	Assurance that satisfactory progress is being made on the financial improvement plan.	R Brown	S Kausar T Bamidele
	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	IAB Instructions: Corporate Planning	Assurance on progress, benefit realisation, controls, associated risks and management of IAB instructions under this theme.	M Barrett C Parr	R Beckett
	Oversight of Transformation			R Beckett
	Audit Committee Annual Report	Audit Committee Performance		Chair
	Health & Safety Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	B Brown	P Millward

Date	Item	Committee Objective	Director	Author
November Training	Treasury Management			
Nov 2024	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	Corporate Risk & Assurance Register	Assurance that appropriate arrangements are in place to manage risk.	R Brown	HoIA D Bowring
	Treasury Management Half Year Report	Assurance on management of Treasury Management risks in accordance with Council policy.	R Brown	P Kilgallan
	Customer Experience / Complaints & Ombudsman Annual Assurance to include stuff about housing. <i>(to note)</i>	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	L Lee	D O'Melia
	Companies Update (TfN Theme 3)	Assurance on progress, benefit realisation, controls, associated risks and their management to ensure that the Council has in place appropriate arrangements to manage risks connected to its investments in companies.	R Brown	M Hainge
	EMSS Annual Report <i>(to note)</i>	Assurance that the Council has in place appropriate arrangements to manage risks connected to its joint service arrangements.	L Littlefair	
Feb 2025	IAB instructions: Theme 2 Finance	Assurance on progress, benefit realisation, controls, associated risks and management of IAB instructions under this theme.	R Brown	S Kausar

Date	Item	Committee Objective	Director	Author
	Treasury Management Strategy & Capital Strategy	Assurance on setting Council policies to best manage Treasury Management & Capital risks.	R Brown	P Kilgallon
	Draft Statement of Accounts 24/25	Final outcomes of the accounts and considerations within those accounts.	R Brown	S Kausar
	External Audit update	Consider the outcome of the External Audit and assurance on management response to issues identified.		A Smith
	Finance improvement plan update	Assurance that satisfactory progress is being made on the financial improvement plan..	R Brown	S Kausar T Bamidele
	Review of Accounting Policies 2023/24	Assurance that appropriate arrangements are made to comply with statutory guidance.	R Brown	S Kausar
	AGS Process 2024-25	Assurance on arrangements for a review of the Council's governance.	R Brown	HoIA
April 2025	Statement of Accounts Progress Update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts.	R Brown	S Kausar
	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	Finance improvement plan update	Assurance that appropriate arrangements are in place and	R Brown	S Kausar

Date	Item	Committee Objective	Director	Author
		satisfactory progress on the financial improvement plan.		
	Annual Information Security & Information Governance Compliance Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	B Brown	S Salmon N Matthews
	Health & Safety Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	B Brown	P Millward
	IAB instructions: Theme 6 Workforce, Culture & Performance Outcomes	Assurance on progress, benefit realisation, controls, associated risks and management of IAB instructions under this theme.	M Barrett L Mann	L Mann

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Audit Committee Recommendation Tracker 2024/25

1 Purpose

This document will collate and track progress of all recommendations made by the Audit Committee to the Executive and Senior Managers throughout the year, and to log the responses to the recommendations. The explanation of terms used can be found in section 3.

2 Audit Committee Recommendations to the Executive and Senior Managers

Reference number	Title of agenda item	Recommendation	Date referred	Progress status	Response and next steps	Key contacts
230331-78-3	Annual Report of Health and Safety within the Council	Include statistics and trends within future reports.	31/03/23	26/04/24 – Awaiting consideration	To be reported to July 2024 Audit Committee.	Paul Millward
230630-6-5 & 6	Financial Controls Assessment	Audit Committee to establish a financial controls sub-group / new panels.	30/06/23	Awaiting Consideration	Consideration of what resources may be available to prioritise to such groups. Name and the remit of such a sub-group needs to be established by the Committee and the lead officer for the Committee.	Audit Committee/ Shabana Kausar
230728-21-2	Statement of Accounts Progress Update	To receive the external auditor opinion on the financial statements for 2019/20 at the Committee meeting on 24 November 2023 if available;	28/07/23	Awaiting Consideration	Reports still in the process of being finalised, awaiting External Auditor.	Shabana Kausar/ Andrew Smith

230728-27	Audit Committee Work Programme	An item or discussion on procurements and how the Real Living Wage would filter down through suppliers.	28/07/23	Awaiting Consideration	Audit & Scrutiny Officer to support this activity.	Head of Internal Audit/ John Slater
240223-69-2	IAB Instructions Theme 2 - Finance	That the Committee receive further information on how Section 106 monies are handled.	23/02/2024	Awaiting Consideration	Pending update	Paul Seddon

3 Explanation of terms used

Recommendation reference number - each recommendation added to this tracker will be assigned a unique reference number eg 220511-3-1, where 220511 represents the date of the meeting, -3 is the minute number, and -1 is the recommendation number.

Progress status - this column indicates individual progress status for each recommendation and will present 1 of 3 options:

- Responded to/Accepted/Approved - **Green**
- Awaiting Consideration – **Amber**
- Rejected - **Red**

Response and next steps - this column will include details on why a specific recommendation was accepted or rejected, and where appropriate, will indicate what the next steps are for the officers or councillors.

4 Future meeting dates and reporting deadlines

Date of meeting (10:30am)	Deadline for draft reports (10:00am)	Chair's Briefing (9:30am)	Deadline for final reports (5.00pm)
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Audit Committee – 28 June 2024

Title of paper:	IAB instructions: Theme 6 Workforce, Culture & Performance Outcomes	
Director(s)/ Corporate Director(s):	Lee Mann Strategic Director of HR & EDI	Wards affected: All
Report author(s) and contact details:	Gareth Sayers gareth.sayers@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Does this report contain any information that is exempt from publication? No		
Brief Summary This report seeks to provide assurance on progress, benefit realisation, controls, associated risks, and management of Improvement and Assurance Board (IAB) instructions under Theme 6 ‘Workforce, Culture and Performance.’		
Recommendation(s):		
1	To take assurance that progress has been made on Theme 6 ‘Workforce’ of the Together for Nottingham (TfN) Plan and to note the plan is now to be replaced by the new Council Improvement Plan, to be approved with Commissioners in June/July.	
2	To note the progress made on the specific ‘Workforce’ Instructions issued by the Improvement and Assurance Board (IAB) in February 2023.	

1 Reasons for recommendations

- 1.1 The HR & EDI division supports the organisation in meeting its statutory and organisational obligations in relation to employee management and EDI. It plays a key role in supporting the development of organisational culture, improving employee engagement, and leading on employee wellbeing and learning and development and as such has been responsible for leading on much of the activity in theme 6, the Organisation and Culture workstream of the Together for Nottingham Plan.
- 1.2 This report seeks to provide assurances that both statutory and organisational requirements, including the requirements of the Together for Nottingham programme, are being met or progressed and monitored through the activity in the functions/areas described below.

2 Background

Progress and benefits against the TfN key deliverables

- 2.1 Following the Non-Statutory Review (NSR) of the council in late 2020, the Together for Nottingham Plan (Recovery and Improvement Plan) was developed as the organisation’s response.

2.2 This plan was split into 8 themes, with 'Workforce' (theme 6) being one of them. The workforce workstream was designed to address identified issues with the organisation's 'culture' namely:

- Leadership and Accountability
- Governance and Decision Making
- Performance Management
- Risk Management

2.3 In order to address these issues and positively shift the culture of the organisation, a range of key deliverables formed part of the original plan:

- Culture Mapping Exercise – Current and Desired
- Simplifying the Officer Structure
- New Performance Appraisal
- Leadership Development Programme

For more details on previous work undertaken, please see also report to Audit Committee on 29.04.22, title 'Equality & HR Assurance.'

2.4 Culture Mapping Exercise – Current and Desired

- A culture mapping exercise was completed between Jan-March 2021.
- This included an online survey and focus groups using valid tools/methods.
- It provided the organisation and senior officers in particular with a series of findings around the perceived culture – positives and negatives, which could be used to positively shift behaviours.
- A range of interventions were designed to positively shift the culture and provided opportunities to monitor and measure progress through a series of indicators.
- The Staff Survey 2022 provided a good halfway point to provide insights and progress updates against workforce views and culture, with another planned in Autumn 2024.
- A further culture mapping exercise is currently underway to both measure progress and change from the original survey but also to provide a useful position statement for appointed Commissioners on our current organisational culture and what might need to change.

2.5 Simplifying the Officer Structure

- The top-level structure was reorganised in Autumn 2021, creating four directorates and a further 'core' enabling directorate added later.
- A decision-making accountability (DMA) exercise was conducted with support from the LGA which informed suggested realignments and reorganisations from division level down.
- Concurrently, SLMG colleagues were consulted with regarding the findings and proposed changes and new JDs issued which included the new NCC Behavioural Expectations.
- Further changes to the officer structure have been implemented in line with the Duties and Powers exercised used to support the balancing of the Councils Budget 2024/25, and more recently with the resignation of the Corporate Director for People's Services, creating the opportunity to split Adults and Children's into two.

- Further work is planned to review the organisational structure, including tiers and spans, to improve efficiencies and reduce costs.

2.6 New Performance Appraisal

- A new externally facilitated performance appraisal process was designed and implemented for the CEX. Over the last 2-3 years, the CEX has openly shared his experiences and some of his objectives to role model to others.
- A new leadership framework and suite of new behavioural expectations were consulted upon and implemented in 2021/22 and explained via training.
- A new approach to Individual Performance Reviews (IPR) was rolled out to the whole organisation in April 2022. Initial engagement and objective setting was positive.
- End of Year Reviews as part of the new design were due by end of March 2023 and the completion of these reviews took longer than it should. With high support and later in the year, high challenge, by October 2023, 92% of end of year reviews were completed.
- This is in line with other core cities; Leeds 94%, Newcastle 90%, Liverpool 81%.
- The completion of End of Year Reviews for 2023/24 has been much more positive as the process embeds into practice and becomes business as usual – with c.90% of reviews complete by the end of May 2024.
- Moving forward, the IPR approach should be key to driving good/high performance (identifying talent) as well as identifying underperformance to address. It will be key to drive the quality of the conversations and outcomes as we continue to improve.

2.7 Leadership Development Programme

- A significant leadership development programme was designed and delivered in house to over 600 people managers.
- The programme took 12 months for most to complete, and c.90% of managers fully completed by their expected deadline. This is now a rolling programme for new managers and part of managers induction.
- The programme was designed around the needs/issues highlighted in the NSR, from our own culture mapping and to embed the new leadership framework and expected behaviours.
- The evaluation of the programme produced strong initial results including:
 - the programme returned a high 'value' response from participants with the most frequent score being **4 (very valuable)** out of 5.
 - a high percentage, **71% of participants**, said their skills, knowledge and confidence had increased after attending programme workshops.
 - the programme offered **good value for money**, 'best value', when considering cost against quality/performance, costing £150pp.
- The longer-term impact is being monitored/measured.
- The culture re-assessment and staff survey both provide useful insights as to whether the programme has contributed to long lasting changes/improvements in leadership and management behaviour/practice.

2.8 IAB Instructions – February 2023

In February 2023, the IAB arrangements were strengthened, and new instructions were issued across all themes. For the workforce workstream these concentrated on the following areas:

- 6.1 Establish and maintain a trained, skilled, competent workforce accommodating fundamental cultural change
- 6.2 Establish, in full, Corporate Leadership underpinned by robust and focused performance management and accountability
- 6.3 Enforce strong discipline in identifying and acting upon under-performance
- 6.4 Ensure Best Value in delivering quality and cost-effective services is paramount in officer performance
- 6.8 Ensure the Council's new pay policy demonstrably assists effective recruitment and relation

Progress and benefits against the IAB Workforce Instructions

3.0 Establish and maintain a trained, skilled, competent workforce accommodating fundamental cultural change (6.1):

- Significant expansion of council's learning and development offer in the last two years with engagement and participation levels doubling in the same period. c.90% of managers completed a leadership development programme with a focus on leading, performing and delivering well.
- Strong evidence that creativity and innovation is improving, with new technologies being utilised to improve effectiveness and efficiency of practice supported by development programmes like the Change and Data Academies (3rd cohort to launch in December '23) and informal networks such as the Change Champions and volunteer service improvement champions 'Meerkats' in Customer Services identifying and implementing improvements.
- All colleagues understand the need for change and leaders have been educated in leading change. Development programmes continue to offer high support and high challenge to drive change/improvement, including targeted interventions in high need areas – running until at least September 2024.
- Service based development activity is supporting the delivery of transformation activity in People's services for the life of the transformation programme.
- Formalised hybrid working arrangements allow for necessary flexibility in use of 'estate' and flexibility for office-based roles is a positive for existing employees and attracting talent while also supporting more efficient ways of working.
- A further 'culture mapping' exercise will take place in 2024 to formally measure the shift in behaviour/culture and the progress made.
- Working with the Transformation Office / Change Academy to align support and development in the areas most in need.
- Nottingham Leadership Transformation Programme (NLTP) has seen x4 cohorts with c.90 participants, the Accelerated Development Programme (ADP) has seen x4 cohorts with c.60 participants and Reciprocal Mentoring (RM) x2 cohorts of c.20.
- SLMG Masterclasses continue, and Action Learning Sets and MBTI being utilised to support leaders' problem solve, plan, and deliver change.

3.1 Establish, in full, Corporate Leadership underpinned by robust and focused performance management and accountability:

- Every service has a Service Plan in place and work undertaken to develop a 'golden thread' from top level plans to individual objectives. Packaged together as part of the 'One Council' approach and work is on-going to develop and embed the outcomes and performance management framework link to the one council outcomes.
- Service and Divisional plans articulate the link to corporate outcomes and individual officer objectives ensuring a 'golden thread'.
- New Individual Performance Review (IPR) process rolled out across the whole council for the first time in 2022/23 focused on both service objectives and behaviours.
- IPR process seeks to address cynicism and tick box approach view of previous approach shared by managers and employees and has been received well with positive feedback from sample testing.
- 92% of End of Year Reviews completed in 2022/23 and c.90% completed in 2023/24.
- At a strategic level improvements have been made to governance, accountability and oversight through the Transformation Oversight Board and the Commercial Delivery Board ensuring appropriate focus on key components of the MTFP.

3.2 Enforce strong discipline in identifying and acting upon under-performance:

- Ensuring End of Year Reviews were completed in 2022/23 was challenging, particularly in some areas of the council and took longer than expected. However, year 2 has seen practice embedded into business as usual and a timelier level of completions, with c.90% complete by end of May 2024.
- Corporate Directors will hold managers in their directorates accountable for compliance supported by HR colleagues to ensure appropriate action is taken where non-compliance remains an issue.
- The performance management process is further supported by revisions to key HR policies including the code of conduct, capability, and performance and disciplinary, in consultation with the Trade Union colleagues. All revised policies are now live.
- HR Capability has been built to address and support under performance and regular conversations at Directorate Leadership teams supported by HR Business Leads are taking place.
- Guidance, briefings, and training for managers in relation to performance management started in July 2023 and the sessions have been well attended and feedback has been positive. These sessions are currently being used by managers with live issues for which they need immediate support and will continue to be delivered into 2024.
- Use of Performance Improvement Plans (PIPs) to address performance concerns early is being promoted/supported, and as from 25th September 2023, a mandatory field on Oracle will help HR more effectively monitor their usage and effectiveness.
- More performance management cases have been supported by HR colleagues' year to date than the last financial year.

3.3 Ensure Best Value in delivering quality and cost-effective services is paramount in officer performance:

- The Chief Executive has agreed and issued target objectives to Corporate Directors which incorporates the following objective, *"Adopting a 'One Council' approach, provide effective leadership support to colleague Corporate Directors and their teams to achieve optimal outcomes for the council and the city's citizens as a whole, through*

the lens of delivering on our Best Value duty", which will be cascaded through their teams.

- A Best Value eLearning module or face-to-face briefings have been completed by over 85% of the workforce which has improved awareness and understanding. Communications and guidance videos have aided.
- A Best Value Outcomes Performance Framework approach has been approved by CLT and is being cascaded to all services.
- Corporate and Service led BV reviews in progress with strong focus on performance management supported by peer challenge process and reformulation of the strategic core.
- We continue to see indications of willingness to work more effectively and efficiently, embracing new ways of working in how we provide services, acting on customer feedback and making improvements to the customer journey (evidence).
- There has been a significant improvement in relation to Contract Procedure Rules with a 50% reduction in exemptions being approved.
- Financial forecasting and management continues to be challenging, though the Finance Improvement Plan and Financial Accountability Framework includes ongoing guidance/training to improve manager financial literacy.

3.4 Ensure the Council's new pay policy demonstrably assists effective recruitment and relation:

- Additional pay increment as part of revised pay structure was paid to all employees in September and October 2023, additional increment for top three tiers of Council dependent on satisfactory performance
- A temporary resourcing programme team has been in place, with a focus on improved attraction and candidate experience, direct sourcing approaches, future talent, and the Corporate Employer Value Proposition, with employer branding to be developed and rolled out
- A suite of recruitment data is being scoped which will measure the impact of the above improvement activity and changes to pay.
- Work ongoing in specific areas including adults and children's social care, Highways, Housing Solutions, and IT.

4. Controls and Risks

- 4.1 There are 'controls' that can be utilised to affect culture change and which attempt to positively shift behaviours and culture in certain directions. That said, behavioural change can take time, usually with positive change taking much reinforcement, but negative change taking very little. In addition, a multitude of different factors and influences can affect behaviour and culture regardless of any controls that the organisation tries to leverage.
- 4.2 The controls and measure put in place to positively shift culture include:
- Leadership Framework and Behavioural Expectations
 - New approach to IPR
 - Training and Development
 - New policies, procedures, and processes
 - Communications and Manager Cascade (reinforcement)
 - New ways of working, role modelling and coaching.

- 4.3 The monitoring and measuring techniques utilised have included:
- Culture Mapping
 - Training and Development Evaluation and Impact Assessment
 - Staff Survey and Focus Groups
 - Case Studies and examples of good practice / positive change

In addition, more formal measures will be scrutinised such as:

- Staff Turnover
- Staff Sickness
- Numbers in Performance Measures and Numbers of Dismissals
- Employee Engagement (staff survey)
- IPR usage and ratings
- Vacancy data and time to hire data
- Decision Making (Constitutional Services)
- Councillor-Officer Relationships
- Risk Management
- Financial Management

- 4.4 The regular monitoring and reporting of progress to both CLT and the IAB has been a control in itself and ensured that all deliverables listed in the Together for Nottingham Plan under theme 6 have been successfully delivered. The IAB have regularly confirmed that the 'right interventions' have been delivered and delivered as expected.

It has always been transparent that delivering interventions and using control levers to shift culture takes time and that sustained behaviour change will only be observable and evidenced sometime after intervention.

5. Risks

- 5.1 Risks have been managed throughout the delivery of the Together for Nottingham Plan including,
- Specialist support unavailable within timescales to deliver requirements
 - The plan and associated work has an adverse impact on morale and motivation
 - Turnover and delays in recruitment
 - Resistance to change and non-compliance
 - Competing demands and priorities
- 5.2 The risks have been managed well in terms of delivering what has been promised and expected. All key deliverables have been implemented and progress and impact is now being monitored.
- 5.3 There have been good examples of resistance to change and non-compliance being pro-actively challenged, including the completion of IPR End of Year Reviews in 2023/23. In addition, 'management action' has been used across SLMG as required where engagement with change and transformation has not been as expected and required.
- 5.4 The pace of change/improvement has always been the overarching risk to all elements of the Together for Nottingham Plan, and this will continue to be a risk moving forward, see sec.4.4.

6. Conclusion & Ongoing Work

- 6.1 The original Together for Nottingham Plan spanning a 3-year period of intervention and proposed change is now complete, with the IAB arrangements ending and Commissioners being deployed.
- 6.2 All the deliverables associated with theme 6 'workforce' set out in the plan have been implemented as expected and as agreed with the IAB chair. Throughout the period regular meetings/discussions took place with the Chair of the Board and reports were provided as per forward plan and as requested. It was acknowledged on many occasions that change levers had been deployed and it was now up to the organisation, and particularly leaders within the organisation, to react, respond and own.
- 6.3 An identified risk and ongoing concern has always been the pace of change, and this remains the case. While new expectations can be set and communicated, training and development delivered, policies and infrastructure improved and put in place – the behaviour of people and the application of learning will take longer to fully embed across any large and complex organisation.
- 6.4 A new improvement plan (how we will change/improve) is in the process of being created which mirrors the exit plan (what we must do) produced by the Commissioners. The leadership and workforce elements of this plan will reflect the progress and ongoing risks outlined in this report, focusing on applying learning, embedding practice, and driving ongoing change and improvement.

7. Background papers other than published works or those disclosing exempt or confidential information.

7.1 None

8. Published documents referred to in compiling this report

- [Together for Nottingham Plan](#)
- [IAB Instructions](#)

Audit Committee – 28 June 2024

Title of paper:	Exemption from Contract Procedure Rules – Quarter 4 2023-24	
Director(s)/ Corporate Director(s):	Ross Brown Corporate Director of Finance and Resources	Wards affected: All
Report author(s) and contact details:	Dawn Cafferty, Head of Procurement dawn.cafferty@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Does this report contain any information that is exempt from publication? No		
Brief Summary This report provides data on the number of exemptions to Contact Procedure Rules which have been granted in Quarter 4 2023-24 and a summary of exemptions granted during the financial year. Assurance is provided to Audit Committee that Contracts are awarded in line with Contract Procedure Rules wherever possible and exemptions only granted where there is a sound rationale for approval. The report describes improvement actions taken by the Commercial Hub to continue to minimise the need for exemption requests, including a clear procurement pipeline, early engagement with services and training for procuring officers.		
Recommendation(s):		
1	To take assurance from the number of exemptions from Contract Procedure Rules during Quarter Four of 2023/24 and the total exemptions for the financial year 2023-24.	
2	To accept the actions identified in the report provide assurance that contracts are awarded in line with Contract Procedure Rules and that exemptions only occur where there is a sound rationale for approving the exemption	
3	To agree to reduce the expectation of reporting on requests for exemption from Contract Procedure rules to an annual report as required by the constitution to reflect the reduction of approved requests.	

1 Reasons for recommendations

1.1 The Audit Committee's terms of reference include to:

- consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- provide an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards
- consider assurance of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment including emphasis on:
 - Governance risks around high level financial strategy and reserves
 - Governance risks connected to asset realisation
 - Governance of Capital Programme and projects
 - Value for Money and Delivering Objectives

- Governance of linked incorporated bodies

1.2 As part of the Constitution all exemptions from Contract Procedure Rules need to be reported to Audit Committee on an annual basis, Article 18.94. This report outlines all exemptions requested during the period from January to March 2024 and a summary of the year's performance

1.3 In response to concerns raised around the level of approved exemptions from Contract Procedure rules the committee requested quarterly reports to allow greater oversight whilst changes in procedure were introduced to reduce the number of exemptions from the Contract Procedure Rules. At the November 2023 Committee, during discussion of Agenda Item 12 Contract Management and Procurement Dispensations Audit Reports update the Committee heard that the number of approved exemptions had reduced by around 48% and that the action around requests (table 1 of the November 2023 report) was rated Green.

2 Background

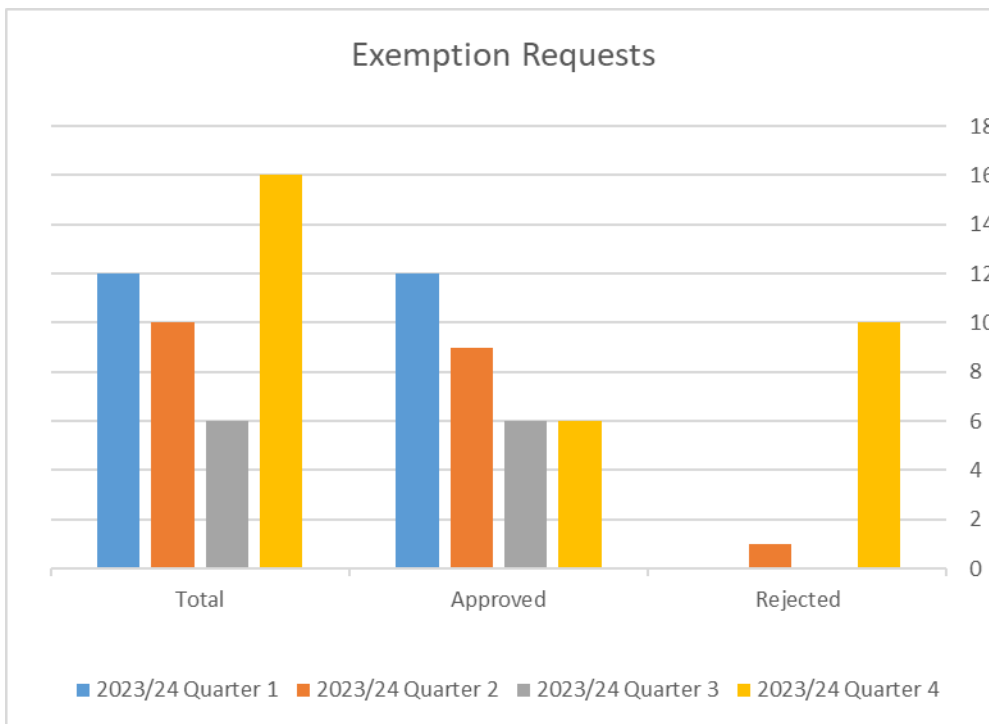
2.1 Contract Procedure Rules require the Head of Procurement to keep a formal record of all exemptions requested and agreed, to be taken separately to seeking approval for spend. Article 18 Contract Procedure Rules include an exemption form that is completed whenever an exemption from Article 18 is requested. These forms are reviewed by the Head of Procurement prior to seeking the approval of the Corporate Director of Finance and Resources. Once approved these are collated by the Head Procurement to ensure a comprehensive record of all exemptions is maintained.

2.2 There will always be some requests for exemption from Contract Procedure Rules as not all contracts can be let through a formal tendering or quotation process for various reasons. An example is where there is only one supplier for technical reasons.

2.3 The following table outlines the number of exemptions requested and approved during the period from January to March 2024. Appendix 1 lists the 6 approved exemption requests with the reasons for the decision taken during Quarter 4 of 2023/24.

	Total	Approved	Rejected
2023/24 Quarter 4	16	6	10

2.4 The chart below shows the exemption requests for the full financial year 2023-24



- 2.5 Of the approved requests three were unavoidable with no alternative option to the exemption for various reasons (see Appendix 1). The other three exemptions may have been avoidable as these were due to delays in procurement processes and late engagement with the Commercial Hub.
- 2.6 The six approved exemptions total £3.525m with an average of £0.588m
- 2.7 9 requests were rejected by the Procurement Team as exemptions to Article 18 were not required. Processes were found to be compliant and approved in line with normal governance or the contract extensions procedure.
- 2.8 33 requests were approved in total during financial year 2023/24. This is equal to the previous years' approvals. Full-year figures for previous years are not available but comparative numbers of approvals in quarters 3 and 4 show a steady reduction from 20 to 12 approvals from 2021/22 to 2023/24.
- 2.9 Procurement continues to work with departments to ensure exemptions only come forward when there is no alternative. Wherever possible alternative solutions are found that do not require an exemption.

Key Actions this Quarter

- 2.10 The Commercial Systems and Strategy team has designed and implemented an eForm workflow for the submission and approval of requests for exemptions to Contract Procedure Rules. This allows a clear audit trail of request approval and ensures that Procurement Category Managers and Heads of Service are consulted and comment on requests before they are submitted to the Head of Procurement.
- 2.11 The procurement pipeline is shared on a monthly basis with Corporate Directors, via the Commercial Oversight Board. Future attendance at DLTs by the Head of Procurement and Procurement Category Managers is also planned. This will support planning with

departments and aims to further reduce late requests for procurement support as well as reducing requests for Exemptions to Article 18 where this is not required.

2.12 Procurement Category Managers engage with stakeholders to ensure any request that is not following best practice is added to the longer term Category plan or alternative compliant purchasing options are implemented.

2.13 Procurement and Contract Management Fundamentals training programmes are available on the Learning Zone. These are mandatory for all staff involved in procurement or contract management activity.

3 Background papers other than published works or those disclosing exempt or confidential information

3.1 None

4 Published documents referred to in compiling this report

4.1 Nottingham City Council's Constitution

4.2 Audit Committee: November 2023 Agenda item 12 Contract Management and Procurement Dispensations Audit Reports update

Appendix 1: Approved Exemptions to Contract Procedure Rules Quarter 4 2023-24

Contract Title	Service Area	Directorate	Proposed Provider	Date Actioned	Status	Contract Value	Rationale for Exemption/Procurement Reason for Supporting
Annual cost of community events and delivery of contracted works	Resident Services	Community, Environment and Resident Services	Various	2/1/2024	Approved	£147,000.00	Recommended for approval whilst work being undertaken on a new DPS for all purchases related to green space.
Procurement/retention of agency staff	Strategic assets and property	Growth and City Development	vivid, park avenue and oyster	3/5/2024	Approved	£350,000.00	Below threshold. The Corporate Director, in consultation with the Head of Contracting and Procurement, decides that special circumstances make it appropriate and beneficial to negotiate with a single firm or that a single tender be invited and that best value for the Council can be achieved by not tendering.
Advertising on Local Newspapers and Websites	Theatre Royal and Royal Concert Hall	Communities, Environment and Resident Services	Reach PLC	3/5/2024	Approved	£96,000.00	Sole supplier compliant under regulation 32
Promotional Print Display and Distribution	Theatre Royal and Royal Concert Hall	Communities, Environment and Resident Services	Onpoint Distribution Ltd	3/5/2024	Approved	£80,000.00	The exemption request is for a period of 12 months to be reviewed annually and is agreed on the basis as a sole supplier for the service requirements and that the service generates an income to NCC.
Statutory Under-taker Works - (Maid Marion Way) Section 79(3) of the New Roads & Street Works Act 1991	Highway Services	Communities, Environment and Resident Services	Various Contractors including Severn Trent, National Grid, Virgin Media, Cadent Gas	3/5/2024	Approved	£2,501,475.79	Specifically allowable as under the R&SW act 1991 only the owners can alter their equipment in the highway propose making clear no further exemption required as specifically exempt from Public Contract Regulations.
Maintaining Decency - Kitchen & Bathrooms	Housing Services	Growth and City Development	GEM Solutions UK Ltd	3/14/2024	Approved	£350,000.00	Below threshold extension to an existing contract to allow a tender to be undertaken in 2024/25

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Audit Committee – 28 June 2024

Title of paper:	Statement of Accounts Progress Update	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer Shabana Kausar, Director of Finance and Deputy S151 Officer	Wards affected: All
Report author(s) and contact details:	Glenn Hammons, Interim Finance Lead – Technical Finance	
Other colleagues who have provided input:	David Bennett, Interim Closedown Lead	
Does this report contain any information that is exempt from publication? No		
Brief Summary The Audit Committee is responsible for approving the audited accounts, this report looks to provide a formal update on the progress the Council is making with its statement of accounts relating to 2019/20 to 2023/24. The key areas covered in the report are: <ul style="list-style-type: none"> • Progress update on the outstanding accounts and expected timeline for completion • An update on the risks including the latest position on the national response to the local government audit delays and its impact on the Council. 		
Recommendation(s):		
1	To take assurance the current position with the Statement of Accounts for the years 2019/20 through to 2023/24.	
2	To take assurance from the indicative timeline and associated risks for publishing the Statement of Accounts for financial years 2019/20, 2020/21, 2021/22 and 2022/23 to meet the proposed national backstop dates as set out in Section 3.5	
3	To take assurance from the progress, indicative timeline and associated risks for publishing the Statement of Accounts for financial year 2023/24 as set out in Section 3.6	

1 Reasons for recommendations

1.1 The Audit Committee's terms of reference include to:

Financial Reporting

- (a) review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council
- (b) consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
- (c) approve the Council's Statement of Accounts and associated governance and accounting policy documents.

1.2 As the Audit Committee is responsible for reviewing and approving the audited accounts, this report looks to provide a formal update on the progress the Council is making with its statement of accounts relating to 2019/20 to 2023/24.

2 Background

2.1 As previously reported to the Committee the Council has experienced delays with the audit of its 2019/20 accounts due to issues with property valuations for specialist assets and with subsidiary company figures required for group accounts. It currently has four sets of accounts that should have already been published with audit opinions. These are 2019/20, 2020/21, 2021/22 and 2022/23. In addition the Council is working on the production of the 2023/24 draft accounts.

2.2 The Council's 2018/19 Statement of Accounts were approved by the Audit Committee on 26 March 2021 for which Grant Thornton issued their audit opinion on the same day enabling the accounts to be formally published.

2.3 Grant Thornton originally commenced audit work on 2019/20's accounts in 2020 after work on the 2018/19 Statements concluded, but they decided to withdraw in early 2021 to allow the Council to amend the draft for a number of emerging issues including the need to obtain valuations for specialist assets and to finalise figures for a former subsidiary company which was in administration. As set out below these issues have been responded to by the Council, and the audit is continuing.

3. Accounts Progress

3.1 Revisions were made to the 2019/20 accounts to incorporate the revised valuation information for specialist assets, to amend group accounts, to adjust for issues with the Housing Revenue Account and to address other issues identified during the audit. The updated draft accounts for 2019/20 were provided to Grant Thornton in November 2023. Table 1 below provides a summary of the latest position with regards to the outstanding draft accounts. Appendix 1 provides a detailed progress position for each year.

Table1: Expected Progress of Producing Outstanding Accounts to end of June 2024

Financial Year	Producing Outstanding Accounts	Progress as at 7 June 2024	Expected Progress to end of June 2024
2019/20	All requests received have been responded to by the Council. Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time. Grant Thornton are progressing the Accounts through their Quality Assurance processes.	100%	100%
2020/21	Audit not yet commenced. Revised draft accounts were completed in December 2023.	100%	100%
2021/22	Audit not yet commenced. Draft accounts were completed in May 2024.	100%	100%

Financial Year	Producing Outstanding Accounts	Progress as at 7 June 2024	Expected Progress to end of June 2024
2022/23	Audit not yet commenced. Draft accounts are expected to be ready for publication by mid July 2024.	80%	85%

3.2 It should be noted there is the risk that if there are any further changes required to the draft 2019/20 Accounts they are also likely to require changes to subsequent years draft Accounts. These changes will take time to process through the statements.

3.3 The Council has prepared a plan for publishing the draft Accounts for all outstanding years. This includes reporting to Audit Committee and public inspection. The finalisation of this plan is dependant upon the conclusion of the 2019/20 audit process and the national proposals to address the local government audit backlog (as set out in Paragraph 3.5).

3.4 Public Inspection Requirements

3.4.1 Periods of public inspection are a legal requirement. The accounting records have to be open to members of the public for a period of 30 working days under the Accounts and Audit Regulations. This period will still need to be observed for all outstanding years except for 2019/20 which was open from 1 September to 12 October 2020 inclusive.

3.4.2 Ideally, once the audit of the 2019/20 Draft Accounts has been finalised the Council is planning to make subsequent draft accounts available for public inspection. However, to meet the proposed timetable for meeting the backstop dates in the national proposals to address the audit backlog the Council may need to publish draft accounts for public inspection in advance of the 2019/20 accounts having an audit opinion from Grant Thornton. Whilst it is not a requirement of the Regulations the intention would be to report draft accounts to Audit Committee ahead of or at the earliest opportunity during the public inspection period.

3.5 Addressing the Local Government Audit Backlog

3.5.1 As the Committee will be aware following reports at previous meetings the Government published a cross-system statement on proposals to clear the backlog and embed timely audits.

3.5.2 The latest position is that the two consultations (DLUHC and National Audit Office) closed on 7 March 2024. The Council submitted a response to the DLUHC consultation which was primarily focussed on issues for local authorities. The National Audit Office consultation was in relation to proposed changes to the Auditors Code. A further consultation from CIPFA on technical to the Accounting Code to support the implementation of the proposals concluded on 28 March 2024.

3.5.3 The outcome of the consultation, including revised Regulations and guidance, is still awaited. It is likely the focus on the General Election will slow down the progress of the required changes to Regulations which may lead to the proposed backstop date being reset to a date in the future.

Indicative Timeline for Meeting Backstop Dates for Outstanding Accounts

3.5.4 Since the announcement of the proposed backstop dates for Phase 1: Reset, covering all outstanding Accounts up to and including 2022/23, the Council has been considering the timeline for preparing draft accounts, undertaking the mandatory 30 day public inspection requirements, achieving approval/sign off from the Section 151 Officer/Audit Committee and receiving an external audit opinion.

3.5.5 The table below provides an initial and indicative timeline for key milestones for achieving these backstop dates:

Milestone	2019/20 Accounts	2020/21 Accounts	2021/22 Accounts	2022/23 Accounts
Public Inspection Period	Complete	June/July 2024	June/July 2024	July/August 2024
Audit Committee Review Draft Accounts for Public Inspection	Complete	July 2024	July 2024	September 2024
Audit Committee Consider Approval	26/7/24	September 2024	September 2024	September 2024
External Audit Opinion	TBC			
Proposed Backstop Date (not yet confirmed)	30 September 2024			

3.5.6 The key issue for the Council to meet the proposed backstop date of 30 September 2024 will be a timely conclusion to the 2019/20 audit and an opinion from Grant Thornton being provided. Once this has been achieved it will enable the 2020/21, 2021/22 and 2022/23 draft accounts to be prepared with confidence that there will be no further changes to incorporate arising from the 2019/20 audit.

3.5.7 If an audit opinion for 2019/20 is not forthcoming from Grant Thornton the Council will need to bring forward draft accounts subsequent years within the timetable above to achieve the proposed 30 September 2024 backstop date.

3.5.8 It should be noted there are a number of risks to this indicative timeline. These include:

- The timely conclusion of an audit opinion being issued for 2019/20
- Finalisation of the national backstop dates and related requirements/guidance being formally approved and published
- The risks identified in paragraph 3.7.3 below in relation to the Council's outstanding accounts.

3.6 Closedown and Draft Accounts 2023/24

3.6.1 Preparations for the closure and preparation of the Accounts for 2023/24 have commenced. The indicative timeline for key dates as they currently stand are set out in the table below:

Milestone	2023/24 Accounts
Outturn transactions recorded on ledger	Complete
Provisional Outturn Report considered by Executive Board	Complete (Executive Board June 2024)
Draft Accounts Published	31/10/24
Public Inspection	November / December 2024
External Audit	July / August 2024, and November 2024 to May 2025
Audit Committee Consider Approval	April or May 2025
Proposed Backstop Date	31/5/25

3.6.2 The preparation and production of the 2023/24 Draft Accounts are being completed at the same time as the Council is working towards the proposed backstop dates for the outstanding Accounts as set out in 3.5 above. To provide maximum opportunity for meeting the 31 October 2024 date for publishing the draft Accounts for 2023/24 there is a clear window planned from the proposed backstop date of 30 September 2024.

3.6.3 The Council's is working closely with Grant Thornton with regards to their preparation and planning work for the 2023/24 accounts audit. The audit planning work has commenced and includes a review of the IT environment, a walkthrough of business processes and the provision of information to inform a risk assessment of the audit.

3.7 Risk Assessment

3.7.1 As set out above good progress has been, and continues to be, made towards clearing the outstanding accounts.

3.7.2 Since the submission of the draft 2019/20 Accounts to Grant Thornton in November 2023 work has progressed significantly to resolve issues and produce draft accounts for 2020/21, 2021/22, 2022/23 and 2023/24.

3.7.3 However, the achievement of these timelines is heavily dependent upon number of factors, including the:

- Volume of further queries and an audit opinion from Grant Thornton in relation to the 2019/20 draft accounts,
- Confirmation of the timing, and outcome of the consultation, of proposed backstop dates and related guidance at a national level to address the backlog in local government audit as outlined,
- Staffing capacity and skills. The Council has skilled permanent and temporary staff preparing the outstanding accounts. These are staff with highly specialised skill sets and there is a shortage of these skill sets in the market. If any of these staff were to leave or be unavailable it would impact on the Council's ability to achieve the timelines.

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 Statement of Accounts Update reports to Audit Committee in last 12 months:

- 28 July 2023 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 29 September 2023 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 24 November 2023 – [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 23 February 2024 – [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 22 March 2024 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)

5.2 Consultation on Addressing The Local Audit Backlog:

- Government (DLUHC) - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
- National Audit Office - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk)
- Chartered Institute of Public Finance Accountants (CIPFA) - [Consultation on short term England only measures in the Code | CIPFA](https://www.cipfa.org.uk)

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Accounts Progress as at 7 June 2024

Year	Accounts Publication		Ledger	As Previously Reported in March 2024		Actual position as at 7 June 2024	
	Original Audited Accounts publication date ¹	Current position		Progress Status production of draft accounts	Progress (%)	Progress Status production of draft accounts	Progress (%)
2019/20	30 November 2020	Draft published 28 August 2020 <i>Public inspection completed in September/October 2020</i>	All required entries input by 30 September 2023.	<p>Audit Queries Status: All requests received have been responded to by the Council.</p> <p>Updated draft accounts submitted to Grant Thornton on 8 November 2023.</p> <p>Grant Thornton continue to progress through their internal quality assurance and review processes.</p>	100%	<p>Audit Queries Status: All requests received have been responded to by the Council.</p> <p>Updated draft accounts submitted to Grant Thornton on 8 November 2023.</p> <p>Grant Thornton continue to progress through their internal quality assurance and review processes.</p>	100%
			<p>Accounts Progress: All changes have been made to the Draft Accounts, including prior year changes affecting 2019/20.</p>	<p>Accounts Progress: All changes have been made to the Draft Accounts, including prior year changes affecting 2019/20.</p>			
			<p>Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 8 November 2023.</p>	<p>Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 8 November 2023.</p>			

¹ per Accounts & Audit Regulations

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Year	Accounts Publication		Ledger	As Previously Reported in March 2024		Actual position as at 7 June 2024	
	Original Audited Accounts publication date ¹	Current position		Progress Status production of draft accounts	Progress (%)	Progress Status production of draft accounts	Progress (%)
2020/21 Page 46	30 November 2021	Unsigned draft published 30 July 2021 Revised draft accounts complete but not yet published. <i>Public inspection not yet opened</i>	All ledger entries were completed by end September 2023.	Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.	100%	Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.	100%
				Accounts Progress: Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts.		Accounts Progress: Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts.	
				Draft Accounts Submission: Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Proposed national backstop dates for publishing of Accounts is 30 September 2024.		Draft Accounts Submission: Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection expected during July/August. Draft to Audit Committee in July with approval in September. Proposed national backstop dates for publishing of Accounts is 30 September 2024.	
2021/22	30 September 2022	Draft accounts are complete but not yet published <i>(was due 30 July 2022)</i> <i>Public inspection not yet opened</i>	All ledger entries were completed by end May 2024.	Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.	100%	Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.	100%
				Accounts Progress: Draft accounts for publication are now anticipated to be ready by mid April.		Accounts Progress: Revised draft accounts have been prepared.	
				Draft Accounts Submission: Expected to be produced by mid April 2024. Proposed national backstop dates for publishing of Accounts is 30 September 2024.		Draft Accounts Submission: Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection expected during July/August. Draft to Audit Committee in July with approval in September. Proposed national backstop dates for publishing of Accounts is 30 September 2024.	

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Year	Accounts Publication		Ledger	As Previously Reported in March 2024		Actual position as at 7 June 2024	
	Original Audited Accounts publication date ¹	Current position		Progress Status production of draft accounts	Progress (%)	Progress Status production of draft accounts	Progress (%)
2022/23	30 September 2023	No draft yet produced <i>(was due 30 May 2023)</i>	Initial close of ledger complete and majority of accounting entries included.	<p>Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p>Accounts Progress: Draft accounts are expected to be ready by mid June 2024.</p> <p>Draft Accounts Submission: Draft accounts are expected to be ready by mid June 2024. Proposed national backstop dates for publishing of Accounts is 30 September 2024.</p>	80%	<p>Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p>Accounts Progress: Draft accounts are expected to be ready by end July 2024.</p> <p>Draft Accounts Submission: Draft accounts are expected to be ready by end July 2024. Public Inspection expected during July/August. Audit Committee in September for approval. Proposed national backstop dates for publishing of Accounts is 30 September 2024. Proposed national backstop dates for publishing of Accounts is 30 September 2024.</p>	85%

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Audit Committee – 28 June 2024

Title of paper:	Treasury Management 2023/24 Annual Report	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer	Wards affected: All
Report author(s) and contact details:	Patrick Kilgallen, Interim Senior Accountant – Treasury Management	
Other colleagues who have provided input:	Members of Treasury Management Panel: Ross Brown, Corporate Director of Finance and Resources Shabana Kausar, Director of Finance Glenn Hammons, Interim Finance Team Leader – Technical Finance	
Does this report contain any information that is exempt from publication? No		
<p>Brief Summary</p> <p>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.</p> <p>The Council’s Treasury Management Strategy for 2023/24 was approved by full Council on 6 March 2023. The Investment Strategy was amended on the 4th of March 2024 to adjust counterparty investment limits and make a technical change.</p> <p>The Council borrows and invests substantial sums of money as part of its business-as-usual activity. In common with all local authorities, it is therefore exposed to financial risks including the loss of invested funds and the revenue account impact of changing interest rates. This report covers performance in relation to treasury management activity and the associated monitoring and control of risk.</p>		
Recommendation(s):		
1	<ul style="list-style-type: none"> To take assurance from this report that the Treasury management controls and risk management practises in place that have operated in 2023/24 are working effectively. 	

1 Reasons for recommendations

1.1 The Audit Committee’s terms of reference include to:

- effectively scrutinise, review and monitor treasury management strategies and policies in accordance with guidance issued to local authorities, and make appropriate recommendations to the responsible body

2 Background

2.1 The Council is required to operate a balanced budget, which broadly means cash raised during the financial year will meet its cash expenditure. Treasury management operations ensure that this cash flow is adequately planned, with surplus monies being

invested by prioritising low risk counterparties and ensuring liquidity of funds before considering and optimising investment return.

- 2.2 The treasury management function also services the financing of the Council’s capital expenditure plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.3 Accordingly, Treasury Management is defined as: “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.4 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2021).

3 Treasury Management Activity in 2023/24

3.1 The UK Economy, Growth, Monetary Policy and Inflation

- 3.1.1 Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.
- 3.1.2 Markets have sought an end to central banks’ on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.
- 3.1.3 UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

Table 1: Economic Data 2023/24			
	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.2%/y/y	+0.1%/y/y	2.0% Q1 Annualised
Inflation	3.4%/y/y (Feb)	2.4%/y/y (Mar)	3.2%/y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

- 3.1.4 **Appendix 2** shows the money market interest rates and the Public Works Loans Board (PWLb) borrowing rates for 2023-24

3.2 Local Context

- 3.2.1 There were a number of significant events that took place throughout 2023-24, and shortly afterward, that affect the context within which the treasury management activities took place. In November 2023 the S151 officer issued a s114 notice, In

February 2024 commissioners were appointed to oversee the council for a period of two years and the final report of the Improvement and Assurance Board (IAB) was issued in May 2024.

- 3.2.2 In 2023/24 the council's Corporate Director for Finance and Resources issued a report under section 114(3) of the Local Government Finance Act 1988 Act in their role as Section 151 Officer to all councillors, because in their professional opinion, despite the introduction of spend control measures in July, the council could not balance the budget for the financial year 2023/24, which the council must do by law. The Council applied to Government for Exceptional Financial Support to assist in balancing the budget (see paragraph 4.7).
- 3.2.3 In February Ministers wrote to the council to say that they have put Directions in place to appoint Commissioners until 22 February 2026. The appointment of Commissioners means that will oversee the full range of the council's improvement activities. It is intended that most decisions should still be made by the authority but with the oversight of the Commissioners.
- 3.2.4 The final IAB report provided an account of the progress, or otherwise, in achieving fundamental change in the Council's operation. It paid particular attention to the Council's response to the IAB 'Instructions' issued in February 2023, following the Minister's decision to give the Board powers of direction. It outlined the progress the council had made in its Improvement and Recovery Plan.
- 3.2.5 Following a non-statutory review in 2021, the Council implemented a Voluntary Debt Reduction Policy (VDRP) with the aim to support the Council in returning to financial and operational stability. The borrowing and debt management strategies aim to reduce the Council's future requirement to borrow, known as the Capital Financing Requirement (CFR), and to reduce the level of debt held by the Council.
- 3.2.6 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources based on robust financial modelling, the capital expenditure will give rise to a borrowing need, however this route is strictly limited by the Capital Strategy.
- 3.2.7 The CFR is a gauge of the Council's indebtedness and results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 3.2.8 At 31 March 2024 the Council's underlying need to borrow for capital purposes as measured by the CFR was £1.277bn.
- 3.2.9 Table 1 below shows the original and the actual financing arrangements of the capital programme. The borrowing element of the table increases the underlying indebtedness of the Council by way of the CFR, although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

This direct borrowing need will also be increased by maturing debt and other treasury requirements.

Table 1: Capital Outturn 2023/24			
	2023/24 Original Budget £m	2023/24 Actual £m	Variance to Budget £m
Capital Expenditure			
General Fund	113.5	96.6	(16.9)
Housing Revenue Account	50.1	47.2	(2.9)
Total Expenditure	163.6	143.8	(19.8)
Financed by:			
Capital Receipts	47.2	38.5	(8.6)
Capital Grants & Contributions	67.1	67.1	0.0
Internal Funds / Revenue (Inc. Major Repairs Reserve)	31.4	36.2	4.8
Total Funding	145.6	141.8	(3.8)
Borrowing	14.2	1.9	(12.3)
Borrowing - Exceptional Financial Support	3.7	0	3.7

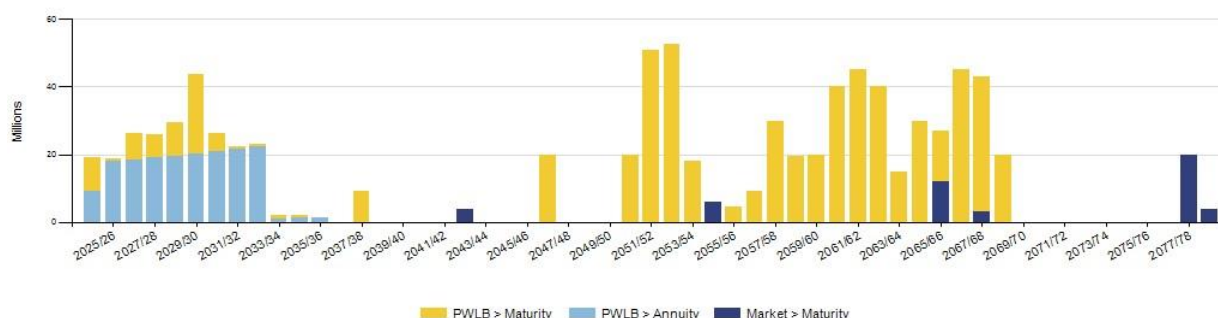
3.3 Borrowing

- 3.3.1 To finance the CFR, the Council may borrow externally from the Public Works Loans Board (PWLB) or the market, or from its own internal balances on a temporary basis (internal borrowing), by using its cash balances that are not immediately needed for the delivery of services. The balance of external and internal borrowing is generally driven by market conditions. At present the council is operation a Voluntary Debt reduction Policy so no new borrowing is planned.
- 3.3.2 During 2023/24, as part of the Voluntary Debt Reduction Policy, the Council continued its strategy to reduce the CFR and external debt balances by repaying maturing loans with its cash balances and by internal borrowing. This means that the overall capital borrowing need (known as the CFR), has not been fully funded by taking external loan debt.
- 3.3.3 Total outstanding external loan debt in 2023/24 decreased by £77.4m (-8.8%) to £800.6m at 31 March 2024. The average rate of interest on total external loan debt decreased, from 3.42% at 31 March 2023 to 3.31% at 31 March 2024. Table 2 below analyses the debt portfolio:

Table 2: Debt Portfolio					
Debt	01-Apr-23		31-Mar-24		Movement
	£m	Average Interest %	£m	Average Interest %	£m
PWLB borrowing	824.7	3.36%	757.3	3.37%	(67.4)
Market loans inc LOBO	49.0	4.35%	41.0	4.26%	(8.0)
Temporary borrowing	4.3	2.29%	2.3	2.29%	(2.0)
TOTAL LOANS DEBT	878	3.42%	800.6	3.31%	(77.4)
Other including PFI	158.3		146.2		(12.1)
TOTAL DEBT	1,036.3		946.8		(89.5)

3.3.4 The graph below shows the maturity profile of the debt portfolio and total debt each year. These graphs should be reviewed together with the Prudential Indicator for Debt Maturity shown in paragraph 4.11.4.

Graph 1 Debt Maturity profile



3.3.5 In 2023/24 the Council did not take any further long-term borrowing from the Public Works Loans Board (PWLB) or from banks in line with VDRP

3.3.6 The Council's internal borrowing position at 31 March 2023 was £346.1m. This meant that c.27% of the overall capital borrowing need including prior year capital expenditure but excluding PFI liabilities (known as the CFR), was not funded with loan debt as cash held by the Council for reserves, balances and cash flow was used as a temporary measure.

3.3.7 The strategy of using internal borrowing avoids the cost of interest payable on external borrowing in the short term until actual new borrowing is taken or the borrowing requirement reduces.

3.3.8 The Council expects to retain this internal borrowing position as a prudent and cost-effective approach in view of the reducing CFR and the current forecast for balances available to support this position.

3.3.9 The continuation of this existing strategy will further support managing the Council's cost of financing in the coming years and supports the aims of the VDRP in reducing the Council's debt levels.

3.4 Lender Option Borrower Option (LOBOs) and Market Loans

- 3.4.1 The Council held £34m of LOBO loans at the 1st of April 2023. The terms on these loans gave the lender the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £8m of these loans had the option called during the year and the Council chose to repay these loans at par. The interest rate on these loans was 4.9% which means the repayment has reduced the council's debt charges by £392,000 annually. At the 31st of April 2024 the council had £26m of LOBO loans remaining. Market Loans, loans with private sector counterparties that have no options and are fixed for the remaining term of the loan, totalled £15m at the 31st of March 2024.

3.5 Borrowing in advance of need

- 3.5.1 The Treasury Management Code of Practice states an organisation may only borrow in advance of the need in order to reduce financing and interest rate risks i.e. not purely in order to profit from the investment of the extra sums borrowed. The Council has complied with the Code in this respect.

3.6 Debt Rescheduling

- 3.6.1 The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt has made rescheduling unviable for the existing loans in the Council's portfolio. The Council chose to repay 2 loans during the year totalling £50m in value. These were repaid at a discount and will mean an interest saving of £1.1m annually. The total discount received amounted to £16.35m and the benefit of this will be spread over the next 10 years in accordance with the CIPFA Code of Practise.

3.7 Exceptional Financial Support

- 3.7.1 The council applied for and received permission to capitalise revenue expenditure in 2023/24 and 2024/25. This is known as 'Exceptional Financial Support' (EFS) and has implications for borrowing. If the council capitalises expenditure, it can be funded through borrowing or through the application of capital receipts. The EFS utilised in 2023/24 was funded by capital receipts.

3.8 Housing Revenue Account (HRA) Borrowing

- 3.8.1 From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Council's existing debt at that time. No new HRA borrowing was taken in 2023-24.
- 3.8.2 The HRA element of the CFR was £286.5m at the 31st March 2024 and is fully financed at an average rate of 4.3%. This includes £53.2m of long-term fixed rate loans from the General Fund (known as internal loans). The HRA interest charge for 2023-24 was £11.1m.
- 3.8.3 In October 2018 the Government announced the HRA debt cap was to be abolished, but the now notional cap has been retained as a useful indicator shown in Appendix 1. Any capital expenditure financed by borrowing needs to comply with the requirements

of the CIPFA prudential code including ensuring the scheme was affordable, sustainable and in proportion to the resources available.

3.8.4 The HRA has 2 local indicators to manage its debt as shown below:

	2023/24	2023/24
	Estimate	Actual
Ratio of Debt to Revenues		
HRA Debt £m	300.7	286.5
HRA Revenues £m	111.8	111.2
Ratio of Debt to Revenues	2.7	2.5
Debt per Dwelling		
HRA Debt £m	300.7	286.5
No. of Dwellings	25,082	24,546
Debt per Dwelling £	11,990	11,670

3.9 Investments

3.9.1 The Council's investment policy is governed by the Department of Levelling Up, Housing and Communities (DLUHC) investment guidance, which has been implemented in the annual investment strategy approved by the Council on 7 March 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

3.9.2 The investment activity during the year conformed to the approved strategy as approved on 7 March 2024.

3.9.3 The Council held £333.9m of investments at 31 March 2024 (£308.0m at 31 March 2022) and the investment portfolio yield for the year was 5.35%, above the benchmark 7 day SONIA (sterling overnight index average rate of 4.96%).

3.9.4 Table 4 below summarises investment activity in 2023-24.

TABLE 4: Investment Activity for 2023-24	Balance on 31.03.2023	Balances on 31.3.24	Average Rate 31.3.24
Short term investments:			
- Banking Sector	95.0	234.5	5.5%
- UK Government	40.0	13.2	5.0%
- Local Authorities	41.0	0.0	
- Overseas Government	9.9	9.7	5.0%
- Money Market funds	112.2	76.6	5.3%
Long term investments			

TABLE 4: Investment Activity for 2023-24	Balance on 31.03.2023	Balances on 31.3.24	Average Rate 31.3.24
- Local Authorities	0.0	0.0	0.0
- Overseas Government	9.9	0.0	0.0
TOTAL INVESTMENTS	308.0	333.9	5.4%
Increase / (Decrease) in Investments		25.9	

3.10 External advisors

3.10.1 External treasury management advisors 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.

3.10.2 The Council has retained Link Group as its treasury management advisors.

3.11 Compliance with Prudential Indicators

3.11.1 The Council confirms compliance with its Prudential Indicators for 2023-24 set on 7 March 2023 as part of the Council's Treasury Management Strategy Statement. The Prudential Indicators can be found in Appendix 1.

3.11.2 The Council measures and manages its exposures to treasury management risks using the following indicators.

3.11.3 Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The limit on variable rate interest rate exposures are:

	2021/22 £m	2022/23 £m	2023/24 £m
Upper limit on variable interest rate exposure	300.0	200.0	200.0
Actual	41.3	38.3	76.6

3.11.4 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper	Actual
Under 12 months	0%	25%	8%
12 months and within 24 months	0%	25%	6%
24 months and within 5 years	0%	25%	14%
5 years and within 10 years	0%	25%	19%

10 years and within 25 years	0%	50%	6%
25 years and within 40 years	0%	50%	26%
40 years and above	0%	50%	21%

3.11.5 **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end is:

	2021/22 £m	2022/23 £m	2023/24 £m
Limit on principal invested beyond year end	100.0	100.0	100.0
Actual	35.0	10.0	13.2

3.11.6 **Operational Boundary and Authorised Limit for External Debt:** The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	2023/24 £m
Borrowing	784.2
Other Long-term Liabilities *	146.2
Total External Debt	930.4
Operational Boundary	1,299.5
Authorised Limit	1,329.9

* Includes PFI and Leases liabilities

3.12 Treasury Management Reserve

3.12.1 The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year including new technical accounting entries relating to IFRS 9 (which stipulates the treatment of expected loss model-based impairments on Treasury related investments and capital investments such as loans to third parties and financial guarantees). There was no expected loss impairment made to treasury investments in 2023/24. Treasury management reserves also include the Financial Adjustment Account, which contains any balances arising from early repayment of debt, resulting in either a premium or a discount.

3.12.2 The combined reserves at 31 March 2024 was £24.2m, a net increase over the year of £15.7m due to the discount received on the early repayment of debt. This net increase is an unusable reserve held for accounting purposes and will gradually be gradually recognised in revenue over the next 9 years. The appropriateness of the other balance held will be reviewed as part of the annual reserves review, which forms part of the 2025/26 budget setting process.

3.13 Risk Management

- 3.13.1 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.
- 3.13.2 The treasury management risk register's overall risk rating 4.23 at 31 March 2023, (Likelihood = unlikely, Impact = minor) and it remains at that level at 31 March 24. This means the current score is over the targeted risk rating of 2.94 (Likelihood = remote, Impact = minor). The maximum score on the risk matrix is 25 while the minimum risk is 1.
- 3.13.3 In practical terms this score of 4.23 means that the level of risk in Treasury management represents a low seriousness on the scale of 1 to 25 but there is still some improvements that can be made to reduce the risk to target.
- 3.13.4 Actions have been taken to reduce risks in the areas of code of practise compliance, cashflow management and business continuity throughout the year and these changes will impact the risk review that will take place in Q1 2024.

4 Finance colleague comments (including implications and value for money/VAT)

4.1 General Fund Revenue Implications

- 4.1.1 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.
- 4.1.2 The General Fund outturn in 2023/24 for treasury management costs was £71.43m comprising of interest charges, provisions for the repayment of debt, PFI related expenditure and investment income. The PFI expenditure accounted for £35.35m which includes the NET lines 1 & 2 (the Nottingham Tram Network). A proportion of the Council's debt relates to capital expenditure on HRA housing and an additional £11.1m of debt costs was charged to the HRA. The HRA also received their share of investment income on their cash balances which totalled £5.7m.
- 4.1.3 The General Fund budget and outturn for 2023/24 treasury management costs are summarised in the table below:

	Budget 2023/24	Outturn 2023/24	Variance 2023/24
Treasury Management	£m	£m	£m
Interest Receivable	(4.1)	(10.6)	(6.5)
Interest Payable			
Debt	18.9	18.3	(0.6)
PFI	23.5	23.5	0.0
Debt Repayment (MRP)			
Non-PFI	32.0	27.8	(4.2)
PFI	11.9	11.9	0.0
Total	81.2	71.4	(9.5)

4.2 Value for Money

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

5 Background papers other than published works or those disclosing exempt or confidential information

- 5.1 None.

6 Published documents referred to in compiling this report

- 6.1 Treasury Management Strategy 2023-24 and Capital Investment Strategy 2023-24
- 6.2 Together for Nottingham Plan
- 6.3 Money Market and PWLB loan rates
- 6.4 Treasury Management in the Public Services Code of Practice 2021–CIPFA
- 6.5 Prudential Code 2021 -CIPFA
- 6.6 Treasury Management in the Public Services Guidance Notes 2021– CIPFA
- 6.7 Statutory guidance on local government investments 3rd Edition 2018
- 6.8 Statutory guidance on Minimum Revenue Provision (MRP) 2024

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PRUDENTIAL INDICATORS

Appendix 1

INDICATORS	2022/23 Actual	2023/24 Estimate	2023/24 Outturn
1) Prudence indicators		Per TMSS 23/24	
i) Capital Expenditure			
General Fund	£153.1m	£226.7m	£108.6
HRA	£51.7m	£83.65m	£47.1m
	£204.8m	£310.4	£155.8m
ii) CFR at 31 March			
General Fund	£1,019.3m	£989.5m	£975.6m
HRA	£296.1m	£309.9m	£301.1m
	£1,315.4m	£1,299.4m	£1,276.7m
iii) External Debt at 31 March			
Borrowing	£878.0m	£864.0m	£800.6m
PFI & leasing notional 'debt'	£158.3m	£146.2m	£146.2m
Gross debt	£1,036.3m	£1,010.2m	£946.8m
Less treasury investments	-£308.0m	N/A	-£333.9m
Net Debt	£728.3m	N/A	£612.9m
2) Affordability indicators			
i) Financing costs ratio			
General Fund	16.3%	14.2%	14.1%
General Fund (Inc PFI costs)	29.0%	N/A	26.6%
HRA	9.1%	16.2%	9.9%
	Max in year		Max in year
ii) Authorised limit for external debt	£1,071.1m	£1,329.9m	£1,036.3m
iii) Operational limit for ext. debt	£1,071.1m	£1,299.5m	£1,036.3m
iv) HRA limit on indebtedness			
HRA Debt Cap (abolished)	£319.8m	£319.8m	£319.8m
HRA CFR	£296.4m	£299.1m	£286.5m
3) Treasury Management indicators			
i) Limit on variable interest rates	£38.3m	£300.0m	£76.7m
ii) Fixed Debt maturity structure			
- Under 12 months	6%	0-25%	8%
- 12 months to 2 years	3%	0-25%	6%
- 2 to 5 years	10%	0-25%	14%
- 5 to 10 years	14%	0-25%	19%
- 10 to 25 years	6%	0-50%	6%
- 25 to 40 years	40%	0-50%	26%
- 40 years and above	21%	0-50%	21%
	Max in year		Max in year
iii) Max sum invested for >365 days	£10.0m	£100.0m	£13.2m

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) *'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.
- iii) *'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.

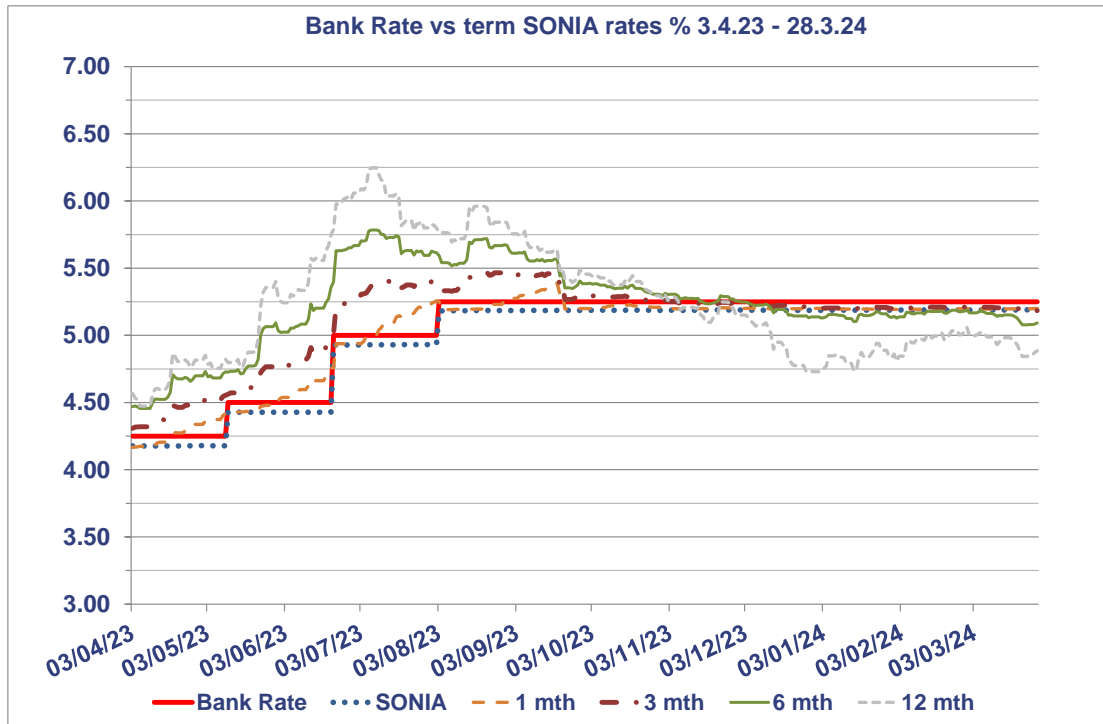
- iv) *'HRA limit on indebtedness'* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The MHCLG have now abolished the 'cap' on the maximum level of HRA debt, but this indicator shows the notional difference between this limit and the actual HRA CFR i.e. notional headroom available for future new borrowing.

3) **Treasury Management Indicators**

- i) *'Upper limit on variable interest rate exposure'* - is set to control the Authority's exposure to interest rate risk. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed.
- 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) *'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.
- iii) *'Total sums invested for periods of greater than 365 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.

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Money Market Interest Rates, PWLB rates in 2023/24 & Forecast at 31/03/24



FINANCIAL YEAR TO QUARTER ENDED 28/03/2024						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.19	5.39	5.48	5.78	6.25
High Date	03/08/2023	28/03/2024	19/09/2023	30/08/2023	07/07/2023	07/07/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	5.03	4.96	5.02	5.13	5.23	5.25
Spread	1.00	1.01	1.22	1.17	1.33	1.77

Changes in Interest Rate Environment in 2023/24

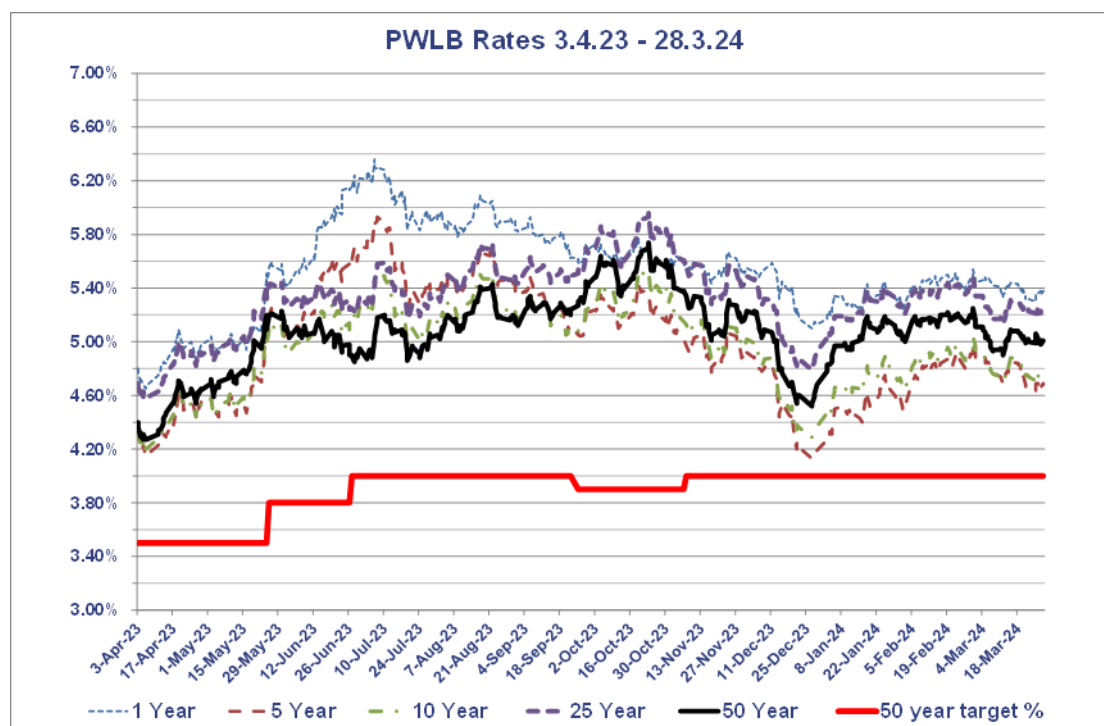
To show the change in market expectations the forecast outlook for money market interest rates and PWLB Certainty rates dated 7.02.2023 used in the Treasury Strategy for 2023-24 are shown below followed by the last forecast in 2023-24 dated 8.01.2024 which shows forecast rates have significantly increased – Bank rate was 5.25% at 28.03.24

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

PWLB Interest Rates during 2023/24

The graph and table below show the actual 2023/24 PWLB rates.



HIGH/LOW/AVERAGE PWLB RATES FOR 2023/24

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

PWLB rates are based on gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields.

Gilt yields have generally been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.

At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield. Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Audit Committee – 28 June 2024

Title of paper:	Finance Improvement Plan Progress Update	
Director(s)/ Corporate Director(s):	Ross Brown – Corporate Director of Finance and Resources (S151 Officer) Shabana Kausar - Director of Finance and Deputy S151 Officer	Wards affected: All
Report author(s) and contact details:	Toyin Bamidele (Finance Improvement Programme Lead)	
Other colleagues who have provided input:	Glenn Hammons (Technical Finance Team Leader)	
Does this report contain any information that is exempt from publication? No		
Brief Summary To present the Audit Committee with an update on the progress made against the Council's Finance Improvement Plan since the last reported position to the committee in March 2024. This report also provides the Audit Committee with an update on the following areas related to finance activity: <ul style="list-style-type: none"> • Statutory Accounts for 2019/20 – 2022/23 • Financial Accountability Framework • Financial Controls Remediation Project 		
Recommendation(s):		
1	To consider assurance from the governance arrangements in place in relation to the delivering the City Council's Finance Improvement Plan (FIP).	
2	To recognise the specific improvements delivered since the last update to the committee in March 2024 (Section 3).	
3	To take assurance in the progress being made on the following finance related activities: <ul style="list-style-type: none"> ▪ Statutory Accounts for 2019/20 – 2022/23 (Section 4). ▪ Financial Accountability Framework (Section 5). ▪ Financial Controls Remediation Project (Section 6). 	

1 Reasons for recommendations

1.1 The Audit Committee's terms of reference include to:

Governance, Risk & Control

- Review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance

- Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Monitor progress in addressing risk-related issues reported to the committee
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
- Consider arrangements for and the merits of operating quality assurance and performance management processes

2 Background

- 2.1 Improvements to the Council's financial governance, financial management, control, and reporting framework are at the heart of the Council's improvement agenda and are an area of high priority for the Statutory Improvement and Assurance Board appointed by DLUHC to oversee the delivery of the Council's improvement plans.
- 2.2 As a result, the FIP was developed to achieve good financial management as defined by CIPFA's Financial Management Model and the deliverables designed to ensure the necessary foundations for effective financial controls, data integrity, ownership and accountability framework.
- 2.3 This Committee was presented with the progress made in delivering the Council's Finance Improvement Plan (FIP) at the last Audit Committee in March 2024.
- 2.4 This report provides an update on the Finance Improvement Plan (FIP), the specific improvements delivered since the last update in March 2024 and the planned FIP activities to the end of June 2024.

3. Finance Improvement Plan (FIP) Progress Update

- 3.1 The City Council continue to face significant financial resilience challenges with the need to balance its structural budget gap and repay the Exceptional Financial Support (EFS) in the face of increasing service pressures and the need to deliver significant efficiency savings.
- 3.2 Notwithstanding with the financial challenges, the limited resources and system functionality and development constraints, officers continue to constantly explore new opportunity to implement improvements where possible.
- 3.3 The key risk to the delivery of the FIP remains staffing, management and leadership capacity as well as staff retention mostly as the same limited resources are required to support the Council's day to day core activities as well as the Council's journey to Financial Resilience and Sustainability.
- 3.4 The FIP is a live plan with new improvement actions being added to the plan as they are identified. Since the last report to this Committee in March 2024, six new improvement actions have been added to the plan resulting in a total of 254 improvement actions as at the end of May 2024.

3.5 The FIP continues to deliver steady progress and an outline of the specific improvements achieved since the last update to the committee in March 2024 is shown in detail at Appendix 1.

3.6 As at the end of May 2024, 130 improvement actions have been delivered and embedded into Business as usual (BAU) whilst 87 actions are in progress of delivering resulting in 85% of the 254 financial deliverables identified as at the end of May 2024 has either completed, embedded into business as usual (BAU) or in progress. Figure 1 below illustrates the progress update across the programme whilst Figure 2 and Table 1 provides progress update by the eight agreed FIP themes.

Figure 1 - Financial Improvement Plan - Progress Update - May 24

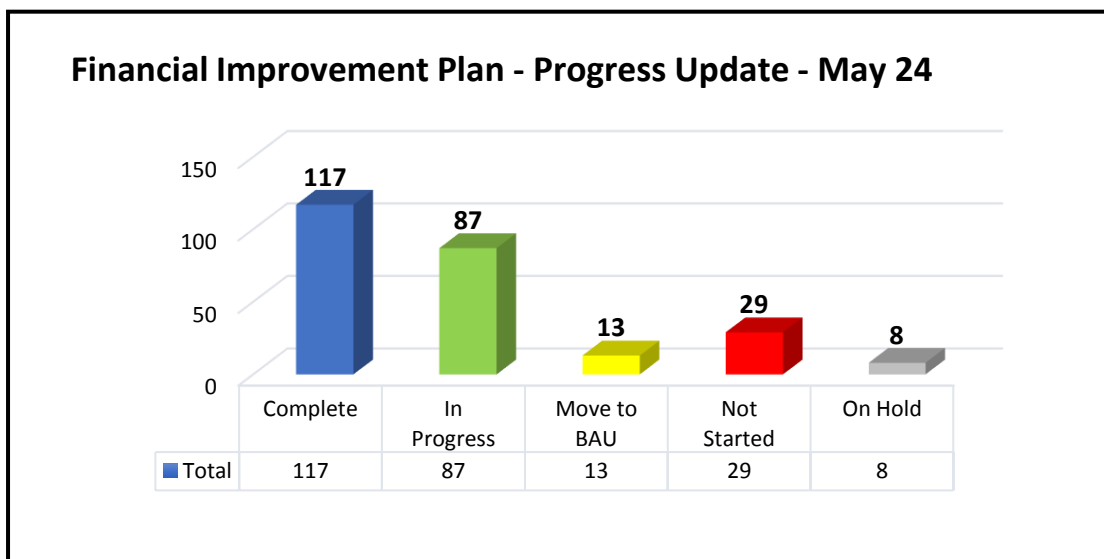


Figure 2 - FIP Progress Update by Theme

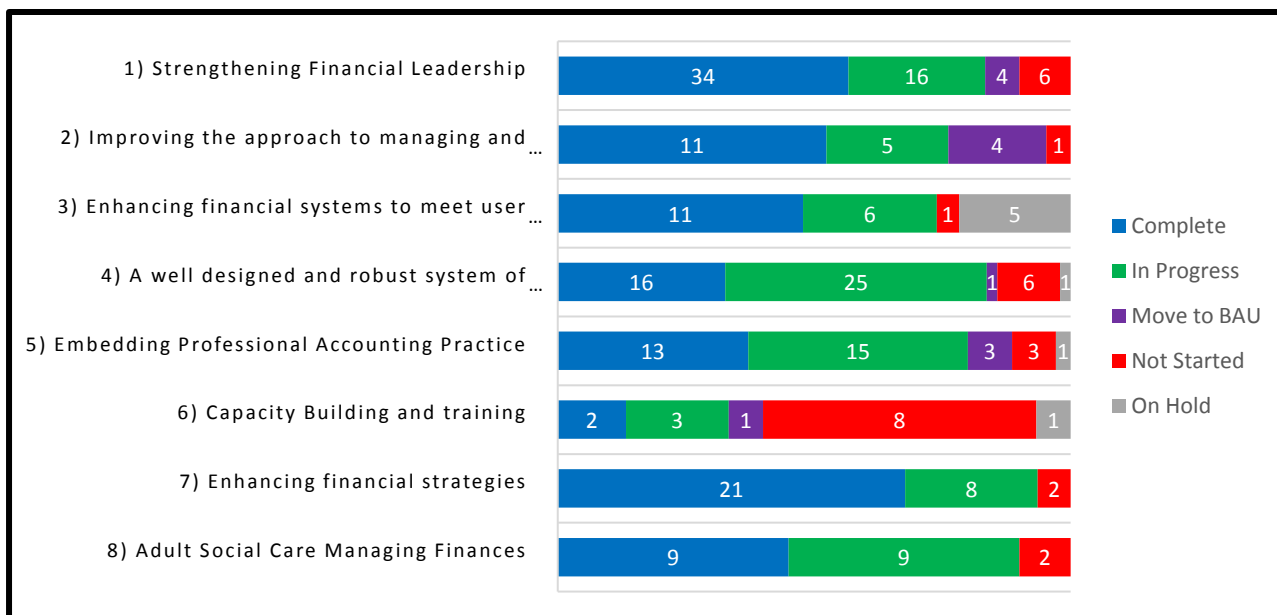


Table 1 - FIP Progress Update by Themes

FIP Theme	Actions
1) Strengthening Financial Leadership	60
2) Improving the approach to managing and governing the capital programme	21
3) Enhancing financial systems to meet user needs	23
4) A well designed and robust system of internal financial control	49
5) Embedding Professional Accounting Practice	35
6) Capacity Building and training	15
7) Enhancing financial strategies	31
8) Adult Social Care Managing Finances	20
Total Deliverable as at May 2024	254
Total Completed, Moved to BAU and In Progress	217
% Completed, Moved to BAU and In Progress	85%

4. Statutory Accounts Update

- 4.1 As reported to the Audit Committee in March 2024, the Council has four sets of accounts (2019/20, 2020/21, 2021/22 and 2022/23) that should have already been published with audit opinions. However, due to issues with property valuations for specialist assets and with subsidiary company figures required for group accounts these accounts are yet to be published.
- 4.2 Since the last update to the Committee in March 24, the Council is working on the production of the 2023/24 draft accounts.

Statutory Accounts for 2019/20 – 2022/23 progress Update

- 4.3 The Council has prepared a plan for publishing the draft Accounts for all outstanding years. This includes reporting to Audit Committee and public inspection. The finalisation of this plan is dependent upon the conclusion of the 2019/20 audit process and the national proposals to address the local government audit backlog.
- 4.4 The updated draft accounts for 2019/20 were provided to Grant Thornton in November 2023 following the revisions made to the 2019/20 accounts to incorporate the revised valuation information for specialist assets, to amend group accounts, to adjust for issues with the Housing Revenue Account and to address other issues identified during the audit.
- 4.5 Details of the accounts progress and associated risks are set out in a separate report which is being presented to Audit Committee at the same meeting. Table 2 below provides a summary overview of the progress made as at 7th June 2024 and the expected progress to the end of June in regards to accounting years 2019/20 to 2022/23.

Table 2 - Statutory Accounts for 2019/20 – 2022/23 Update

Financial Year	Producing Outstanding Accounts	Progress as at 7 June 2024	Expected Progress to end of June 2024
2019/20	All requests received have been responded to by the Council. Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time. Grant Thornton are progressing the Accounts through their Quality Assurance processes.	100%	100%
2020/21	Audit not yet commenced. Revised draft accounts were completed in December 2023.	100%	100%
2021/22	Audit not yet commenced. Draft accounts were completed in May 2024.	100%	100%
2022/23	Audit not yet commenced. Draft accounts are expected to be ready for publication by mid July 2024.	80%	85%

5. Financial Accountabilities' Framework (FAF)

- 5.1 The 29 September 2023 FIP update report to Audit Committee advised this committee of the Council wide Financial Accountabilities Framework which was been produced as a guide to the key roles and responsibilities that support excellent financial management at Nottingham City Council (NCC).
- 5.2 The Framework does not seek to replace the Council's Financial Regulations. The Council's Constitution and Financial Regulations are the detailed description of the way the Council operates in relation to financial management and financial administration.
- 5.3 To ensure improved organisational skills in financial management and improved compliance with financial processes and regulations are streamlined and made easier to use, the widely used RACI (Responsible, Accountable, Consulted, Informed) methodology which is especially useful in clarifying roles and responsibilities in cross-organisational processes and adapted to better suit NCC working pattern was used to build the framework.

Financial Accountabilities' Framework (FAF) Update

- 5.4 The FAF was launched on the 28 March 2024 effective from 1 April 2024 following consultation with Corporate Leadership Team and the Human Resources (HR) department to ensure the framework is adequately entrenched to help officers in understanding their roles and how they support others.

- 5.5 Since the launch at the end of March 2024, there have been several briefings and workshops with the Corporate Leadership Team, Directorate Leadership Teams, the Senior Leadership Forum and the Finance team to successfully embed the Framework across the Organisation.
- 5.6 Furthermore, the FAF has been aligned to behavioural expectations through the Individual Performance Review Process (IPR) and Behaviours – Performance management and Induction Booklets and relevant Policies have been updated to reflect the framework.
- 5.7 There have been four mandatory financial management training sessions in May (103 budget holders attended) and additional four sessions arranged for June 2024. Ongoing Development and Support for Officers has also been made available.
- 5.8 The detailed Financial Accountability Framework is appended to this report as Appendix 2.

6. Financial Controls Remediation Project

Background

- 6.1 NCC commissioned Ernst & Young (EY) to undertake an external review in respect of 6 ring-fenced areas, that would identify policies, procedures, financial records and data and carry out testing on a sample of historical transactions with a view to commenting on the operation of the controls in place and the overall control environment.
- 6.2 The Audit Committee in June 2023 were presented with EY's findings which highlighted fundamental weakness in the Councils control environment that requires significant amount of work, over a prolonged period, in addressing the shortcomings highlighted in their findings.
- 6.3 Although, the findings focused on system and process failings, the cultural and organisational limitations should not be lost as it is a significant contributing factor in the matters raised, and rectification of the issues is much more than simply putting in new procedures.
- 6.4 The EY report findings led to the Council requiring urgent intervention to establish grip and mitigate the risk caused by the weakened control environment focusing on following three matters:
- 1) The establishment of interim controls to establish grip in relation to identified control weaknesses.
 - 2) Council wide review to determine the prevalence of identified issues across NCC's organisation and group structure.
 - 3) Alignment of control remediation activities to FIP and ensuring transition of ownership and knowledge to council officers.

6.5 EY grouped the control weaknesses into ten process areas across three key themes and developed the following four-step approach to remediate the control weaknesses identified:

- Step 1 – Rapid intervention on identified issues within areas in scope
- Step 2 – NCC and Group Wide Controls Health Check
- Step 3 – Implement newly scoped controls across the group
- Step 4 – Establishing Grip Report

6.6 Over a 12 week period, the finance team worked collaboratively with EY to map the identified remediation control actions to the FIP to ensure improved control and accountability. Whilst in parallel, EY was working in collaboration with officers to investigate each control weakness across the process areas and to develop remediation procedures.

Controls Remediation Update

6.7 A total of 38 remediation activities were identified with agreed controls in place for each remediation activities. As at the end of May 79% have been fully implemented (68% as reported in November 2023) with 21% with implementation in progress. Table 3 below provides a summary of the progress against each control theme.

Table 3 - Controls Remediation Progress Update

Remediation Control Themes and specific areas		Controls Agreed and Implemented	Remediations designed, implementation in progress	Total
Core Financial Process	1. Grant Receive to Record	4	0	4
	2. Purchase to Pay	1	3	4
	3. Record to Report	5	1	6
	4. Goods Receipting	4	0	4
Organisation Wide Process	5. Procurement Process	4	0	4
	6. Service Recharges	6	0	6
	7. HR and Expenses Process	1	0	1
Financial Systems	8. System Reporting	2	0	2
	9. Segregation of Certain Financial Activities	1	4	5
	10. Systems Access	2	0	2
Total	No	30	8	38
	%	79%	21%	100%

6.8 As previously reported, some of the remediation actions have a longer lead in time for implementation which has been agreed with EY. Summarised below are the 8 remediation actions that are in progress:

- 1) Purchase to Pay – 3 actions linked to enforcing the ‘No PO No Pay’ policy compliance with a view to completing the necessary actions by the end of this financial year to embed the policy from July 2024.

Since issuance of Section 114(3) report at the end of November 2023, a soft implementation of the No PO No Pay policy has been in play. This has allowed sufficient time for providers, services and finance to transition to the policy before finance implemented a formal go-live date.

The number of invoices presented without a Purchase Order (PO) has reduced from 600 in November 2023 to an average of around 100 per month and retrospective PO’s (orders raised after the invoice has been received) has reduced from an average of 500 to 100-150. This represents a significant step towards strengthening our financial controls, enhancing transparency, ensuring that all expenditures are properly authorised and accounted for, and contributing to our overall efficiency and accountability.

A communication was issued to all managers on 16 May 2024 advising of the changes and informing managers that effective immediately, all purchases made must be accompanied by an approved PO in order for payment to be processed.

Managers were also reminded of the actions required between now and formal go live for enforcing the strict No PO No Pay policy from 1 July 2024. This includes the need to seek approval for PO exemption where this is deemed appropriate (subject to the approval of the Spend Control Board).

It is currently taking longer than originally envisaged to automate for the system to reject invoices if there is no PO number or an approved exempt supplier. This delay will not impact on the Council going live on 1 July 2024 and therefore enforcing its No PO No Pay policy, as information to undertake is currently available through dashboard developed last year.

- 2) Record to Report – 1 action in relation to Oracle Fusion System improvements with regards to the Capital Module is currently expected to be completed in July 2024. In preparation for the implementation,
 - Training have been provided to relevant finance officers on system
 - Stress Testing and Data upload is planned for mid-June 2024. The stress testing would help officers appreciate the resilience level of the improvements made to the module.
 - Budget manager training is planned for July 2024
- 3) Segregation of Certain Financial Activities – 4 actions on coding structure improvement for ring-fenced account, associated monitoring process, training and communication to be completed by September 2024 all of which are an improvement to the current process.

The Taxis' licences model coding structure have been set-up on the system and finance in collaboration with the service will be finalised by the end of June 2024 with actual transfer of budgets information planned to be undertaken in July 2024 allowing sufficient time for service in collaboration with finance to embed these changes.

New Cost Centres for Premises licences is being created in June with a view to having the model in place during August 2024.

- 6.9 The eight outstanding remediations are being monitored as part of the FIP programme to ensure they are implemented as soon as possible. Further update will be presented to this committee in the future.
- 6.10 Further details on the Financial Controls Remediation Project are available in the summary project report produced by EY which is appended to this report as Appendix 3.

3 Background papers other than published works or those disclosing exempt or confidential information

None

4 Published documents referred to in compiling this report

- Audit Committee 29 September 2023 - Finance Improvement Plan Update
- Audit Committee 24 November 2023 - Finance Improvement Plan Update
- Audit Committee 28 June 2024 - Statement of Accounts Progress Update

Appendix 1 – Key Deliverables Completed since the last Update in March 2024

FIP Theme	Action - UID	Action	Characteristics & Measures of Success
1) Strengthening Financial Leadership	A1.3	Implemented Financial Accountability Agreements for Corporate Directors and Budget Holders to ensure delivery of service plans within approved budget and establishment.	Accountability Agreement is in place clearly articulating management expectations of good financial management
1) Strengthening Financial Leadership	A1.14	Established clear guidance on the financial roles and responsibilities of Corporate Directors, Budget Managers and Finance.	Guidance is followed leading to improvement financial management
1) Strengthening Financial Leadership	A1.16	Rolled out Accountability Agreement to all budget managers	Effective financial management in accordance with the Accountability Agreement
1) Strengthening Financial Leadership	E1.6	Established a comprehensive suite of financial information reports that helps leaders/managers in Finance manage compliance, control and process bottlenecks. Dashboards created and rolled out.	The authority's medium term financial planning process underpins fiscal discipline, is focused upon the achievement of strategic priorities and delivers a dynamic and effective business plan
Page 7 A well designed and robust system of internal financial control	A2.11	Conduct monthly reviews to ensure continuous improvement / Value for Money, taking corrective action as necessary to drive improvement. Introduced appropriate and proportionate contract management arrangements for overseeing the EMSS Partnership including a review of the SLAs and performance metrics across all functions and services.	The authority has in place effective contract management arrangements in place that are proportional to the value and significance of the contract
4) A well designed and robust system of internal financial control	E4.1a	Created a comprehensive training programme to improve financial management understanding including the internal control framework across the authority	Managers across the authority possess sound financial literacy to competently perform their role and are able to be held to account
4) A well designed and robust system of internal financial control	E4.1b	Rolled out a comprehensive training programme to improve financial management understanding including the internal control framework across the authority	Managers across the authority possess sound financial literacy to competently perform their role and are able to be held to account
5) Embedding Professional Accounting Practice	E2.4	Carried out significant accounts receivable review and ensured the transactions for all outstanding accounts are correct.	Ensuring the transactions for each of the accounts outstanding are correct
8) Adult Social Care Managing Finances	E2.26	Reviewed all existing dashboards and reports to ensure that they add value and are being utilised as envisaged	Oversight Board will drive the production of an appropriately resourced and jointly managed action plan to deliver data and system improvements and clarify future roles and responsibilities regarding systems ownership and controls.

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Financial Accountability Framework

Essential Guide for All Officers

Version 1.0

March 2024



Version Control

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Section 1 - Introduction

1. Scope

- 1.1. Responsibility for financial accountability rests with a number of post holders and groups within a public sector organisation. These post holders and groups include Elected Members, the Chief Finance Officer (Section 151 Officer), Corporate Leadership Team, Budget Managers and Finance Officers.
- 1.2. The Financial Accountabilities Framework defines the key roles and responsibilities of key officer groups within the Council and focuses on key elements of the financial management process, namely:
 - Plan
 - Decide
 - Manage
 - Monitor and report
- 1.3. The Council operates a devolved financial management process, and Corporate Directors are ultimately responsible for the delivery of financial management within their Directorates. Responsibility can be delegated to individual budget holders, but accountability remains with the Corporate Directors.
- 1.4. The Financial Accountabilities Framework applies to all council officers with budget management responsibility.
- 1.5. The Financial Accountabilities Framework does not seek to replace the Council's Constitution or Financial Regulations. The Council's Constitution, Financial Regulations are the detailed description of the way the Council operates in relation to financial management and financial administration. They should be read by everyone who has a responsibility for a budget, in conjunction with the Financial Accountabilities Framework.

2. Aim

- 2.1. The aim of the Financial Accountabilities Framework is to:
 - Act as a guide to officers with budget responsibilities with regards to their role and responsibilities in supporting and delivering excellent financial management at the Council.
 - Help officers including Finance to understand their roles in terms of financial management.
 - To complement the Council's Constitution and Financial Regulations in relation to financial management and financial administration responsibilities.

3. Purpose

- 3.1. Accountability entails an individual understanding of one's own role and responsibilities, individual performance goals, including standards for measuring success and the needs and means required in successfully performing one's duties.
- 3.2. The Financial Accountabilities Framework has been developed to ensure that the appropriate level of accountability allows to instil the key roles and responsibilities that support excellent financial management at Nottingham City Council.
- 3.3. Each person is responsible for the activities undertaken by them therefore, the Financial Accountabilities Framework has been designed to help everyone with the responsibilities for budget management to understand their own roles and responsibilities, and how the Finance Team support them in delivery their roles.
- 3.4. As set out above the Financial Accountabilities Framework should be read in conjunction with the Council's Constitution and/or Financial Regulations.

4. Background

- 4.1. Improvements to the Council's financial governance, financial management and control and reporting framework are at the heart of the Council's finance improvement agenda and are a high corporate priority for the Council. The organisation is starting from a very low base albeit it is starting to make demonstrable improvements that will have a positive and lasting impact on improving control and stewardship of its finances. However, it continues to face a number of fundamental challenges as it seeks to achieve wholesale improvement within a reasonable but ambitious timeframe. Given that financial management underpins the delivery of all services and enabling functions, the organisation is mindful of the fact that in establishing strong and robust financial management arrangements will require cross-cutting and deep-rooted cultural changes for all service areas.

4.2. Financial Improvement Plan

- 4.2.1. Improvement Assurance Board (IAB) had originally issued eight finance instructions, of which instruction six asked the Council to:

Deliver the Financial Improvement Plan covering the key elements identified by the IAB to provide assurance in respect of finance and accounting

- 4.2.2. The Finance Improvement Plan (FIP) was mapped to the Chartered Institute of Finance and Accountancy (CIPFA) Financial Management Code to establish how the financial control environment develops through the life of the FIP, with the outcomes from the FIP deliverables providing the

professional standards expected of a council.

4.2.3. The Financial Accountabilities Framework is a key deliverable of the FIP.

5. CIPFA Financial Management Model

5.1. Learning from the CIPFA Financial Management Model – Public bodies are expected to use public funds and deliver their services within high standards of transparency and accountability. To achieve this, organisations need to establish and maintain effective frameworks for financial management and managerial control.

6. Council's Vision

6.1. Our vision is that Nottingham will be known as a healthy, aspirational, thriving city, where people feel safe to live and work whatever their age, an exciting, clean, and welcoming place to play, study and visit. A city that is green and environmentally sustainable, with strong commitment to fairness, equality, and inclusivity.

6.2. An ambitious city where people and businesses have a reputation for regeneration and building a growing economy with a skilled workforce. A city that is creative and culturally vibrant, where local people are proud of their city, their place, neighbourhood, and their local community

7. Finance Service

7.1. Finance Service's Vision

7.1.1. At NCC the Finance Team vision is to demonstrate that “We are a highly effective, resilient and competent Finance function that enables the Council to transform and thrive whilst ensuring sector leading compliance and accountability”

7.1.2. To realise this vision requires everyone within the Council to play a role in supporting this vision.

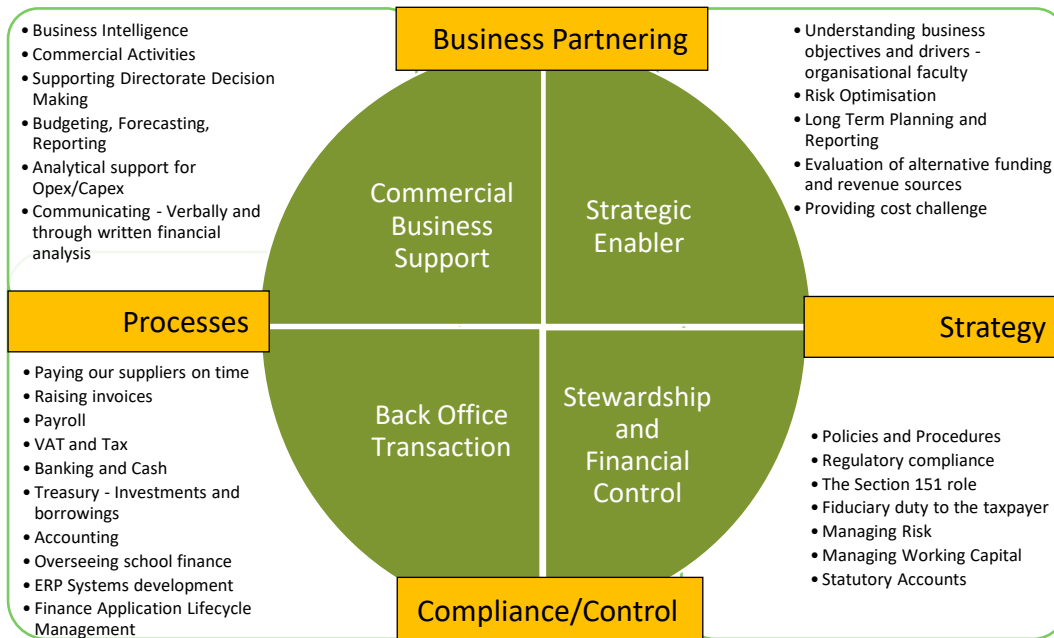
7.2. Finance Team

7.2.1. NCC Finance Team provides a diverse range of professional advisory, accountancy, reporting and transactional services to the wider organisation and is required to represent and fulfil the duties of the statutory Chief Financial Officer (Section 151 Officer) in establishing and maintaining robust financial governance and the overall financial framework within which the Council operates.

7.2.2. The diagram below reflects the core elements of our broad ranging role incorporating the building blocks of securing financial stewardship of public funds and maintaining a robust internal control environment, processing

financial transactions and management of financial systems, through to commercial business partnering and adding value as a strategic enabler through financial advice, challenge, and insight.

Figure 1: Core elements of Finance broad ranging role



Section 2 – Financial Management

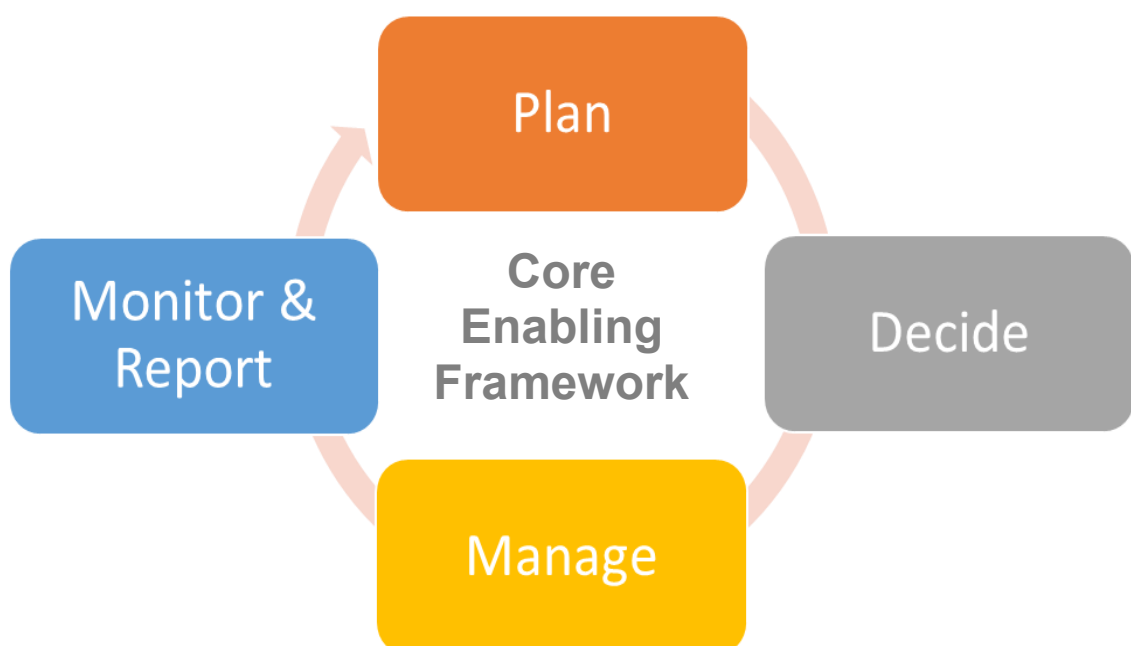
8. Why Excellent Financial Management?

- 8.1. Excellent financial management is at the heart of everything we do and is the responsibility of all of everyone.
- 8.2. There are many enablers of excellent financial management, but of central importance is the partnership between Finance and the Directorates. Finance is an enabling service which provides expert advice, support, insight, and challenge, working jointly with the service knowledge and experience of Budget Managers. The Partnership is underpinned by:
- A strong and positive culture that values the importance of financial management in delivering great service outcomes.
 - Mutually understood roles and responsibilities.
 - Openness, trust and mutual respect for each other's skills, experience, and perspective.
 - Robust systems and processes generating reliable and comprehensive data.
 - Engagement, visibility, and clear and transparent two-way communications.
 - Proactive problem-solving.

9. The Financial Management Cycle

- 9.1. Excellent financial management is achieved through a cycle of four sets of activities, bound together by a core enabling framework.

Figure 2: The Financial Management Cycle



- 9.2. A diagram showing the activities included within the financial management cycle is shown in Appendix 1 and in section 3 below.

Section 3 – Financial Accountabilities Framework

10. Approach

10.1. The Framework is based on a **RACI** methodology (**R**esponsible, **A**ccountable, **C**onsulted, **I**nformed) which is a widely used methodology that is especially useful in clarifying roles and responsibilities in cross-organisational processes, but has been adapted to better suit our thinking in NCC.

10.2. The terms used are:

- **Responsible:** the *person* who performs or takes the lead on an activity. This is the key “doing” role, and the person who is responsible will either do the task or activity themselves, or delegate it to someone else within their team. If delegated, the person retains the responsibility and must ensure that it has been completed satisfactorily.
- **Accountable:** the *person* who is expected to justify actions taken or decisions made to deliver the completed task or activity. This person will “sign off” on a piece of work or process.
- **Consulted/Contributes:** the *person* that must be consulted on the activity in order for there to be a successful outcome. This is a proactive role that offers support, advice, and insight to contribute to the activity.
- **Informed:** the *person* that needs to know of the decision or action.

10.3. The Financial Accountabilities Framework defines the key roles and responsibilities of the following four key officer groups within the Council.

- **Chief Executive (Head of Paid Service) and Corporate Directors** – a member of the Corporate Leadership Team (CLT) and has responsibility for the overall financial management of their Directorate.
- **Budget Manager** – this includes anyone with responsibility for managing a budget, as recorded on ORACLE. Senior Managers, such as Chief Executive Officer, Corporate Directors, Directors, or Heads of Service, who have responsibility for a group of budgets and will oversee the work of cost-centre Budget Managers.
- **The Finance Team** – NCC operates a “business partner” model for finance and each Directorate has a dedicated finance team that provides financial advice, information, insight, and challenge to that directorate. The teams work closely with the Strategic Finance Team and the Technical Finance team.
- **Chief Finance Officer** – who is also known as the “Section 151 Officer” reflecting the statutory nature of the role.

10.4. The design of this Framework around these four roles is intended to maximise its simplicity and useability. There may be specific issues relating to its

application in individual Directorates, and staff should consult with their Finance Business Partner or members of their finance team in case of any queries. The Council's Financial Regulations provide the final say on how financial management is to be operated at NCC.

- 10.5. None of the four roles can individually manage the Council's finances successfully. All make contributions to support each other's roles. Finance works together in partnership with all Directorates to achieve excellent financial management.

11. The Core Enabling Framework

- 11.1. Before describing individual roles within the financial management cycle, the following sets out the core enabling framework which underpins excellent financial management. This is about fundamental governance processes which are central to the way the city council operates.

- 11.2. The Chief Finance Officer (Section 151 Officer) is the statutory finance post within NCC, a role held by the Corporate Director of Finance and Resources and is **Accountable** for:

- Ensuring that NCC complies with all statutory requirements for accounting and internal audit, for example preparing the annual accounts
- Drafting financial regulations for approval by the Council
- Advising councillors when formulating budgets and assessing the robustness of proposed budgets
- Ensuring that budget management roles and responsibilities are clear
- Ensuring that budget managers at all levels are properly supported, with access to advice, information, insight, and challenge from a skilled Finance team
- Ensuring a robust system of internal control
- Ensuring that financial systems are adequate to support financial management and financial administration

- 11.3. The Chief Finance Officer (Section 151 Officer) is a member of the Corporate Leadership Team (CLT) and works with other members of the Team to advise councillors and to provide leadership to the organisation.

- 11.4. The **contributions** of Corporate Directors and other senior managers help the Chief Finance Officer (Section 151 Officer) to ensure that the core enabling framework is appropriate to the needs of the organisation and has a good fit with the wider corporate governance framework.

- 11.5. Corporate Directors and Directors are **Accountable** for ensuring that their staff act in accordance with the Council's financial regulations and for ensuring that excellent financial management is at the heart of their Directorate's operation. They are supported by the **contributions** of their Finance Business Partners.

- 11.6. All Budget Managers are **Accountable** for acting in accordance with the Council's financial regulations.
- 11.7. Each of the four roles is now described in detail below with a summary provided at Appendix 2

Role: Chief Executive Officer and Corporate Director (CLT)

A member of the Corporate Leadership Team (CLT) and has responsibility for the overall financial management of their Directorate.

Role: Chief Executive Officer and Corporate Director (CLT)
Financial Accountability Activity: Plan and Decide
Devise NCC financial strategy and Medium-Term Financial Plan (MTFP)
The Chief Executive / Corporate Director will Contribute as a member of CLT and as an advisor to members, to the development of the financial strategy and MTFP which is led by the Chief Finance Officer (Section 151 Officer) and approved by members.
Set MTFP targets and MTFP timetables
The Chief Executive / Corporate Director will Contribute to the setting of MTFP targets and timetables, advising on the options, opportunities and consequences from a service perspective. The process of setting targets and timetables is led by the Chief Finance Officer (Section 151 Officer), but the choices over savings targets are approved by members.
Devise Directorate financial strategy in line with MTFP targets (including working up savings proposals)
Once the MTFP has been approved and planning targets set, the Chief Executive and respective Corporate Director are Accountable for ensuring that the Organisation / Directorate has a strategy for meeting its financial targets. This will involve directing senior managers within that Directorate to work up savings (or investment) proposals, with the strong support of the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer) who will provide advice and challenge.
Analyse trends and cost drivers to inform budget-planning within the Directorate
As part of the MTFP and budget-setting process, the Corporate Director is Accountable for ensuring that financial and service data is used to inform, through trend analysis and so on. This ensures that budget proposals are robust and insightful. The work will be led by Director of Finance who works in partnership with Budget Managers to use insight and analysis to understand and predict trends, to inform budget planning.

Role: Chief Executive Officer and Corporate Director (CLT)

Financial Accountability Activity: Plan and Decide

Decide how best to use allocated cost-centre budget

Once budgets have been set, decisions will be made on how best to use the budgets allocated. These decisions will be made by budget managers (Directors, Heads of service etc) and the Corporate Director will **Contribute** to this activity by setting relevant guidance about the objectives of the Directorate.

Appraise investment options

Usually this refers to a capital project, invest to save or a scheme with a financial payback. Options will be considered to test if they are affordable and will achieve the target return. Budget Managers and the Director of Finance (Deputy Section 151 Officer) will work closely together on proposals and the Corporate Director is **Accountable** for whether the scheme is put forward for approval.

Advise on external financial best practice

As a learning organisation, we want to understand what works well elsewhere. Finance staff will use their networks to bring back relevant best practice and advise on how this can be applied in NCC. The Corporate Director will be **Informed** of financial best practice.

Identification and application of external funding, including government grants

There is often small print restricting the financial use of external funding including government grants and other 3rd party contributions (e.g., NHS or developers) and it is important that there is guidance¹ to ensure that money is spent appropriately. The Chief Finance Officer (Section 151 Officer) will lead this process and the Corporate Director will **Contribute** from a service perspective.

¹ *this mainly applies where funding agreement requires sign-off from the Section 151 Officer*

Role: Chief Executive Officer and Corporate Director (CLT)

Financial Accountability Activity: Plan and Decide

Devise commissioning strategy to realise savings

Many of our services are delivered through external contracts, and commissioning (or procurement) strategies are required to plan how we engage with the market to achieve a desired outcome. The Corporate Director is **Accountable** for the development of commissioning strategies for their Directorate. The Procurement and Finance teams will **Contribute** to this activity.

Set prices for sale of services

Pricing decisions are required to ensure that costs are recovered, or that statutory guidance has been followed. The Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer) actively support this activity, and the Corporate Director is **Accountable** for decisions made (or proposals made to members).

Consult with service stakeholders re a budget proposal, including undertaking an Equalities Impact Assessment

Many budget proposals require formal consultation with residents and/or service users. The Corporate Director is **Accountable** for ensuring that proper consultation has been undertaken.

Role: Chief Executive Officer and Corporate Director (CLT)

Financial Accountability Activity: Manage and Monitor

Produce accurate and timely financial information

The provision of financial information via ORACLE is linked to the Core Enabling Framework and the responsibility of Finance. However much of the information that feeds ORACLE comes directly from Directorate systems and processes, and therefore all roles must work together to achieve accurate financial information. The Corporate Director will **Contribute** to this activity at Corporate Level but **Responsible** for this at Directorate Level.

Monitor expenditure and income against budget

On a regular basis (at least monthly) all expenditure and income should be monitored against budget expectations. Within the Directorate, the Corporate Director is **Accountable** for this activity, and will **Contribute** to it at a corporate level.

Prepare forecasts

As part of budget monitoring, forecasts of expenditure and income are made and kept updated for the year ahead, taking account of risks and opportunities. Within the Directorate, the Corporate Director is **Accountable** for this activity. Some budgets will require specialist support and modelling from the Chief Finance Officer (Section 151 Officer), Director of Finance (Deputy Section 151 Officer) and/or the Finance team.

Identify need for, and make plans for, corrective financial action

If a budget is heading off track the budget manager should take the initiative for corrective action. The Chief Finance Officer (Section 151 Officer), Director of Finance (Deputy Section 151 Officer) and/or the Finance team should be engaged at the earliest point to provide active support, and the Corporate Director is **Accountable** for ensuring this corrective action is taken within the Directorates.

Role: Chief Executive Officer and Corporate Director (CLT)

Financial Accountability Activity: Manage and Monitor

Transfer funds between budget headings

There is flexibility within Financial Regulations for funds to be moved between budget headings (sometimes known as virements). At Directorate level, the Corporate Director is **Accountable** for significant transfers of funds. There are limits, and certain approvals may be needed. The Director of Finance (Deputy Section 151 Officer) and/or the Finance Team can advise.

Ensure access to relevant financial information and appropriate financial support

This is linked to the Core Enabling Framework and the Chief Finance Officer (Section 151 Officer) and the Director of Finance (Deputy Section 151 Officer) ensure that Finance provides the information, advice, support, and challenge to enable excellent financial management. This will include training tools and materials. The Corporate Directors **Contribute** by reinforcing the importance of financial management within their Directorates.

Ensure Budget holders are appropriately skilled

Through the appraisal process, Directors will assess the financial skills of their managers and identify any skills gaps, and Corporate Directors are **Accountable** for ensuring that skills needs are identified. Training and support will be provided by Chief Finance Officer (Section 151 Officer) and/or Director of Finance (Deputy Section 151 Officer).

Manage external contracts within budget

Many of our services are delivered through external contracts, and the Corporate Director is **Accountable** for ensuring that the commissioned services are within budget.

Role: Chief Executive Officer and Corporate Director (CLT)

Financial Accountability Activity: Manage and Monitor

Report the overall City Council financial position to CLT and to the Executive Board

The Chief Finance Officer (Section 151 Officer) is **Accountable** for reporting the Council's overall financial performance,. Excellence is achieved where reporting is through a partnership approach where Corporate Directors actively **Contribute** to improve the accuracy and insight of the corporate reporting.

Report Directorate financial position to DLTs

Each Directorate has a DLT comprising the relevant Directors. The DLT oversees the financial performance of the Directorate. The Corporate Director is **Accountable** for the overall reported position for their directorate, but will actively also **Contribute** into department position (led by respective DLT leads) to ensure that the overall reported position is fully reflective of the issues and information within the Directorate.

Corporate Directors are **Responsible** for briefing members on their directorate financial position via Portfolio Holder briefing and/or Budget Review and Overview Group (BROGs) meetings.

Authorise expenditure

Orders and payments can be authorised if there is sufficient budget available. Limits apply, and Corporate Directors are **Accountable** and **Responsible** for very high-value payments and advocating compliance with all procurement and purchasing procedures/processes within their Directorate

Collect Income

This is where fees, charges or other 3rd party contributions are due. Corporate Directors **Contribute** to this activity by reinforcing its importance within their Directorates and advocating compliance with all income recovery procedures and processes to ensure the efficient collection of income in their Directorate

Role: Budget Managers/Directors/Heads of Service

This role includes anyone with responsibility for managing a budget, as recorded on ORACLE. Directors or Heads of Service, have responsibility for a group of budgets and will oversee the work of cost-centre Budget Managers.

Role: Budget Managers/Directors/Heads of Service

Financial Accountability Activity: Plan and Decide

Devise NCC financial strategy and Medium-Term Financial Plan (MTFP)

The development of the financial strategy and MTFP is led by the Chief Finance Officer (Section 151 Officer) jointly with CLT and approved by members. Budget Managers are **Informed** of decisions made.

Set MTFP targets and MTFP timetables

The process of setting targets and timetables is led by the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy S151 Officer), but the choices over savings targets are approved by members. Budget Managers are **Informed** of decisions made.

Devise Directorate financial strategy in line with MTFP targets (including working up savings proposals)

Once the MTFP has been approved and planning targets set, Directors and Heads of Service are **Responsible** for meeting its financial targets and will involve directing staff within that Directorates to work up savings (or investment) proposals, with the strong support of the Director of Finance (Deputy S151 Office) and the Finance team who will provide advice and challenge. Other budget managers **Contribute** to this activity through their ideas and options.

Analyse trends and cost drivers to inform budget-planning within the Directorate

As part of the MTFP and budget-setting process, the budget manager is jointly **Responsible** with the Director of Finance (Deputy Section 151 Officer) for ensuring that financial and service data is used to inform, through trend analysis and so on. This ensures that budget proposals are robust and insightful. By working in partnership insight and analysis is used to understand and predict trends, to inform budget planning.

Role: Budget Managers/Directors/Heads of Service

Financial Accountability Activity: Plan and Decide

Decide how best to use allocated cost-centre budget

Once budgets have been set, decisions will be made on how best to use the budgets allocated. These decisions will be made by budget managers, who are **Accountable** and **Responsible** for determining the way that budgets are used and should act in line with the priorities of the Directorate and seek to secure value for money.

Appraise investment options

Usually this refers to a capital project, invest to save or a scheme with a financial payback. Options will be considered to test if they are affordable and will achieve the target return. Budget Managers and the Director of Finance (Deputy Section 151 Officer) will work closely together on proposals, with the Budget Manager having overall **responsibility**. Other budget managers and officers may also **Contribute** to this activity through development of the options and the appraisal process.

Advise on external financial best practice

As a learning organisation, we want to understand what works well elsewhere. Finance staff will use their networks to bring back relevant best practice and advise on how this can be applied in NCC. The budget manager will be **Informed** of financial best practice.

Identification and application of external funding, including government grants

There is often small print restricting the financial use of external funding including government grants and other 3rd party contributions (e.g., NHS or developers) and it is important that there is guidance¹ to ensure that money is spent appropriately. The Director of Finance (Deputy Section 151 Officer) will lead this process and the budget manager is **Responsible** for ensuring that external funding is properly spent.

¹ *this mainly applies where funding agreement requires sign-off from the Section 151 Officer*

Role: Budget Managers/Directors/Heads of Service

Financial Accountability Activity: Plan and Decide

Devise commissioning strategy to realise savings

Many of our services are delivered through external contracts, and commissioning (or procurement) strategies are required to plan how we engage with the market to achieve a desired outcome. The budget manager is **Responsible** for the development of savings strategies and is required to work with both commissioning and contacting colleagues to ensure strategies are robust. The Procurement and Finance teams will **Contribute** to this activity.

Set prices for sale of services

Pricing decisions are required to ensure that costs are recovered, or that statutory guidance has been followed. The Director of Finance (Deputy Section 151 Officer) and their deputies will actively support this activity and the budget manager is **Responsible** for decisions made (or proposals made to members).

Consult with service stakeholders re a budget proposal, including undertaking an Equalities Impact Assessment

Many budget proposals require formal consultation with residents and/or service users. The budget manager is **Responsible** for undertaking the consultation and ensuring that it is in accordance with guidance and so on.

Role: Budget Managers/Directors/Heads of Service

Financial Accountability Activity: Manage and Monitor

Produce accurate and timely financial information

The provision of financial information via ORACLE is linked to the Core Enabling Framework and the responsibility of Finance. However much of the information that feeds ORACLE comes directly from Directorate systems and processes, and therefore all roles must work together to achieve accurate financial information. At a cost-centre level the budget manager is both **Accountable** and **Responsible** for this activity.

Monitor expenditure and income against budget

On a regular basis (at least monthly) all expenditure and income should be monitored against budget expectations. At the cost-centre level, the budget manager is **Responsible** for this activity, and will **Contribute** to it at a Directorate level.

Prepare forecasts

As part of budget monitoring, forecasts of expenditure and income are made and kept updated for the year ahead, taking account of risks and opportunities. At a cost-centre level, the budget manager is both **Accountable** and **Responsible** for this activity. Some budgets will require specialist support and modelling from the Chief Finance Officer (Section 151 Officer), Director of Finance (Deputy Section 151 Officer) and/or the Finance team.

Identify need for, and make plans for, corrective financial action

If a budget is heading off track the budget manager should take the initiative for corrective action. The Chief Finance Officer (Section 151 Officer), Director of Finance (Deputy Section 151 Officer) and the Finance team should be engaged at the earliest point in order to provide active support, and, at a cost-centre level, the budget manager is **Accountable** and **Responsible** for ensuring this corrective action is taken. The budget manager may also be required to **Contribute** to corrective action(s) because of wider issues across the Directorate and/or Organisation.

Role: Budget Managers/Directors/Heads of Service

Financial Accountability Activity: Manage and Monitor

Transfer funds between budget headings

There is flexibility within Financial Regulations for funds to be moved between budget headings (sometimes known as virements). The budget manager is **Responsible** for transfers of funds across budgets within their control. There are limits, and certain approvals may be needed as stated in the Council journal approval guidance. The Director of Finance (Deputy Section 151 Officer) and/or the Finance team can advise.

Ensure access to relevant financial information and appropriate financial support

This is linked to the Core Enabling Framework and the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer) ensure that the Finance service provide the information, advice, support, and challenge to enable excellent financial management. This will include training tools and materials. The budget manager is **Informed** but can **Contribute** ideas on how to improve the support provided.

Ensure Budget holders are appropriately skilled

Through the appraisal process, Corporate Directors will assess the financial skills of their managers and identify any skills gaps, and budget managers therefore **Contribute** by highlighting relevant skills requirements and gaps. Training and support will be provided by Chief Finance Officer (Section 151 Officer) / Director of Finance (Deputy Section 151 Officer).

Manage external contracts within budget

Many of our services are delivered through external contracts, and the contract manager, as budget manager, is **Responsible** for ensuring that the commissioned services are within budget.

Role: Budget Managers/Directors/Heads of Service

Financial Accountability Activity: Manage and Monitor

Report the overall City Council financial position to CLT and to the Executive Board

The Chief Finance Officer (Section 151 Officer) is **Accountable** for reporting the Council's overall financial performance, and the Director of Finance (Deputy Section 151 Officer) is **Responsible** for collating the reporting of the Council's overall financial performance. Budget managers are **Informed** of the position via CLT and DLT briefings and are responsible for communicating this to members via Portfolio Holder briefing and/or Budget Review and Overview Group (BROGs) meetings.

Report Directorate financial position to DLTs

Each Directorate has a DLT comprising the relevant Directors. The DLT oversees the financial performance of the Directorate. The Directors have **accountability** for reporting and Corporate Directors actively **Contribute** to ensure that the reported position is fully reflective of the issues and information within the Directorate.

Authorise expenditure

Orders and payments can be authorised if there is sufficient budget available. Limits apply, and budget managers are **Accountable** and **Responsible** for payments up to specified limits, using ORACLE or other approved systems and processes and ensuring their staff comply with all procedures and best practice through effective monitoring and corrective action where necessary.

Collect Income

This is where fees, charges or other 3rd party contributions are due. Budget managers are **Accountable** and **Responsible** for this activity using ORACLE or other approved systems and processes and ensuring their staff comply with all procedures and best practice and actively pursue the efficient collection of income through effective monitoring and corrective action where necessary.

Role: Finance Team

NCC operates a “business partner” model for finance, and in each Directorate, there is a finance team that provides financial advice, information, insight, and challenge to that Unit. The teams work closely with the Technical Finance team and the Strategic Finance team

Role: Finance Team
Financial Accountability Activity: Plan and Decide
Devise NCC financial strategy and Medium-Term Financial Plan (MTFP)
The development of the financial strategy and MTFP is led by the Chief Finance Officer (Section 151 Officer) in collaboration with CLT and approved by members. The Strategic Finance Team is Responsible for this work, Finance Business Partners (FBPs) Contribute towards it.
Set MTFP targets and MTFP timetables
The process of setting targets and timetables is led by the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer), but the choices over savings targets are approved by members. The Director of Finance (Deputy Section 151 Officer) and the Finance team are Responsible for this work, and Chief Finance Officer (Section 151 Officer) Contribute towards it.
Devise Directorate financial strategy in line with MTFP targets (including working up savings proposals)
Once the MTFP has been approved and planning targets set, the Directorate will devise a strategy for meeting its financial targets. This will involve senior managers within that Directorate to work up savings (or investment) proposals, with the strong support of the FBPs and Finance team who Contribute by providing advice and challenge and may co-ordinate the process on behalf of the Corporate Director.

Role: Finance Team

Financial Accountability Activity: Plan and Decide

Analyse trends and cost drivers to inform budget-planning within the Directorate

As part of the MTFP and budget-setting process, the Finance Director (Deputy Section 151 Officer) is jointly **Responsible** with the budget manager for ensuring that financial and service data is used to inform, through trend analysis and so on. This ensures that budget proposals are robust and insightful. By working in partnership, insight and analysis is used to understand and predict trends, to inform budget planning.

Decide how best to use allocated cost-centre budget

Once budgets have been set, decisions will be made on how best to use the budgets allocated. These decisions will be made by budget managers, and the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer) will **Contribute** to this activity by advising on how to secure value for money.

Appraise investment options

Usually this refers to a capital project, invest to save or a scheme with a financial payback. Options will be considered to test if they are affordable and will achieve the target return. Budget Managers and the Director of Finance (Deputy Section 151 Officer) and the Finance team will work closely together on proposals and are jointly **Responsible**.

Advise on external financial best practice

As a learning organisation, we want to understand what works well elsewhere. Finance staff will use their networks to bring back relevant best practice and advise on how this can be applied in NCC. The Director of Finance (Deputy Section 151 Officer) is therefore **Responsible** for this activity at a corporate level and the FBPs and their team are **Responsible** at the service and directorate level.

Role: Finance Team

Financial Accountability Activity: Plan and Decide

Identification and application of external funding, including government grants

There is often small print restricting the financial use of external funding including government grants and other 3rd party contributions (e.g., NHS or developers) and it is important that there is guidance¹ to ensure that money is spent appropriately. The respective FBP will lead this process and is **Accountable** for ensuring this, and therefore has the ability to direct how budget managers use such funds.

¹ this mainly applies where funding agreement requires sign-off from the Section 151 Officer

Devise commissioning strategy to realise savings

Many of our services are delivered through external contracts, and commissioning (or procurement) strategies are required to plan how we engage with the market to achieve a desired outcome. The Procurement team and the FBPs will **Contribute** to the development of commissioning strategies for their Directorate.

Set prices for sale of services

Pricing decisions are required to ensure that costs are recovered, or that statutory guidance has been followed. FBPs will actively support and **Contribute** to this activity for decisions made (or proposals made to members).

Consult with service stakeholders re a budget proposal, including undertaking an Equalities Impact Assessment

Many budget proposals require formal consultation with residents and/or service users. The FBPs will **Contribute** to this activity by providing financial information etc.

<p>Role: Finance Team</p>
<p>Financial Accountability Activity: Manage and Monitor</p>
<p>Produce accurate and timely financial information</p> <p>The provision of financial information via ORACLE is linked to the Core Enabling Framework and the responsibility of Finance. However much of the information that feeds ORACLE comes directly from Directorate systems and processes, and therefore all roles must work together to achieve accurate financial information. Finance Teams have crucial roles in this activity. At a corporate level, the Technical Finance team and the Strategic Finance team are Responsible for compiling the data and ensuring integrity. At a Directorate level the FBPs is Accountable, and at a cost-centre level the finance team will Contribute to the work undertaken by budget managers.</p>
<p>Monitor expenditure and income against budget</p> <p>On a regular basis (at least monthly) all expenditure and income should be monitored against budget expectations. Within the Directorate, the FBP is Responsible for actively supporting and challenging budget managers.</p>
<p>Prepare forecasts</p> <p>As part of budget monitoring, forecasts of expenditure and income are made and kept updated for the year ahead, taking account of risks and opportunities. Within the Directorate, the FBPs Contribute to this activity which is led by budget managers. Some budgets will require specialist support and modelling from the FBPs, and the FBPs is Responsible for ensuring the overall integrity of the forecasts being used.</p>
<p>Identify need for, and make plans for, corrective financial action</p> <p>If a budget is heading off track the budget manager should take the initiative for corrective action. The FBPs and team should be engaged and will Contribute active support. At the Directorate level the FBPs is Responsible for co-ordinating overall Directorate budget correction action, and at a corporate level the Technical Finance team and the Strategic Finance team are Responsible for undertaken this activity.</p>

Role: Finance Team

Financial Accountability Activity: Manage and Monitor

Transfer funds between budget headings

There is flexibility within Financial Regulations for funds to be moved between budget headings (sometimes known as virements). There are limits, and certain approvals may be needed. The FBPs can advise. In general, the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer) **Contribute** to this activity through advice and challenge and the Chief Finance Officer (Section 151 Officer) is also **Accountable** for ensuring that any budget transfers made are in accordance with the rules.

Ensure access to relevant financial information and appropriate financial support

This is linked to the Core Enabling Framework and the Chief Finance Officer (Section 151 Officer) and Director of Finance (Deputy Section 151 Officer) ensure that the Finance Service provides the information, advice, support, and challenge to enable excellent financial management. This will include training tools and materials. The FBP is **Responsible** for this activity for their Directorate.

Ensure Budget holders are appropriately skilled

Through the appraisal process, Directors will assess the financial skills of their managers and identify any skills gaps, and the FBP will be **Responsible** for the training and support.

Manage external contracts within budget

Many of our services are delivered through external contracts, and the Finance Director (Deputy Section 151 Officer) and/or their deputies will **Contribute** by providing advice and support to the budget manager for ensuring that the commissioned services are within budget.

<p>Role: Finance Team</p>
<p>Financial Accountability Activity: Manage and Monitor</p>
<p>Report the overall City Council financial position to CLT and to the Executive Board</p> <p>The Chief Finance Officer (Section 151 Officer) has accountability for reporting the Council's overall financial performance, . Excellence is achieved where reporting is through a partnership approach where Directors actively Contribute to improve the accuracy and insight of the corporate reporting. The Strategic Finance team are Responsible for co-ordinating the reporting and the Finance Director (Deputy Section 151 Officer) Contributes .</p>
<p>Report Directorate financial position to DLTs</p> <p>Each Directorate has a DLT comprising the relevant Directors. The DLT oversees the financial performance of the Directorate. The FBP is Accountable and Responsible for reporting with the active contribution of Corporate Director and budget managers to ensure that the reported position is fully reflective of the issues and information within the directorate.</p>
<p>Authorise expenditure</p> <p>Orders and payments can be authorised if there is sufficient budget available. Limits apply, and FBPs Contribute by providing advice and guidance.</p>
<p>Collect Income</p> <p>This is where fees, charges or other 3rd party contributions are due. The Finance Director (Deputy Section 151 Officer) Contribute by providing advice and guidance through the Technical Finance team, the Finance Business Partnering team and the Transactional Finance team.</p>

Role: Chief Finance Officer (Section 151 Officer)

The Chief Finance Officer has overall **accountability** and **responsibility** for the Core Enabling Framework which is described above. In addition, the Chief Finance Officer has the following roles in relation to individual activities.

Role: Chief Finance Officer (Section 151 Officer)
Financial Accountability Activity: Plan and Decide
Devise NCC financial strategy and Medium-Term Financial Plan (MTFP)
The Chief Finance Officer (Section 151 Officer) is Accountable for the development of the financial strategy and MTFP, to which members of CLT actively Contributes . The MTFP is approved by members at Full Council.
Set MTFP targets and MTFP timetables
The process of setting targets and timetables is led by the Chief Finance Officer (Section 151 Officer) who is Accountable , but the choices over savings targets are approved by members. The process is informed by the active contributions of CLT members, advising on the options, opportunities, and consequences from a service perspective.
Devise Directorate financial strategy in line with MTFP targets (including working up savings proposals)
Once the MTFP has been approved and planning targets set, the Chief Finance Officer (Section 151 Officer) Contributes to the work of Corporate Directors and their management teams in ensuring that the Directorate has a strategy for meeting its financial targets.
Analyse trends and cost drivers to inform budget-planning within the Directorate
As part of the MTFP and budget-setting process, financial and service data is used to inform, through trend analysis and so on. This ensures that budget proposals are robust and insightful. The work will be led by FBPs who work in partnership with Budget Managers to use insight and analysis to understand and predict trends, to inform budget planning. The Chief Finance Officer (Section 151 Officer) is Informed .

<p>Role: Chief Finance Officer (Section 151 Officer)</p>
<p>Financial Accountability Activity: Plan and Decide</p>
<p>Decide how best to use allocated cost-centre budget</p> <p>Once budgets have been set, decisions will be made on how best to use the budgets allocated. These decisions will be made by budget managers, and the Chief Finance Officer (Section 151 Officer) is Informed .</p>
<p>Appraise investment options</p> <p>Usually this refers to a capital project, invest to save or a scheme with a financial payback. Options will be considered to test if they are affordable and will achieve the target return. Budget Managers, Corporate Directors, Heads of Service and Finance Director (Deputy Section 151 Officer) will work closely together on proposals and the Chief Finance Officer (Section 151 Officer) will Contribute to the appraisal of more significant schemes.</p>
<p>Advise on external financial best practice</p> <p>As a learning organisation, we want to understand what works well elsewhere. Finance staff will use their networks to bring back relevant best practice and advise on how this can be applied in NCC. Whilst the Chief Finance Officer (Section 151 Officer) is Accountable the Director of Finance (Deputy Section 151 Officer) is Responsible for ensuring that the finance team perform this role and advise members and senior managers accordingly.</p>
<p>Identification and application of external funding, including government grants</p> <p>There is often small print restricting the financial use of external funding including government grants and other 3rd party contributions (e.g., NHS or developers) and it is important that there is guidance to ensure that money is spent appropriately. The Finance Director (Deputy Section 151 Officer) will lead this process and the Chief Finance Officer (Section 151 Officer) will be Informed .</p>

Role: Chief Finance Officer (Section 151 Officer)

Financial Accountability Activity: Plan and Decide

Devise commissioning strategy to realise savings

Many of our services are delivered through external contracts, and commissioning (or procurement) strategies are required to plan how we engage with the market to achieve a desired outcome. The Chief Finance Officer (Section 151 Officer) will be **Informed**.

Set prices for sale of services

Pricing decisions are required to ensure that costs are recovered, or that statutory guidance has been followed. The Chief Finance Officer (Section 151 Officer) will be **Informed**.

Consult with service stakeholders re a budget proposal, including undertaking an Equalities Impact Assessment

Many budget proposals require formal consultation with residents and/or service users. The Chief Finance Officer (Section 151 Officer) will be **Informed**.

Role: Chief Finance Officer (Section 151 Officer)

Financial Accountability Activity: Manage and Monitor

Produce accurate and timely financial information

The provision of financial information via ORACLE is linked to the Core Enabling Framework and the responsibility of Finance. However much of the information that feeds ORACLE comes directly from Directorate systems and processes, and therefore all roles must work together to achieve accurate financial information. At a corporate level, the Chief Finance Officer (Section 151 Officer) is **Accountable** for this activity. At Directorate level, the Chief Finance Officer (Section 151 Officer) will **Contribute**, thus promoting the importance of accurate and timely financial information.

Monitor expenditure and income against budget

On a regular basis (at least monthly) all expenditure and income should be monitored against budget expectations. At a corporate level, the Chief Finance Officer (Section 151 Officer) is **Accountable** for this activity. At Directorate level, the Chief Finance Officer (Section 151 Officer) will **Contribute**.

Prepare forecasts

As part of budget monitoring, forecasts of expenditure and income are made and kept updated for the year ahead, taking account of risks and opportunities. At a corporate level, the Chief Finance Officer (Section 151 Officer) is **Accountable** for this activity,. At Directorate level, the Chief Finance Officer (Section 151 Officer) will **Contribute**.

Identify need for, and make plans for, corrective financial action

If a budget is heading off track the budget manager should take the initiative for corrective action. At a corporate level, the Chief Finance Officer (Section 151 Officer) is jointly **Accountable** for this activity with CLT. At Directorate level, the Chief Finance Officer (Section 151 Officer) will **Contribute** to the work led by Directors and FBPs.

<p>Role: Chief Finance Officer (Section 151 Officer)</p>
<p>Financial Accountability Activity: Manage and Monitor</p>
<p>Transfer funds between budget headings</p> <p>There is flexibility within Financial Regulations for funds to be moved between budget headings (sometimes known as virements). At a corporate level, the Chief Finance Officer (Section 151 Officer) is Accountable for this activity. At Directorate level, the Chief Finance Officer (Section 151 Officer) will Contribute. There are limits, and certain approvals may be needed.</p>
<p>Ensure access to relevant financial information and appropriate financial support</p> <p>This is linked to the Core Enabling Framework and the Chief Finance Officer (Section 151 Officer) ensures that the Finance Service provides the information, advice, support, and challenge to enable excellent financial management. This will include training tools and materials. This is a key accountability of the Chief Finance Officer (Section 151 Officer).</p>
<p>Ensure Budget holders are appropriately skilled</p> <p>Through the appraisal process, Directors will assess the financial skills of their managers and identify any skills gaps, and training and support will be provided by FBPs. The Chief Finance Officer (Section 151 Officer) will be Informed of significant skills gaps.</p>
<p>Manage external contracts within budget</p> <p>Many of our services are delivered through external contracts, and managers will ensure that the commissioned services are within budget. The Chief Finance Officer (Section 151 Officer) will be Informed of significant issues.</p>
<p>Report the overall City Council financial position to CLT and to the Executive Board</p>

Role: Chief Finance Officer (Section 151 Officer)**Financial Accountability Activity: Manage and Monitor**

The Chief Finance Officer (Section 151 Officer) has **accountability** for reporting the Council's overall financial performance. Excellence is achieved where reporting is through a partnership approach where Corporate Directors actively **Contribute** to improve the accuracy and insight of the corporate reporting.

Report Directorate financial position to DLTs

Each Directorate has a DLT comprising the relevant Directors. The DLT oversees the financial performance of the Directorate. The FBP is **Accountable** for reporting and the Chief Finance Officer (Section 151 Officer) will **Contribute** to ensure that the reported position is fully reflective of the issues and information across the organisation.

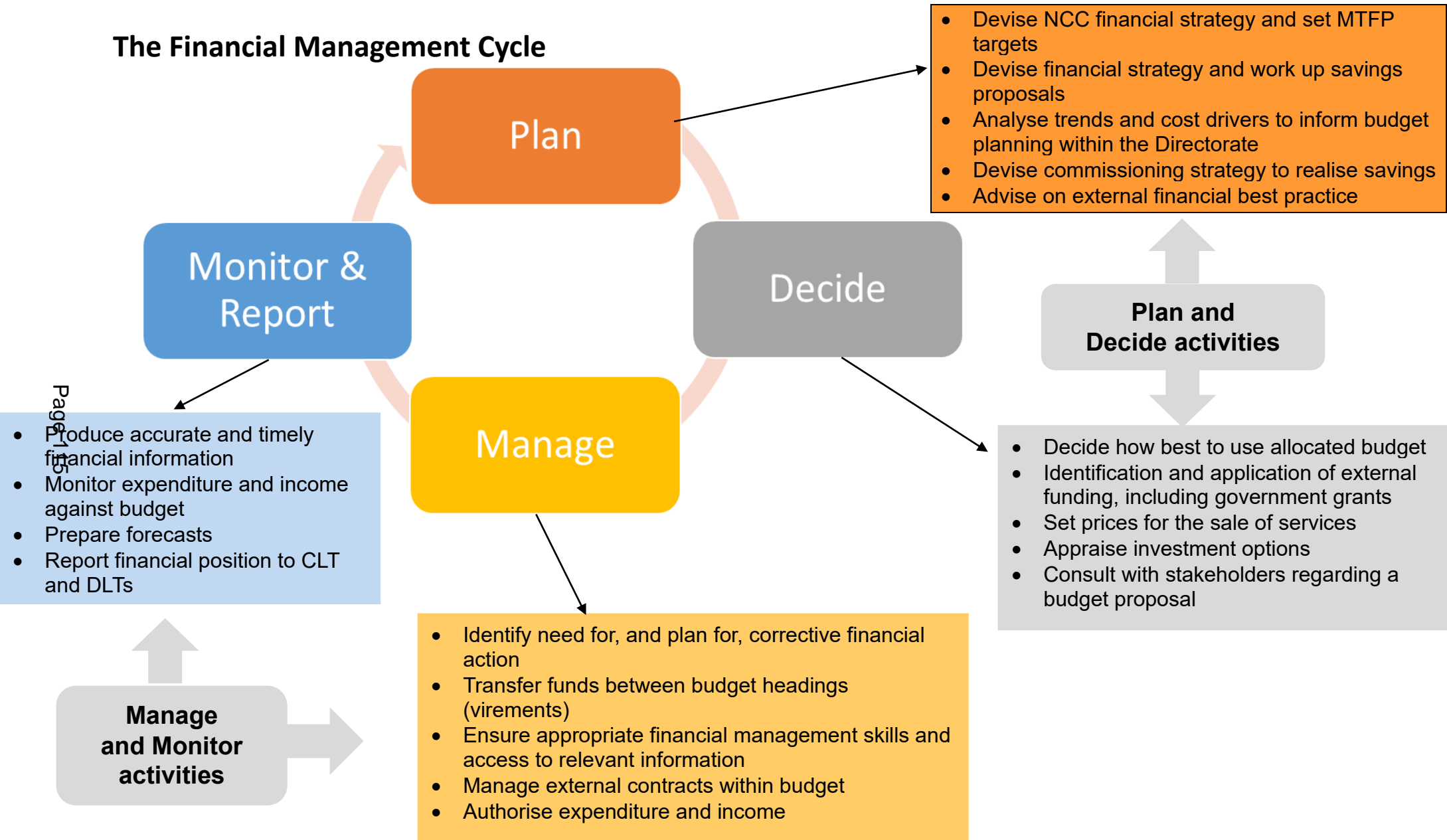
Authorise expenditure

Orders and payments can be authorised if there is sufficient budget available. Limits apply, and the Chief Finance Officer (Section 151 Officer) is **Informed** as required on exceptional items.

Collect Income

This is where fees, charges or other 3rd party contributions are due. The Chief Finance Officer (Section 151 Officer) is **Informed** only of exceptional items.

The Financial Management Cycle



Summary

Financial Accountabilities: Plan and Decide				
Activity	Chief Executive Corporate Directors/CLT	Budget Manager – Directors, Heads of Service etc	Director of Finance and the Finance team	Chief Finance Officer (s151 Officer)
Devise NCC financial strategy	Consulted/ Contributes	Informed	Responsible	Accountable
Devise Directorate financial strategy in line with MTFP targets (including working up savings proposals)	Accountable	Responsible (Service Directors & Heads of Service)	Consulted/ Contributes	Consulted/ Contributes
		Consulted/ Contributes (other Budget Managers)		
Set MTFP targets and MTFP timetables	Consulted/ Contributes	Informed	Responsible	Accountable
Decide how best to use allocated cost-centre budget	Consulted/ Contributes	Accountable	Consulted/ Contributes	Informed
		Responsible		

Financial Accountabilities: Plan and Decide				
Activity	Chief Executive Corporate Directors/CLT	Budget Manager – Directors, Heads of Service etc	Director of Finance and the Finance team	Chief Finance Officer (s151 Officer)
Analyse trends and cost drivers to inform budget-planning within the Directorate	Accountable	Responsible	Responsible	Informed
Appraise investment options	Accountable	Responsible	Responsible	Consulted/Contributes
Advise on external financial best practice	Informed	Informed	Responsible	Accountable
Identification and application of external funding, including government grants	Consulted/Contributes	Responsible	Accountable	Informed
Devise commissioning strategy to realise savings	Accountable	Responsible	Consulted/Contributes	Informed
Set prices for sale of services	Accountable	Responsible	Consulted/Contributes	Informed
Consult with service stakeholders re: a budget proposal, including undertaking an Equalities Impact Assessment	Accountable	Responsible	Consulted/Contributes	Informed

Financial Accountabilities: Manage and Monitor Activities					
Some of these activities are sub-divided into corporate, Directorate and cost-centre levels					
Activity	Level	Chief Executive Corporate Directors/CLT	Budget Manager - Directors, Heads of Service etc	Finance Director and The Finance Team	Chief Finance Officer (s151 Officer)
Produce accurate and timely financial information	Corporate	Consulted/Contributes	Consulted/Contributes	Responsible	Accountable
	Directorate	Consulted/Contributes	Responsible	Accountable	Consulted/Contributes
	Cost Centre	Consulted/Contributes	Accountable	Responsible	Consulted/Contributes
Responsible					
Monitor expenditure and income against budget	Corporate	Consulted/Contributes	Consulted/Contributes	Responsible	Accountable
	Directorate	Accountable	Consulted/Contributes	Responsible	Consulted/Contributes
	Cost Centre	Consulted/Contributes	Responsible	Accountable	Informed

Financial Accountabilities: Manage and Monitor Activities					
Some of these activities are sub-divided into corporate, Directorate and cost-centre levels					
Activity	Level	Chief Executive Corporate Directors/CLT	Budget Manager - Directors, Heads of Service etc	Finance Director and The Finance Team	Chief Finance Officer (s151 Officer)
Prepare forecasts	Corporate	Consulted/ Contributes	Consulted/ Contributes	Responsible (Director of Finance responsible for the Integrity of forecasts)	Accountable
	Directorate	Accountable	Responsible	Consulted/ Contributes	Consulted/ Contributes
	Cost Centre	Consulted/ Contributes	Accountable	Responsible	Consulted/ Contributes
Responsible			Responsible (FBP responsible for the Integrity of forecasts)		
Identify need for, and make plans for, corrective financial action	Corporate	Consulted/ Contributes	Informed	Responsible	Accountable

Financial Accountabilities: Manage and Monitor Activities					
Some of these activities are sub-divided into corporate, Directorate and cost-centre levels					
Activity	Level	Chief Executive Corporate Directors/CLT	Budget Manager - Directors, Heads of Service etc	Finance Director and The Finance Team	Chief Finance Officer (s151 Officer)
	Directorate	Accountable	Consulted/Contributes	Responsible	Consulted/Contributes
	Cost Centre	Consulted/Contributes	Accountable	Responsible	Consulted/Contributes
Transfer funds between budget headings	Corporate	Responsible	Consulted/Contributes	Consulted/Contributes	Accountable
	Directorate	Accountable	Responsible	Responsible	Consulted/Contributes
	Cost Centre	Consulted/Contributes	Responsible	Accountable	Informed
Ensure access to relevant financial information and appropriate financial support	N/A	Consulted/Contributes	Informed	Responsible	Accountable

Financial Accountabilities: Manage and Monitor Activities					
Some of these activities are sub-divided into corporate, Directorate and cost-centre levels					
Activity	Level	Chief Executive Corporate Directors/CLT	Budget Manager - Directors, Heads of Service etc	Finance Director and The Finance Team	Chief Finance Officer (s151 Officer)
Ensure Budget holders are appropriately skilled	N/A	Accountable	Consulted/Contributes	Responsible	Informed
Manage external contracts within budget	N/A	Accountable	Responsible	Consulted/Contributes	Informed
Report the overall City Council financial position to CLT and to the Executive Board	N/A	Consulted/Contributes	Informed	Responsible (Strategic Finance team Team)	Accountable
Report Directorate financial position to DLT	N/A	Consulted/Contributes	Consulted/Contributes	Accountable Responsible	Consulted/Contributes
Authorise expenditure In line with the Council decision making guidance (ncc-concise-decision-making-guidance-002.pdf (nottinghamcity.gov.uk))	High-value payments (Above £100k)	Accountable	Accountable	Consulted/Contributes	Informed
		Responsible	Responsible		
	Low-value Payments (Below £100k)	Accountable	Accountable		
		Responsible	Responsible		
Collect income	N/A	Consulted/Contributes	Accountable Responsible	Consulted/Contributes	Informed

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Financial Controls Remediation

Nottingham City Council

Establishing Grip Report
June 2024



Ross Brown
Nottingham City Council
Station Street
Nottingham
NG2 3NG

7 June 2024

Dear Ross,

Nottingham City Council - Controls Remediation

In accordance with the terms and conditions set out in the Project Initiation Document dated 12th June 2023 and Management Consultancy Framework 3 ('MCF3') Call off Schedule, this draft report ('the Report') sets out the results of our controls remediation work.

Purpose of our draft report and restrictions on its use

The report is prepared on the specific instructions of Nottingham City Council ('NCC') solely for the purpose set out in the report and should not be relied upon for any other purpose. The content within our report will be fed into a NCC paper and should not be distributed more widely as a standalone report. Because others may seek to use it for different purposes, this report should not be quoted, referred to or shown to any other parties, unless so required by court order or a regulatory authority, without our prior consent in writing. In carrying out our work and preparing our report, we have worked solely on the instructions of NCC and for its reporting purposes.

Our report may not have considered issues relevant to any third parties. Any such use third parties may choose to make of this report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. This report should not be provided to any third party without our prior approval and any third party should recognise in writing that we assume no responsibility or liability whatsoever to them in respect of the contents of our deliverables.

We provide this report in draft format solely so that it may be checked for factual accuracy by NCC.

Scope of our work

Our work in connection with this assignment is of a different nature to that of an audit. Our report to you is based on inquiries of, and information received from, management of NCC. Where relevant, reference has been included to the source of information provided to us. We have not sought to validate or verify the accuracy of the data or the information and explanations provided by management, except where explicitly stated in the Report.

If you would like to clarify any aspect of this report or discuss other related matters then please do not hesitate to contact me.

Yours sincerely



Marcus Richards
Partner
Ernst & Young LLP

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1. Executive summary

1.1 Introduction and purpose

In January 2023, EY commenced a Financial Controls Assessment for Nottingham City Council ("NCC") tasked with reviewing the extent and effectiveness of financial controls within six designated areas of financial activity. This work (including the associated Agreed Upon Procedures ("AUP") report) identified significant weaknesses with NCC's control environment specific to the six areas in scope which include: Capital, Transforming Cities Fund (TCF), Dedicated Schools Grant (DSG), Licensing Income, Parking, Traffic Regulation and Bus Lane Enforcement and Better Care Fund (BCF).

In May 2023 the findings of this work led to a recognition that urgent interventions were required to establish grip and to mitigate the risk caused by the weakened control environment which is the basis of the following report. NCC's requirements focus on three matters:

- ▶ The establishment of interim controls to establish grip in relation to identified control weaknesses;
- ▶ A NCC wide review to determine the prevalence of identified issues across NCC's organisation and group structure; and,
- ▶ Alignment of control remediation activities into NCC's Finance Improvement Plan ("FIP") and ensuring transition of ownership and knowledge to NCC officers.

To do this, EY developed a four-step approach to remediate the control weaknesses identified:

- ▶ Step 1 - Undertake a rapid intervention on identified issues within six areas in scope
- ▶ Step 2 - Carry out a NCC and Group Wide Controls Health Check to determine the prevalence of issues
- ▶ Step 3 - Implement newly scoped controls
- ▶ Step 4 - Bring together the interventions and our findings into an Establishing Grip Report

This report will provide an overview and summary of the outcomes of this approach, including actions undertaken to remedy the control failures and any further issues identified throughout the process.

To capture our analysis, the report is split into the following sections:

- ▶ Controls remediation
- ▶ Further considerations and risks identified as part of this process
- ▶ Mobilisation and implementation

1.2 Summary of controls remediation

The table below summarises the outcomes of the controls remediation work:

Theme	Summary
1: Core Finance Processes	Across Grants, Purchase to Pay ('P2P'), Record to Report ('R2R') and Accruals, the Council faced challenges stemming from undefined processes, integrity concerns regarding fragile infrastructure, and approval protocols. The remediation strategies adopted within this thematic scope involved role clarification, validation of system configuration, optimisation of workflows and refinement of approval processes. These interventions aim to collectively enhance accountability across the Council, increase transparency regarding processes and frameworks whilst significantly bolstering compliance with expectations set for approval, review and monitoring procedures.
2: Organisation wide	Across Procurement, Recharges and HR, the Council had limited and/or outdated policies, did not approve recharges before posting them to Oracle Fusion, and did not have a process for central monitoring and review. The control remediations implemented included policy updates, approval of recharge journals, as well as increased review and monitoring controls. These remediations will enable the Council to set clear expectations of staff through policy, increase accountability for budget managers approving timesheets, and mean that recharged costs are fairly allocated based on a transparent methodology.
3: Financial systems	The Council had issues surrounding their Taxi and Premises licensing and grant ring-fencing policies, including how they track the surplus/ deficit for each license. This is in addition to a lack of reporting across the Council and of control over temporary approval delegations on Oracle. The control remediations included policy updates for licensing, increased reporting implemented across the Council and Oracle system updates. These will allow for more accurate monitoring of ring-fenced accounts, a stronger control environment due to increased reporting and a mitigation of the risk that individuals have inappropriate permissions for their authority level.

As set out above the Financial Controls Assessment in January 2023 identified control weaknesses within six designated areas of financial activity. At the beginning of this phase of work these 6 areas were further segregated into 10 Process Areas and grouped under 3 themes as above.

In total, 31 control issues were identified across the 10 process areas, for which 38 control issue remediations have been scoped and agreed. Of the 38 remediations;

- ▶ 29 are now implemented and operational (with 26 implemented by 30th November 2023), and
- ▶ 9 are in the processes of implementation (with 12 in the process of implementation by 30th November 2023).

1.3 Further Considerations

Through the steps outline above we have identified the following further considerations for NCC:

Summary	
1	<p>Aligning to the Financial Improvement Plan: There were a range of themes noted within the FIP that had a higher degree of overlap with our remediation work, whilst some FIP actions were converted into more tangible or enhanced recommendations by EY. The following key actions noted in FIP were addressed through the remediation work: a need for external view on management override of controls, a robust internal control framework and range of improvements in the Procurement Process, Accruals Process, Grants and Systems (Oracle Fusions).</p> <p>In addition, EY implemented additional control remediations which extended beyond the FIP which included improvements in the Premises and Taxis licensing process, definition of No PO/ No Pay policy, definition of Grants champion role, updated Recharges policy, HR/ Expense process improvement and development of appropriate PowerBI dashboards.</p> <p>As part of the FIP's implementation, the overlapping FIP areas with EY's work should be embedded as a progress update to the current FIP's relevant sections and the remediation activities undertaken but not within the FIP should be included as an additional section.</p>
2	<p>The issues identified during the Agreed Upon Procedures ('AUP') work are not solely observed within the six areas that were considered, rather they permeate across all areas of the Council. This is because the issues identified relate to core financial processes, which underpin all the Council's financial activity. Some of the remediations we have proposed are cross cutting across the Council, others are highly targeted to given areas that were considered as part of the AUP work, namely, Licensing.</p> <p>Group entities which are particularly susceptible to the control weaknesses include Bridge Estate Trust and Nottingham City Homes Ltd, as they use the Oracle Fusion system via EMSS. However, these entities have some mitigations, in that Bridge Estate Trust has a less complex financial environment than the Council, and Nottingham City Homes have their own configurations for Oracle Fusion.</p>
3	<p>In the course of our work, we have identified further areas of risk that should be factored into financial improvement activities:</p> <p>Licensing - The scale of the aforementioned issues with Premises and Taxi licensing means that this area requires a significant overhaul in systems and process, so that the Council can meet its statutory obligations and reduce the risk of legal action that results in financial loss.</p> <p>Oracle Fusion - The shared service arrangement with Leicestershire County Council creates additional layers of complexity when seeking to make any changes to the system. The Council should consider clarifying roles and responsibilities through Service Level Agreements (SLAs) to support an effective working partnership that benefits the Council.</p> <p>Culture, knowledge and capacity - This remediation work has highlighted the need for culture change within the organisation so that staff - across the services and within Finance - understand their obligations to be financially responsible and to adhere to the Council's policies and procedures. Furthermore, there are instances where gaps in knowledge and / or capacity have raised further concerns around roles and obligations, specifically we recommend that the Finance team should have a greater monitoring role over the groups entities and that the work scheduled of the internal audit team should be reviewed in line with the monitoring set out in this report. We have also developed a training roadmap which</p>

	outlines a structured approach to enhancing the knowledge and awareness of staff, with specific steps outlined for each of the control remediations implemented.
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1.4 Mobilisation and Implementation

This section sets out:

- ▶ Mobilisation - the next steps required so that the remedial actions set out in this report are adequately embedded. This covers:
 - ▶ Next steps for each process area including monitoring and reporting
 - ▶ Comms plan
 - ▶ Training roadmap
- ▶ Implementation - the next steps required to deliver longer term changes across the organisation

Summary	
1	<p>Mobilisation focusses on the next steps so that the remedial actions set out in this report are adequately embedded. This includes:</p> <ul style="list-style-type: none"> ▶ Next steps for each process area including monitoring and reporting - a plan across each of the process areas has been set out with the individuals identified for the delivering the plan. This is supported by a schedule for monitoring and reporting across the areas. ▶ Comms plan - we propose an organisation-wide communication strategy to articulate the importance of controls and compliance including the scope of this work undertaken. This includes holding a launch / engagement day. ▶ Training roadmap - the outlined roadmap aims to enhance control effectiveness and foster risk awareness. This approach equips staff at all levels with skills and knowledge to align with control frameworks and risk practices with specific steps for each of the control remediations implemented.
2	<p>Implementation focuses on the next steps required to deliver longer term changes across the organisation. The Council must integrate remediating controls into a new operational framework, signalling a broad cultural shift with leadership support. While finance oversees financial control, all parts of the organisation must share responsibility and communication with non-financial officers clarifies their role in stewarding funds. A 3 lines of defence model, adapted for the Council, involves operational management, risk functions, and internal audit:</p> <ul style="list-style-type: none"> ▶ First line - operational management who own and manage risks. An example of this would be a grant responsible officer, who ensures compliance with grant conditions throughout the grant lifecycle. ▶ Second line - risk management functions who help to monitor the first line of defence and ensure compliance with applicable laws and regulations. ▶ Third line - risk assurance, provided by the internal audit function.

2. Introduction

2.1 Background and context

In January 2023, a Financial Controls Assessment for NCC was carried out, tasked with reviewing the extent and effectiveness of financial controls within six designated areas of financial activity. This work (including the associated Agreed Upon Procedures (AUP) report) identified significant weaknesses with NCC's control environment specific to the six areas in scope which include: Capital, Transforming Cities Fund (TCF), Dedicated Schools Grant (DSG), Licensing Income, Parking, Traffic Regulation and Bus Lane Enforcement and Better Care Fund (BCF).

The findings of the work conducted in January 2023, led to a recognition that urgent interventions are required to establish grip and to mitigate the risk caused by the weakened control environment.

NCC's requirements focused on three matters:

- ▶ The establishment of interim controls to establish grip in relation to identified control weaknesses.
- ▶ A NCC wide review to determine the prevalence of identified issues across NCC's organisation and group structure; and,
- ▶ Alignment of control remediation activities into NCC's Finance Improvement Plan ("FIP") and ensuring transition of ownership and knowledge to NCC officers.

Our approach in June 2023 entailed a 12-week programme of work, composed of four steps focused on establishing the necessary grip to remedy control weaknesses identified in the Financial Controls Assessment summarised below and delivering against the requirements summarised above.

- ▶ Step 1 - Undertake a rapid intervention on identified issues within six areas in scope
- ▶ Step 2 - Carry out a NCC and Group Wide Controls Health Check to determine the prevalence of issues
- ▶ Step 3 - Implement newly scoped controls
- ▶ Step 4 - Bring together the interventions and our findings into an Establishing Grip Report (this document)

2.2 Purpose of this report

This report provides an overview and summary of the outcomes of the steps outlined above, including:

- ▶ An overview of the actions undertaken to remedy the control failures and any further issues identified throughout the process. (Section 3)
- ▶ Insight to be incorporated into NCC's FIP, ensuring synergy with further transformative actions being undertaken across the Council. (Section 4)
- ▶ The prevalence of risks and issues across the Group (Section 4)
- ▶ A clear mobilisation and implementation next steps (Section 5)

In addition to the above, the report covers:

- ▶ Proposals for culture change that may be feeding compliance issues (Section 5)
- ▶ Recommended corporate knowledge and appropriate training for both finance and non-finance staff on controls (Section 5) -

For the Council, there is an opportunity for an organisational reset, to move towards being a Council that demonstrates robust financial stewardship and a culture of compliance and continuous improvement. Whilst we have suggested and detailed remediations to the control weaknesses identified, the Council should adopt a culture that recognises the value of controls and aims to embed the continuous improvement into its control environment, as is best practice.

2.3 Scope of report and limitations

This report is focused on summarising EY's control remediation plan and findings based on the Financial Controls Assessment carried out in January 2023. Whilst our work has focused on 10 process areas set out in this document, we have included further risks and issues identified through the course of our work. Our work has been limited in scope and time and we stress that a more detailed review may reveal material issues that this review has not.

A number of limitations should be noted with regards to this report:

- ▶ Our work has relied on financial information provided by NCC. We have not sought to verify or validate any of the information provided, except where stated explicitly in this report.
- ▶ There were some delays in receiving information due to staff turnover and shortage of resource, and therefore timescales needed to be readjusted to deliver the remediation (notably Capital Journals and recharges).
- ▶ This status of the control remediations contained within this report are, to the best of our knowledge, correct as at the date of this report. An update of Annex 6.4 has been prepared which provides an update on remediations based on the Council's own progress, as at 16th November, with progress to 17th April 2024 also provided in a further update to the report.

3. Summary of controls remediation

As set out above the Financial Controls Assessment in January 2023 identified control weaknesses within six designated areas of financial activity. At the beginning of this phase of work these 6 areas were further segregated into 10 Process Areas and grouped under 3 themes as per the below.

Each of the 10 process areas had respective control weaknesses which were identified in the first phase of work in January 2023 which served as starting point for the remediation work. In collaboration with the identified key NCC contacts for each Process Area, EY and NCC developed remediation steps to mitigate the risk of the weaknesses recurring in the future.

In total, 31 control issues were identified across the 10 process areas. As at the date of this report, 38 control issue remediations have been scoped and agreed; of these, 29 are now implemented and operational and 9 are in the processes of implementation. This programme of implementation will provide remediations to all control issues identified at the outset of the work.

We have summarised the thematic areas below before providing an overview of each process area in turn. This is supported by the document library set out in Appendix 6.7.

Theme	Process area	Reference	Number of issues identified	Number of remediations scoped and agreed	Remediations implemented and designed	Remediations in the process of implementation
Theme 1 - Core Financial Processes	Grants	3.1.1	2	3	3	0
	Purchase to Pay	3.1.2	5	4	2	2
	Recording to Report	3.1.3	4	7	5	2
	Goods Receipting	3.1.4	2	4	4	0
Theme 2 - Organisation Wide	Procurement	3.2.1	3	5	4	1
	Recharges	3.2.2	4	3	3	0
	HR & Expenses	3.2.2	3	3	2	1
Theme 3 - Financial Systems	System Reporting	3.3.1	4	4	3	1
	Segregation of Certain Financial Activities	3.3.2	2	3	1	2
	Systems Access	3.3.3	2	2	2	0
Total			31	38	29	9

3.1 Core Financial Processes

Theme	Summary
1: Core Finance Processes	A review of the Council's core finance processes identified a number of challenges leading to a weakened control and compliance environment. This stemmed from fundamental issues with undefined processes, integrity concerns regarding the systems infrastructure, and approval protocols. The remediation strategies adopted within this thematic scope have involved role clarification, validation of system configuration, optimisation of workflows and refinement of approval processes. These interventions aim to collectively enhance accountability across the Council, increase transparency regarding processes and frameworks whilst significantly bolstering compliance with expectations set for approval, review and monitoring procedures.
2: Organisation wide	Across Procurement, Recharges and HR, the Council had limited and/or outdated policies, did not approve recharges before posting them to Oracle Fusion, and did not have a process for central monitoring and review. The control remediations implemented include policy updates, approval of recharge journals, as well as increased review and monitoring controls. These remediations will enable the Council to set clear expectations of staff through policy, increase accountability for budget managers approving timesheets, and mean that recharged costs are fairly allocated based on a transparent methodology.
3: Financial systems	The Council had issues surrounding their Tax and Premises licensing and grant ring-fencing policies, including how they track the surplus/ deficit for each license. This is in addition to a lack of reporting across the Council and of control over temporary approval delegations on Oracle. The control remediations included policy updates for licensing, increased reporting implemented across the Council and Oracle system updates. These will allow for more accurate monitoring of ring-fenced accounts, a stronger control environment due to increased reporting and a mitigation of the risk that individuals have inappropriate permissions for their authority level.

3.1.1 Grants

Control weaknesses identified

The Council did not have a defined process for Grants which highlighted responsible officers along with their respective roles and responsibilities. This led to approval of grant submissions and expenditure without sufficient supporting evidence. A lack of focus on learning and development for individuals involved in the process contributed to a poor understanding of grant restrictions in many services.

Summary of steps taken

We have worked with NCC process owners to:

- ▶ Define the roles and responsibilities throughout the grant lifecycle, recognising the necessity for a Senior Responsible Officer (SRO) due to the intricate scope of grant management. This is supported by a document which sets out the overarching process steps and key activities for each step.
- ▶ Provide guidance on the additional information that should be captured in the grant register, which will serve as a centralised repository for information concerning grant management and reporting.

Outcome of remediation steps taken

Clarity over roles and responsibilities of key stakeholders across the lifecycle of a grant supports a structured and organised environment conducive to successful grant management. This

accountability promotes ownership and means that each stakeholder fulfils their obligations in a timely and effective manner.

For further information please see **Appendix 6.7** (1A, 1B, 1C)

3.1.2 Purchase to Pay

Control weaknesses identified

In the Purchase to Pay process, the control challenges that were identified revolved around the absence of a successful three-way match and the frequent absence of supporting evidence for invoice approvals. Instances were noted where purchase orders were generated after the issuance of invoices, and there were also cases of approved transactions surpassing financial thresholds defined in the authority matrix.

Summary of steps taken

Our interventions primarily concentrated on safeguarding the integrity of the three-way match process. To achieve this, we confirmed this requirement existed within both the system configuration and the current Purchase to Pay (P2P) policy and workflow. While it is possible to bypass this process through the non-PO route, we accounted for this possibility by establishing a "no PO, no pay" policy. In addition, we introduced an "exception list" that assists in handling invoices where a purchase order cannot be generated before the invoice due to exceptional situations.

Outcome of remediation steps taken

The interventions allow the Council to gain heightened control over P2P workflow, where exceptional circumstances are accommodated without hindering overall workflow. The policies means all steps and decisions are documented, enhancing the transparency of audit trail and regulatory compliance.

In the case of transactions surpassing financial thresholds refer to narrative and interventions detailed in "Systems Access" (3.4) below.

For further information please see **Appendix 6.7** (2A, 2B, 2C)

3.1.3 Record to Report

Control weaknesses identified

In the Record to Report process it was identified that staff members were able to process journals and the system allowed the bypassing of approvals when key officers were absent. The number of journals raised increased, leading to insufficient scrutiny and a lack of thorough review. This subsequently led to a decline in the quality of evidence and narrative behind journals.

Notably for Capital Journals, it was possible to allocate time and labour directly to intra-projects without requiring approval from the project manager through Oracle Time & Labour ('OTL'). Additionally, journal details were aggregated obscuring entries on the ledger. This hindered the project manager's ability to scrutinise and challenge journals.

The council also encountered difficulty in distinguishing costs between the initial application phase and subsequent administration and enforcement activities. This issue has been addressed below in the section titled "Segregation of Certain Financial Activities" (3.4) below.

Summary of steps taken

Swift action was taken to promptly halt automated approvals when officers were absent and to limit access to Firmstep, the system used for raising journals. Configuration adjustments were suggested and are at present being tested within ORACLE to enforce authorisation before journal entries are recorded on the ledger. Additionally, a process enhancement was implemented that involves saving all evidence in a centralised library, accompanied by the creation of refined instructions and

monitoring process to facilitate compliance with the new procedures for raising and approving journals.

Intra-projects will now be removed and transitioned into capital project codes to allow appropriate review and approval from project managers. A further added benefit from the removal of intra-project codes from OTL is that the authorisation channel will flow to the project manager post supervisor review.

Outcome of remediation steps taken

- ▶ The system improvements prevent unauthorised individuals from processing journals, reducing the risk of non-compliance, and ensuring only authorised journals are involved in the submission process. Furthermore, this will mean all journal entries undergo a proper approval process enhancing control and compliance.
- ▶ The manual processes mean journals are subject to proper scrutiny. The creation of refined instructions provides clearer guidance on the new procedures and helps staff understand their roles and responsibilities reducing the chances and errors of non-compliance. The supporting monitoring exercise supports compliance with the new procedures is tracked and upheld.

For further information please see **Appendix 6.7** (3A, 3B, 3C, 3D)

3.1.4 Goods Receipting

Control weaknesses identified in the previous phase

For Goods Receipting the concern centred around accruals. There were instances where accruals were performed without goods having been receipted. Additionally, we identified a lack of adequate preventive controls for significant accruals, which could be recorded without proper supporting evidence.

Summary of steps taken to remediate the weaknesses

A two-tier approval process has been implemented to raise an accrual, with a key requirement being the inclusion of a PO for validation. After reviewing the intranet policy, we have made system improvements for accrual approvers in accordance with the current policy. Additionally, strengthening the emphasis on conducting a year-end reconciliation between POs and GRNs as an integral part of the year-end accrual journal process and policy.

Outcome of remediation steps taken

These enhancements facilitate a stronger accrual booking procedure and mean that designated individuals can authorise accruals in alignment with the year-end accruals policy published on the intranet. Moreover, implementing the recommendations will further augment the validation of year-end accrual journals generated.

For further information please see **Appendix 6.7** (4A, 4B)

3.2 Organisation Wide

3.2.1 Procurement

Control weaknesses identified

Issues existed with adherence to Council policies and process, alongside central monitoring and review of contract spend. Procurement is also impacted by weaknesses in the wider Purchase to Pay control environment.

Summary of steps taken

We have proposed amendments to the procurement exemption request policy and aligned this to the interventions within the Purchase to Pay process area set out above. We implemented controls to improve the central monitoring of spend against contractual values, identifying PowerBI tools that were available but not widely in use.

Outcome of remediation steps taken

Clarifying the exemptions process and the escalation for non-compliance establishes clear expectations across the Council, which should foster a culture of compliance with the exemptions process. Monitoring spend on a regular basis will aid the early identification of any overspends against contract, enabling proactive engagement with service areas.

For further information please see **Appendix 6.7** (5A, 5B, 5C)

3.2.2 Recharges

Control weaknesses identified

The Recharges Policy was outdated and incomplete, with recharges often incorrectly processed as there were limited meaningful preventative controls in place.

Summary of steps taken

Our interventions have focused on a revised policy for recharges, with clear principles on when and how recharges should be used. Policy is reinforced by mandating approval of recharges, as well as monitoring controls, so that NCC staff are adhering to policy.

Outcome of remediation steps taken

These improvements enable costs to be fairly allocated across the Council and transparently managed. This will empower departments to manage budgets and be held accountable for their financial position. Ultimately, this will aid resource optimisation across the organisation.

For further information please see **Appendix 6.7** (6A, 6B)

3.2.3 HR & Expenses

Control weaknesses identified

For HR and Expenses processes, the control issues identified were characterised by a lack of transparency, particularly where staff were charging time via Oracle timesheet entry (OTL or Projects). Recharging of staff costs within Oracle timesheet entry had limited approval controls in some cases. Further, staff salaries for licenses were charged to a general cost centre and apportioned to different license regimes without appropriate supporting documentation.

Summary of steps taken

We considered the issues relating to Oracle timesheet entry through preventative and monitoring controls - timesheets now require an approver (see Record to Report implementation status), with entries monitored through a regular sampling process. Recharges to licensing have been considered within the Recharges workstream.

Outcome of remediation steps taken

Benefits of the changes to the HR process are increased accountability and visibility for project managers, who must approve timesheets on their cost centres.

For further information please see **Appendix 6.7** (7A)

3.3 Financial Systems

3.3.1 System Reporting

Control weaknesses identified

A lack of system reporting was identified across the council where there were few overarching monitoring or control breach reports being utilised. EY investigated the reason for this and noted that the core issue was not a lack of available dashboards/ reports available for use, but that they

had not been rolled out to key users throughout the council. In addition, there was a lack of reporting mechanism to track the surplus/ deficit of licenses to support cost neutrality.

Summary of steps taken

Our approach was to inquire with the Strategic Finance Reporting team to understand the available Oracle dashboards and PowerBI reports. We then identified which of these could be utilised throughout the process areas to resolve control weaknesses and then formalised their use with key process owners. There were also additional reports which were required to resolve control weaknesses that had to be developed in partnership with the Strategic Finance Reporting team.

Outcome of remediation steps taken

The benefits of increasing the usage of reports throughout NCC is that it increases the amount of management information available to key process owners which then allows for more informed decisions regarding their process area. Where the reports are resolving control weaknesses this will improve the robustness of the control environment and reduce the risk of control breaches.

For further information please see **Appendix 6.7** (8A, 8B)

3.3.2 Segregation of Certain Financial Activities

Control weaknesses identified

Segregation of Certain Financial activities relates to a lack of formal ring-fencing due to statutory regulations for licenses and grant conditions. The issue with grants was that roles and responsibilities were not defined across the lifecycle of the grant and a lack of formal processes. However, for licensing there is a lack of sufficient detail in Oracle Fusion for Taxi and Premises licenses, where the current cost centres and GL codes are grouped together. Therefore, when trying to create reports to assess the surplus/ deficit for each specific license it is currently not possible as the revenue and costs for each license are not available. The reason for this is firstly that there are not sufficient cost centres / GL codes in Oracle Fusion for all licenses, but also that a number of key licensing costs are grouped and not allocated out between each license.

Summary of steps taken

Grants have been covered in 1) AR: Grant Receive to Record where a robust lifecycle process flow has been developed which includes a monitoring of spend and compliance against grant conditions by responsible grant officers.

For licensing, EY had a number of discussions with key contacts at NCC to get to the root of the problem. The main issue identified was the lack of way to track the surplus/ deficit of each license to support cost neutrality and ring-fencing of revenue. The EY review recognised that it was operationally challenging to have separate cost centres for each license, given the volume of licenses the Council manages. Therefore, EY developed a best practice guidance document which identified principles for ensuring financial information was sufficiently granular on the GL to enable ongoing management and monitoring for the revenue/ costs of each license. Secondly, the guidance included steps for allocating licensing costs between the newly developed license cost centres with steps for implementation. It is recognised that the recommendation to have separate cost centres for all licenses may be challenging and resource intensive, therefore the Senior Finance Business Partner (SFBP) at NCC is working with the service area to develop an operationally feasible approach for licensing.

Outcome of remediation steps taken

The benefits of NCC implementing the best practice guidance related to the cost centres / GL codes and the cost allocation process are that there will be sufficient information depth to create reports to track the surplus/ deficit of each license to support cost neutrality and ring-fencing of license and grant revenue.

For further information please see **Appendix 6.7** (9A)

3.3.3 Systems Access

Control weaknesses identified

The identified issues related to Systems Access were a specific weakness in granting and monitoring temporary access and a lack of monitoring where access is maintained for inappropriate amounts of time. EY inquired with the Systems Access and EMSS team to understand the specific issue and understood the issue was related to Oracle temporary approval delegations which are used for NCC employees to delegate temporary access to their roles. The main issue being that there was no mandatory end date on the Oracle form when submitting a request to delegate temporary approval to another employee. The licensing reporting issues and remediations were included in 4.3.2 Segregation of Financial activities in more detail.

Summary of steps taken to remediate the weaknesses

EY suggested implementing a mandatory end date function on the Oracle Fusion form for requesting temporary approval delegations. However, there is the risk individuals just put the end date far into the future which would then undermine the effectiveness of the mandatory end date. Hence, EY also implemented a control where a report of all delegations is sent automatically to System Reporting - Senior Analyst on a monthly basis, who will review individuals with delegated authority for longer than 60 days. They will then inquire with those individuals to assess if the delegation is still appropriate, and if not the delegation will be revoked.

Outcome of remediation steps taken

The benefits of the system change and monthly control will mean individuals do not maintain temporary access for extended periods of time and hence reduce the risk access is maintained outside of authorised approvals hindering the robustness of the delegated authority matrix.

For further information please see **Appendix 6.7** (10A, 10B&C)

4. Further Considerations

We recognise that the scope of the work set out in the process areas above has been carried out alongside a broader organisational and change context. This section sets out:

1. How controls remediation outlined above align to NCC's Finance Improvement Plan (FIP) (4.1.)
2. The extent of the risks and issues across NCC and its group structure to determine organisation wide prevalence (4.2)
3. Additional risks and considerations that have been identified through the course of our work and proposed recommendations against these (4.3)

Summary	
1	<p>Aligning to the Financial Improvement Plan: There were a range of themes noted within FIP that had a higher degree of overlap with our remediation work whilst some FIP actions were converted into more tangible or enhanced recommendations by EY. The following key actions noted in FIP were addressed through the remediation work: a need for external view on management override of controls, a robust internal control framework and range of improvements in the Procurement Process, Accruals Process, Grants and Systems (Oracle Fusions).</p> <p>Some of EY's enhancements beyond FIP included improvements in the Taxi and Premises Licensing process, definition of No PO/ No Pay policy, definition of Grants champion role, updated Recharges policy, HR/ Expense process improvement and development of appropriate PowerBI dashboards.</p> <p>As part of the FIP's implementation, the overlapping FIP areas with EY's work should be embedded as a progress update to the current FIP's relevant sections and the remediation activities undertaken but not within the FIP should be included as an additional section.</p>
2	<p>The issues identified during the AUP work are not solely observed within the six areas that were considered, rather they permeate across all areas of the Council. This is because the issues identified relate to core financial processes, which underpin all the Council's financial activity. Some of the remediations we have proposed are cross cutting across the Council, others are highly targeted to given areas that were considered as part of the AUP work, namely, Licensing.</p> <p>Group entities which are particularly susceptible to the control weaknesses include Bridge Estate Trust and Nottingham City Homes Ltd, as they use the Oracle Fusion system via EMSS. However, these entities have some mitigations, in that Bridge Estate Trust has a less complex financial environment than the Council, and Nottingham City Homes have their own configurations for Oracle Fusion.</p>
3	<p>In the course of our work, we have identified further areas of consideration. Some of these areas are already under consideration by the Council, as part of the Finance Improvement Plan or other programmes of work:</p> <p>Licensing - The scale of the issues with licensing means that this area requires a significant overhaul in systems and process, so that the Council can meet its statutory obligations and reduce the risk of legal action that results in financial loss.</p> <p>Oracle Fusion - The shared service arrangement with Leicestershire County Council creates additional layers of complexity when seeking to make any changes to the system. The Council should consider clarifying roles and responsibilities through Service Level Agreements (SLAs) to support an effective working partnership that benefits the Council.</p>

	<p>Culture, knowledge and capacity - This remediation work has highlighted the need for culture change within the organisation so that staff - across the services and within finance - understand their obligations to be financially responsible and to adhere to the council's policies and procedures. Furthermore, there are instances where gaps in knowledge and / or capacity have raised further concerns around roles and obligations, specifically we recommend that the finance team should have a greater monitoring role over the groups entities and that the work scheduled of the internal audit team should be reviewed in line with the monitoring set out in this report.</p>
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4.1 Alignment with Finance Improvement Plan

Whilst urgent intervention was required to mitigate the risk of identified control weaknesses, we have reviewed the remediations to understand how they align and integrate with NCC's Financial Improvement Plan (FIP) so that the remediations are embedded within this plan rather than sitting in isolation.

We have reviewed the FIP and have summarised key alignment areas in this paper and noted that EY's work overlaps with approximately 110 of the 232¹ actions recommended in the NCC FIP. This was done to acknowledge the Transformation work that was ongoing within Finance and to bring the two together into a coherent single plan. The overlap suggests that the FIP can be brought into action through the support of EY's control remediation plan in the form of specific controls and guidance. The following aims were achieved through this alignment exercise:

- ▶ Ensure EY work is additive, and duplication is avoided
- ▶ Follow recommendations, strengthen job role and functions developed through the FIP Programme
- ▶ For existing activities within the FIP, ensure focus was applied to delivery and tangible change.
- ▶ A collaborative approach was adopted with the FIP Programme leads and Finance Team enabling Synergy with EY Controls Remediation
- ▶ EY review helped achieve a key aim of FIP's that recommended an external view on Internal Control environment and Finance function strength at NCC

The FIP was primarily divided into seven sections. Four sections of the FIP had a higher overlap with EY Work. The overlap in NCC FIP/ EY Remediation provides greater evidence of the existence of such issues. In overlap areas, EY has aimed to materialise the FIP into tangible actions and extended support for NCC.

The key sections of the FIP for which the controls remediation work overlapped were:

- ▶ **Section 1 - The responsibilities of the chief finance officer and leadership team:** FIP/ EY Review supported actions for an improved procurement process, better contract management arrangements, improved financial competency of staff and utilisation of intranet site
- ▶ **Section 2 - Governance and Financial Management Style:** FIP/ EY Review supported the need for robustness of the internal controls within Oracle Fusion, support "One version of the Truth", compliance with relevant accounting standards/ Accruals based accounting, effective transactional services (within AP, Payroll etc.) and the recommendation for NCC to seek an external view on its 'Management of Override controls' as part of its FIP
- ▶ **Section 6 - Monitoring Financial Performance:** FIP/ EY Review supported the need for appropriate suite of reports to facilitate effective performance, manage risk of duplicate payments and better influence future directions / developments of Fusion
- ▶ **Section 7 - External Financial Reporting:** FIP/ Review supported actions for Clean Audit opinion through improved journal control, recharging process, grants management, accruals booking and

¹ Revised version of FIP provided in November 10th 2023 with 232 action items. To note, the FIP is a live document with actions regularly reviewed, refined and added by NCC.

closedown process improvements, effective financial dashboards, robust internal financial control framework and routine compliance to policies.

We did not cover the following FIP sections as part of EY remediation work: Section 3 - Long to medium-term financial management, Section 4 - The annual budget and Section 5 - Stakeholder engagement and business plans.

Additionally, EY noted specific control weaknesses that were not explicitly stated in FIP. The following were the key enhancements proposed beyond FIP:

- ▶ Licensing: Improve Licensing process through systems measures to enable ring fencing and monitor surplus/deficit
- ▶ HR and Expense Process: Control recommended and training to Finance for ensuring timesheets coded to correct cost centre
 - ▶ Action C2.3 has been updated to include reference to timesheet approvals control change.
- ▶ Systems: PowerBI dashboards recommended for monitoring of system approval delegations

The review of the Council's control environment helped identify additional control weaknesses in areas not noted explicitly referenced within the FIP. Ensuring these factors are incorporated into the evolving FIP will help to ensure it seeks to continue to strengthen the Council's Finance Function and corresponding approaches to financial management.

Mobilisation

As part of the FIP's implementation, we recommend that the overlapping FIP areas with EY's work are embedded as a progress update to the current FIP's relevant sections. Additionally, for remediation activities undertaken but not explicitly noted within the FIP should be included as an additional section to the FIP. This shall help achieve the FIP's aims and best utilize the recommendations presented as part of EY's detailed Control Remediation plan prepared in conjunction with NCC officers.

4.2 Group Wide Health Check

Our previous phase of work considered the control environment across six subject matter areas:

- ▶ Capital
- ▶ Transforming Cities Fund (TCF)
- ▶ Dedicated Schools Grant (DSG)
- ▶ Licensing Income
- ▶ Parking, Traffic Regulation and Bus Lane Enforcement
- ▶ Better Care Fund (BCF)

The issues identified were grouped into the ten process areas which we have considered as part of the controls remediation work. Considering the ten process areas, we have determined whether they are specific to areas reviewed during the AUP work, or the extent to which they are relevant across other parts of the Council's operations, including group entities.

As many of the process areas relate to core financial processes which underpin the Council's financial activities, our review indicates the issues previously identified will have an impact across NCC and in many cases it's group entities. The remediating controls being proposed will inherently improve the financial control within those areas.

Process area	Relevance outside six AUP areas	Relevance to specific group entities
Grants	There are 264 grants totalling £606m in 22/23, the majority of which relates to grants not considered in the AUP work. Therefore, implementing the remediating	Nottingham City Homes Ltd and Nottingham City Transport Ltd. (NCT) may receive grants, therefore would be

Process area	Relevance outside six AUP areas	Relevance to specific group entities
	controls will bring benefits outside of the AUP subject matter areas.	impacted by changes to NCC process throughout the grants lifecycle.
Purchase to Pay	This is a core financial process that underpins all payments made by the Council.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).
Recording to Report	We have included some remediating controls that are specific to Capital, otherwise, this is a core financial process that underpins the Council's financial processes.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).
Goods Receipting	This relates to accruals which is a core financial process that is relevant across all areas where the Council has expenditure.	Changes made are predominantly process rather than systems based. Therefore, remediating controls are likely to impact NCC and Bridge Estate Trust only.
Procurement	Procurement is a key part of the Purchase to Pay process, which underpins all payments made by the Council.	Changes made are predominantly process rather than systems based. Therefore, remediating controls are likely to impact NCC, rather than any group entities. Bridge Estate Trust is unlikely to be materially impacted due to the nature of the charity.
Recharges	Recharges impact all areas of service delivery for the Council, with some areas outside of the AUP subject matter areas being particularly impacted by changes to the recharges policy (such as Schools). Further, there is now a draft policy for recharging corporate overheads to all other areas of the Council.	Those entities which are managed by Council staff (for example, property services manage Bridge Estates Trust) are likely to be impacted by the revised corporate overheads recharges policy.
HR & Expenses	The timesheet capability is relevant for bank staff, who could feasibly work in any area of the Council. Capital projects are particularly impacted by changes to the OTL system.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).
Systems Reporting	There are specific remediating controls that relate to Licensing, otherwise the reports identified will be used for review and monitoring controls across the Council's core financial processes.	This impacts NCC only.
Segregation of Certain Financial Activities	This area is focused on Licensing which was included in the AUP report.	This impacts NCC only.
Systems Access	Changes made to systems access are not specific to a given area considered during the AUP work, and is relevant to all financial processes using Oracle Fusion.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).

4.3 Additional Risks Identified

In the course of our work, we have identified further areas of risk that sit outside the specific control issues identified in previous work. These are summarised below to ensure that due consideration is applied to them and, where necessary, steps are taken to mitigate such risk.

- ▶ Licensing

The scale of the issues within the Councils Taxi and Premises licensing operations means that this area requires a significant overhaul in systems and process, so that the Council can meet its statutory obligations and reduce the risk of legal action that results in financial loss. We sought to lay the foundations for this change through our control remediation work by improving the structure of the financial system in place and introducing best practice guidance. However, we view the Council's systems and approaches inadequate to be able to manage the complexity and risk of licensing and therefore a formal review and potential transformation of this model would be recommended.

- ▶ Oracle Fusion

The shared service arrangement with Leicestershire County Council (LCC) creates additional layers of complexity when seeking to make any changes to the system. This is exacerbated by the lack of clarity around the parameters for making changes, timelines, governance and the roles and responsibilities across each party. An example of this is within the Purchase to Pay team, where responsibilities between Council officers and the shared service provider EMSS (East Midlands Shared Services) were not always well understood. An additional example is the Mandatory End Date control implemented in 10) Systems Access which was delayed as it required LCC to approve the change in Oracle as it would also affect them.

The Council should consider clarifying roles and responsibilities through Service Level Agreements (SLAs) to support an effective working partnership that benefits the Council. In carrying this out, changes to ways of working may be identified which may make it easier to navigate the stakeholder environment and enact system changes more quickly. Furthermore, the council should capture learnings and feedback to provide the foundations for requirements gathering at the point at which the system needs to be renewed or re-procured.

- ▶ Culture, knowledge and capacity

This remediation work has highlighted the need for culture change within the organisation so that staff - across the services and within Finance - understand their obligations to be financially responsible and to adhere to the council's policies and procedures (we have provided further detail on this in the following section). Furthermore, there are instances where gaps in knowledge and / or capacity have raised further concerns around roles and obligations, specifically:

- ▶ Through our work it was unclear who had sight within the Finance team of the group entities and subsidiaries. The Council should consider establishing this more prominently within the finance team's remit (e.g. identifying an individual / role) so that there is greater awareness, and monitoring within the finance team of its group entities
- ▶ The Council may wish to review the schedule of work for the Internal Audit function so that control weaknesses (such as the ones identified in the Financial Controls Assessment) are adequately identified in the future
- ▶ There needs to be engagement from all members of the Council in understanding this is the start of a journey to improve the Council's financial control, an opportunity to reset the Council's culture. Both financial and non-financial officers have a role to play if the Council is to demonstrate best practice in financial control

5. Mobilising the remediating controls and the implementation of longer term interventions

This section sets out:

- ▶ Mobilising remediating controls - the next steps required so that the remedial actions set out in this report are adequately embedded. This covers:
 - ▶ Next steps for each process area including monitoring and reporting
 - ▶ Comms plan
 - ▶ Training roadmap
- ▶ Implementing longer term interventions - the next steps required to deliver longer term changes across the organisation

Summary	
1	<p>Mobilising remedial controls focusses on the next steps so remedial actions set out in this report are adequately embedded. This includes:</p> <ul style="list-style-type: none"> ▶ Next steps for each process area including monitoring and reporting - a plan across each of the process areas has been set out with the individuals identified for delivering the plan. This is supported by a schedule for monitoring and reporting across the areas. ▶ Comms plan - we propose an organisation-wide communication strategy to articulate the importance of controls and compliance including the scope of this work undertaken. This includes holding a launch / engagement day. ▶ Training roadmap - the outlined roadmap aims to enhance control effectiveness and foster risk awareness. This approach equips staff at all levels with skills and knowledge to align with control frameworks and risk practices.
2	<p>Implementing longer term interventions focuses on the next steps required to deliver longer term changes across the organisation. The Council must integrate remediating controls into a new operational framework, signalling a broad cultural shift with leadership support. While finance oversees financial control, all parts of the organisation must share responsibility and communication with non-financial officers clarifies their role in stewarding funds. A 3 lines of defence model, adapted for the Council, involves operational management, risk functions, and internal audit:</p> <ul style="list-style-type: none"> ▶ First line - operational management who own and manage risks. An example of this would be a grant responsible officer, who ensures compliance with grant conditions throughout the grant lifecycle. ▶ Second line - functions who help to monitor the first line of defence and ensure compliance with applicable laws and regulations, such as risk assurance teams. ▶ Third line - Provide independent assurance on controls, provided by bodies such as the internal audit function, or external audit team.

5.1 Mobilising the remediating actions

Next steps across the process areas

A comprehensive plan has been detailed against each process area in Appendix 6.4 outlining necessary steps for initiation, approval and integration within each respective area. This also defines responsibility per individual in Appendix 6.2. This plan will amplify the FIP and create a structured framework that promotes collaboration, accountability, and successful execution of controls throughout the Council's processes.

Monitoring and feedback mechanisms are essential across all identified process areas; the following are proposed:

Action	Approach
Establish robust monitoring to track implementation progress (Immediate), with overarching accountability resting with Deputy S151.	A schedule has been provided in the Appendix for the reporting and monitoring required across the process areas.
Establish a comprehensive system to evaluate effectiveness of remediation measures (Immediate)	The Council should implement a comprehensive system to evaluate control effectiveness. This involves thorough testing and assessment to verify functionality and efficiency. Proposed measures introduced should be integrated into the scope of Internal Audit testing moving forward, with implementation leads feeding into this exercise. Systematic control evaluations aim to promptly identify gaps or shortcomings, enabling corrective actions.
Establish a clear escalation route for controls not implemented by a fixed date (Sept 2023)	Challenges may inevitably arise during implementation. To address these, the Council will establish a targeted response mechanism that facilitates protocols for identifying, escalating, and resolving issues hindering implementation progress. A structured approach enables the Council to swiftly address obstacles and maintain implementation momentum. Internal Audit and implementation leads should raise these issues, reflecting them in the FIP for subsequent action formulation and monitoring.
Refined entity wide controls focused monitoring and whistleblowing process	The Council should establish a focused monitoring and whistleblowing process that allows for a means of communicating any examples of where controls are being overridden to support steps that may be necessary to improve the culture of compliance across NCC. This should follow the current general whistleblowing policy currently in place at NCC. The key is to determine the individuals for whom complaints shall be raised to, and escalated to thereafter.

We have set-out a detailed schedule within Appendix 6.5 detailing owner and frequency of monitoring.

Communication

Transparent communication is fundamental to building understanding and commitment across all levels of the Council. The following actions are proposed:

- ▶ Communicate initial findings to all stakeholders within the Council
The Council should employ a communication strategy after releasing the first report, which identified various issues. This strategy must clearly convey the identified challenges and their potential impacts on the organisation. It reaffirms the Council's commitment to address these concerns promptly and effectively.
- ▶ Highlighting remediations efforts taken to resolve Control Issues
Subsequent steps should mean that ongoing remediation efforts are comprehended and valued by the Council and stakeholders. This involves proactively communicating specific measures being implemented to rectify the reported issues. By sharing information about these remediations, the Council aims to amplify transparency and accountability in its journey toward improvement.
- ▶ Formal Launch Event / Controls Remediation Engagement Day
To further aid both engagement and implementation, a formal launch event is recommended to highlight remediation efforts. This exercise will aim to comprehensively communicate the

changes to different areas across the Council. It will particularly highlight the implications and actions required for various stakeholders, including business partners, transaction teams, service managers, and SROs for grants. Appendix 6.3 provides further details about these role-specific communications.

The Council should schedule engagement days each quarter over the coming year to fortify their control environment. These days will offer a platform for broader stakeholders to contribute feedback and deepen their comprehension of roles and compliance expectations.

Training Roadmap

As part of a commitment to reinforcing control effectiveness and fostering a risk-aware culture within the Local Authority, a Training Roadmap has been developed. This roadmap outlines a structured approach to enhancing the competence and awareness of staff across the Council. The primary objective of this Training Roadmap is to equip employees with the necessary skills, knowledge, and understanding to effectively execute their roles in line with the Council's control framework and risk management practices.

Refer to Appendix 6.6 where we have set a training roadmap for each of the process areas.

5.2 Implementation of longer-term interventions

The Council must integrate remediating controls into a new operational framework, signalling a broad cultural shift with leadership support. While finance oversees financial control, all parts of the organisation must share responsibility and communication with non-financial officers clarifies their role in stewarding funds. The 3 lines of defence model, adapted for the Council, involves operational management, risk functions, and internal audit. Periodic reviews will cultivate a culture of continuous improvement, enhancing the Council's agility in responding to emerging risks.

It is of paramount importance that the Council embeds the remediating controls into a new way of working. There needs to be a clear signal from leadership that this is an organisational reset, and that the interventions proposed are not a short-term solution, but part of a broader culture shift at the Council.

Whilst the Finance Function is ultimately accountable for the level of financial control within the Council, a cross-organisational responsibility exists. Communication with non-financial Council officers should make clear the role that they have to play in the robust stewardship of taxpayer's funds. A risk approach widely adopted is the 3 lines of defence model. The Council should consider formalising a similar approach to suit their needs:

- ▶ First line - operational management who own and manage risks. An example of this would be a grant responsible officer, who ensures compliance with grant conditions throughout the grant lifecycle.
- ▶ Second line - risk management functions who help to monitor the first line of defence and ensure compliance with applicable laws and regulations.
- ▶ Third line - risk assurance, provided by the internal audit function.

In time, as processes are embedded, the Council should adopt a model whereby it periodically reviews its control environment and risk appetite. This will help foster a culture of continuous improvement, which will enable the Council to be flexible and adaptive when responding to emerging risks.

In addition, a robust monitoring and whistleblowing policy must be developed and circulated to all individuals at NCC who are involved throughout the three lines of defence for when controls are overridden or for general instances of non-compliance. The policy should follow the principles of the current NCC Whistleblowing Policy and make it clear to individuals at each line of defence who they should raise complaints to, and the safeguards surrounding raising of concern.

The following steps aim to set-out how the three line defence model can be integrated into the Council:

First line:

- ▶ **Communication of Roles and Responsibilities:** The defined roles and responsibilities must be effectively communicated to relevant stakeholders across the organisation. This clear communication ensures that each individual understands their part in the risk management process.
- ▶ **Accessibility of Roles and Responsibilities:** Make the revised roles and responsibilities easily accessible to all staff members through the Intranet. Designate a key contact within each directorate who can assist in clarifying roles and responsibilities and identifying training needs.
- ▶ **Training and Capacity Building:** Identify and outline training needs aligned with the new roles and responsibilities. Integrate these training needs into regular training programs within respective service areas, led by senior officers. This means that individuals are equipped with the necessary knowledge and skills to fulfil their risk management roles effectively.

Second line:

- ▶ **Identification of Risk Management Functions:** The Council must proactively identify individuals responsible for risk management functions across various departments. These functions should be well-defined and aligned with the organisation's objectives, particularly aligned to risks noted within FIP (including EY exercise).
- ▶ **Development of Risk Management Framework:** Develop a comprehensive risk management framework that clearly outlines the responsibilities, processes, and reporting lines for risk management functions. This framework should be communicated widely and integrated into the organisational structure.
- ▶ **Centralised Risk Reporting:** Establish a mechanism for centralized risk reporting to ensure consistent and standardised reporting of risks across different departments. This central reporting hub aids in aggregating and analysing risk data for informed decision-making (the Audit Committee can serve this purpose).

Third line:

- ▶ **Review and Alignment of Internal Audit Plan:** Evaluate the existing Internal Audit plan and align it with the objectives outlined in the FIP. Ensure that each process area within the FIP is appropriately covered in the Internal Audit plan.
- ▶ **Revised Internal Audit Plan:** Develop a revised Internal Audit plan that aligns with the FIP and addresses identified control areas. The plan should outline the scope, objectives, and methodologies for each audit.
- ▶ **Reporting and Action:** Share the audit findings within the Audit Committee. Devise actionable plans to address identified weaknesses and deficiencies, ensuring that corrective actions are assigned and monitored for completion.
- ▶ **Integration with Control Effectiveness Evaluation:** This process of Internal Audit review and action should be integrated with the comprehensive system set out in step 5.2, ensuring that the effectiveness of controls and risk management is assessed holistically.

By following these steps, the Council can establish a robust '3 lines of defence' model that enhances risk management, accountability, and control throughout the organization's operations. This comprehensive approach ensures that risk management becomes an ingrained part of the Council's culture and operations.

6. Appendix

6.1 Identified Control Weaknesses Mapped to Remediations

Process area	Control weakness	Control reference and Type
1) AR: Grant Receive to Record	Lack of training on grant conditions, poor understanding in many services of grant restriction	AR3 (Preventive)
	Approval of grant submissions and expenditure without sufficient underlying evidence	AR1 (Preventive) AR2 (Preventive)
2) AP: Purchase to Pay	Frequent lack of underlying evidence for invoice approvals	P2P3 (Detective)
	Multiple invoices charged through single transaction invoices where grand total mismatch with transaction value	P2P4 (Preventive) PP5 (Detective)
	Examples where lack of three-way match achieved (comparing the purchase order, invoice, and goods/services receipt to make sure they match, prior to approving the invoice)	P2P2 (Preventive)
	Some approved transactions supersede financial thresholds as per authority matrix; and violate cost centre restrictions as per authority matrix	P2P1 (Preventive)
	Examples of Purchase orders that are issued post invoice issuance	P2P3 (Detective)
3) Reporting: Record to Report	Narration of journals often incomplete and opaque on the purpose of the expenses, inhibiting audit and user insight	RR2 (Corrective)
	Council is unable to separate out cost of processing an initial license application from those costs associated with on-going administration	RR4 (Preventive)
	No preventative controls on automated journals; processed without approval if not reviewed within 48 hours	RR1 (Corrective)
	Lack of any process to govern funds transfer between project components (sub-projects) as there is no review mechanism while authorising the journal	RR3 (Preventive)
4) AP: Goods Receipting	Preventative controls insufficient for material items that are allowing for accruals to be booked without appropriate evidence	GR1 (Detective) GR2 (Preventive)
	Examples of accruals being undertaken where goods not receipted and whilst acknowledging training that has taken place in recent years, issues still prevalent where controls can be overridden or circumnavigated	GR3 (Detective) GR4 (Detective)
	Reconciliations between the Contract Register Total Contract Value and Supplier spend not undertaken	PP1 (Preventive) PP2 (Corrective)
	Ineffective controls to inhibit the raising of orders retrospectively	PP3 (Preventive)
5) Procurement Process	Lack of proper documentation where transactions are exempt from NCC defined policy procedures i.e. transaction is exempt from procurement procedures	PP4 (withing P2P) (Preventive)
6) Services: Recharges	Council has no refresh rate for the Recharges Policy and many recharges based on a model in excess of five years old	R1 (Preventive)
	Council has no process for reciprocated recharges against corporate services	R2 (Preventive)
	Recharges are undertaken against budget in some instances, devaluing the effectiveness of the recharge process	R3 (Detective)
	Recharges frequently transacted without a review or reconciliation to cost drivers	R2 (Preventive)
	Lack of transparency in charging staff salaries where staff are drawn from NCC pooled resources	HRExp.1 (Detective)

Process area	Control weakness	Control reference and Type
7) HR and Expense Processes	Lack of transparency and documentation to book HR expenses where staff are providing services to multiple cost centres	HRExp.2 (Preventive) R2 (Preventive) R3 (Detective)
	Staff salaries charged in general cost centre and subsequently transferred to different licenses without any approval process and review of appropriate supporting documents i.e. timesheets or any other suitable time tracking arrangement	HRExp.3 (Preventive) R1 (Preventive)
8) System Reporting	Few overarching monitoring control or control breach reports	SR3 (Corrective) SR4 (Preventive)
	Year-end processes inconsistent: cannot adjust life span (prospectively) for licenses based on historical results / performance to reconcile surplus or deficit in future years	SR2 (Preventive)
	Lack of mechanism to ensure that license fees are broadly cost neutral in budgetary terms	SR1 (Preventive)
	Lack of mechanism to track surplus or deficit generated by certain licenses over the license life	SR1 (Preventive) SR5 (Corrective)
9) Segregation of certain financial activities	Key financial arrangements requiring formal ring-fencing due to statutory obligations or grant conditions lacking formal segregation and ring-fencing within financial management approach	RF1 (Preventative) RF3 (Preventative)
	Limited means of controlling expenditure in line with service specific obligations	RF2 (Detective)
10) Systems Access	Identified weakness in granting and monitoring systems access with particular respect to the granting of temporary access with limited protocol and approval documentation	SA2 (Preventive)
	System not flagging where access is maintained outside of authorised approvals hindering the robustness of the delegated authority matrix	SA1 (Detective)

6.2 Long term controls

Process area	Controls to implement	Control reference and Type
2) AP: Purchase to Pay	<p>Training must be provided to Oracle users before role base access is granted.</p> <ol style="list-style-type: none"> 1. Initiate a training program for employees/new joiners within the P2P department and enrol them for ensuring compliance who are/will be responsible for raising invoices to adhere to the policy. 2. To include clear principle of 'No PO No Pay' 3. Employees must attend the training in advance of Oracle access being granted 4. Kefron software to be configured in line with the exception list broad categories and supplier type for proper matching of invoices with PO and Non Po Invoices 	P2P4 (Preventive)
3) Reporting: Record to Report	On a biweekly basis, the technical finance team to review revenue journals posted to the GL, sampling the five largest transactions and five random journals (10 in total) from across the 'source categories' to ensure staff are compliant against journal policy and instructions.	RR9 (Detective)
4) AP: Goods Receipting	Perform a year-end reconciliation between the purchase orders (PO) and goods received notes (GRN), using this reconciliation as a reference to validate the accrual journal raised at year-end.	GR3 (Detective)
	On a yearly basis, Technical Finance Team lead to approve the list of permitted individuals (from Commercial & Technical Team) with access to approval of Accruals on system. The list is agreed on E-mail and Finance Team Lead to complete the process before year-end.	GR2 (Preventive)
8) System Reporting	Develop a report/ dashboard within Oracle Fusion which shows each licensing cost centre and the associated revenue/costs. The report will identify which licenses have a large surplus/deficit for review by the Licensing Operations (LO) team. This will allow the LO team to monitor the licensing surplus/deficit on a monthly basis to ensure the fees are appropriate for all licenses at NCC, and adjustments can be made if not. It will also allow the LO team to ensure each license is operating in line with its statutory obligations.	SR5 (Detective)
	Monitor effectiveness of the FIP Fusion updates to ensure long term implementation	SR6 (Detective)
	Implement measures to ensure appropriate individuals/teams are signing off the use of funds for ring-fenced areas	SR7 (Preventive)
	When the Licensing application CX comes into production usage for NCC in December 2023 (replacing Flare), ensure licensing reports are devised and implemented at inception to avoid the risk of control weaknesses in the future	SR8 (Preventive)
9) Segregation of Certain Financial Activities	On a yearly basis the Head of the Licensing Operations (LO) team will review the licensing costing process (RF3) and associated assumptions ensure they remain appropriate. A documented formal approval is required each year, and every 3 years the model must be updated with reviewed in-depth and updated with new assumptions	RF4 (Corrective)
	Develop a training programme with a corresponding robust policy document for finance team members to ensure successful implementation of ring fencing financial management approach	RF5 (Detective)
10) Systems Access	Introduce auto-provisioning throughout NCC. i.e. all roles within NCC have specific certain role accesses depending on the position.	SA3 (Preventive)

Process area	Controls to implement	Control reference and Type
	This will automate the process within NCC make the provisioning of role permissions more efficient	

6.3 Control mapping to NCC stakeholders

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
1) AR: Grant Receive to Record	AR1. Define a Grant Champion or Senior Responsible Officer (SRO) role and determine expectations and responsibilities for individuals in this role. Services to identify grant leads for each grant. Alternatively assign accountability role to HoS or Director (SRO). (Preventative)	✓		✓	✓	
	AR2. Outline the process of the grant lifecycle i.e. from grant identification through to grant reporting, highlighting responsibilities along the lifecycle for key stakeholders involved in the process. (Preventative)	✓		✓	✓	
	AR3. Ensure the Grant Register is comprehensive, utilised and accessed properly - and instructions are effective and clear. (Preventative)			✓	✓	
2) AP: Purchase to Pay	P2P1. Develop a comprehensive list ('Exception List') of specific cases in which purchase orders (POs) are not required for placing orders. Exceptions list is led by the transaction team that disseminate clear instructions to the entire service-wide team regarding the revised procedure for handling non-PO invoices. (Detective)	✓	✓	✓	✓	
	P2P2. Strict no PO, no pay policy. For any payments which do not have a PO, these must have a completed Justification Form, and be approved by the finance business partner responsible for that cost centre. (Preventative)	✓	✓	✓		
	P2P3. Amend configuration on Oracle Fusion to enforce three way match of Invoice, Receipt and PO. (Preventative)	✓	✓	✓	✓	
	P2P4. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time (Preventative)		✓	✓	✓	
3) Reporting: Record to Report	RR1. Implement hard stop to the system to prevent journals being automatically authorised without signature after 48 hrs (Corrective)	✓			✓	
	RR2. Amend ORACLE configuration to ensure all Journals are authorised prior to posting onto the GL (Corrective)	✓			✓	
	RR3. Teams to ensure no transaction is processed without a 'Journal Evidence' form on Firm Step including Finance Staff for Journals with a control total below £20k. All journal evidence must be saved within the central filing system. (Preventative)	✓			✓	✓
	RR5. Configure ORACLE to a 2-tier system approval so that the project manager can approve timesheets feeding into Projects				✓	✓

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR	
	Module in addition to the Supervisor for capital transactions (Preventative)						
	RR6. Disable internal recharge capability (automated journals) within ORACLE timesheet so that undue time cannot be charged to capital projects (Corrective)				✓		
	RR7. Implement a compulsory standardized Journal Evidence Form that supervisors and project managers must complete prior to reviewing or endorsing Journals. (Preventative)			✓	✓		
	RR8. Create further Cost Centres (in addition to the current 5) from which licensing costs can be budgeted and managed, to allow full transparency of licensing costs charged to each regime (Preventative)	✓		✓	✓		
4) AP: Goods Receipting	GR1. Per transaction, the Accrual request approver from the Business Partnering Team (First level Reviewer) and Technical Team (Second Level Reviewer) reviews every Accrual for appropriateness of input details and review of attached evidence per the year-end accrual policy on the intranet with the additional key check being the inclusion of a Purchase Order (PO). (Detective - Review)	✓	✓	✓	✓		
	GR2. On a yearly basis, Technical Finance Team lead to approve the list of permitted individuals (from Commercial & Technical Team) with access to approval of Accruals on system. The list is agreed on E-mail and Finance Team Lead to complete the process before year-end. (Preventative)	✓			✓	✓	
	GR3. Perform a year-end reconciliation between the purchase orders (PO) and goods received notes (GRN), using this reconciliation as a reference to validate the accrual journal raised at year-end. (Detective - Review)				✓	✓	
	GR4. FBP and Purchase Requisitioner bi-monthly review of open PO's (Detective - Review)	✓	✓		✓		
5) Procurement Process	PP1. As part of regular budget monitoring, the FBP reviews the 'Spend Analysis Tool' for expenditure close to contracted limits (ie over 90%) to ensure that contracted amounts are not exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation sought that spend will not exceed the contracted amount. (Preventative)	✓			✓		
	PP2. On a weekly basis, the transaction team reviews the 'Spend Analysis Tool' for expenditure over contracted amounts (ie over 100%) to ensure that contracted amounts are not further exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation		✓		✓		

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	sought that spend will not continue and/or additional contracts are in place. (Corrective)					
	PP3. For any exemption request, this must be submitted to the Head of Procurement who will check for appropriate supporting evidence (form) or a relevant exemption. Any instances of policy not being followed should be reported to the individual's line manager. (Preventative)		✓	✓		
	PP4. (within P2P) Introduce strict no PO, no pay rule. Exception list under development by P2P working group (Preventative) (Additional since June)		✓	✓		
	PP5. On a monthly basis, transactional team will review the AP dashboard for any invoices paid without POs. Any invoices paid without a PO will be investigated with the relevant cost centre manager, with additional training provided where relevant. (Detective) (Additional since June)		✓	✓		
6) Services: Recharges	R1. Update Council wide Recharges Policy during Summer 2023, and for each Budget setting period. This should include reference to Actual performance data, rather than historic budgeted values. (Preventative)				✓	
	R2. All recharges must be reviewed by a second party (eg a line manager or the corresponding budget manager). Reviewers should confirm that the recharges template has been filled in, and that the recharges is on the master list of permitted recharges. (Preventative)	✓		✓	✓	
	R3. On a monthly basis, a member of finance to review a sample of 5 recharges to confirm they are in line with Policy, permitted per the recharges master list, and appropriately calculated/coded. Any exceptions should be investigated with the poster of the recharge. (Detective) (Additional since June)				✓	
7) HR and Expenses Processes	HrExp1. On a monthly basis, select a random sample of 5 OTL (timesheet) entries, and confirm with Timekeeper (line manager) that time is appropriately coded to the correct cost centre. Any instances of incorrect coding should be corrected with a journal by finance. Additional training should be provided to Timekeepers where necessary. (Detective - Review)	✓		✓		✓
	HRExp2. related to journal evidence for recharge journals and has been covered by the following: R2. All recharges must be reviewed by a second party (eg a line manager or the corresponding budget manager). Reviewers should confirm that the recharges template has been filled in, and that the recharges is on the master list of permitted recharges. (Preventative)	✓		✓	✓	

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	R3. On a monthly basis, a member of finance to review a sample of 5 recharges to confirm they are in line with Policy, permitted per the recharges master list, and appropriately calculated/coded. Any exceptions should be investigated with the poster of the recharge. (Detective) (Additional since June)					
	HRExp3. related to journal evidence for recharge journals and has been covered by the following: R1. Update Council wide Recharges Policy during Summer 2023, and for each Budget setting period. This should include reference to Actual performance data, rather than historic budgeted values. (Preventative)				✓	
8) System Reporting	SR1. Create and maintain a separate account or ledger to monitor the financial performance for each license, with sole access to the process owner initially to allow monitoring of surplus/deficit whilst the 'review process' becomes more refined. (Preventative)	✓		✓	✓	
	SR2. Develop a report/ dashboard within Flare which shows the date of renewal for every license. This will allow Finance to more accurately account for licensing revenue/ costs based on the renewal date, rather than relying on the initial start date of license. (Preventative)	✓		✓		
	SR3. Review current Oracle reports/ dashboards prepared by Senior Finance Analyst (Reporting) to assess if they are or can be utilised to resolve control weaknesses across the process areas. Then if there are any gaps identify additional reports that should be created and implemented. (Corrective)	✓	✓		✓	
	SR4. Identify key users/ process owners for each report and implement a training / implementation strategy to promote increased usage of the reports. (Preventative)	✓	✓	✓	✓	
9) Segregation of Certain Financial Activities	RF1. NCC need to implement a coding structure that allows for sufficient granularity to enable ongoing reporting requirements for licensing. Initially, this was proposed to be a separate cost centre for each license. It is recognised that it was operationally challenging to have separate cost centres for each license, given the volume of licenses the Council manages, therefore the SFBP at NCC is working with the service area to develop an operationally feasible approach for licensing. (Preventative)	✓		✓	✓	
	RF2. Introduce a formal review by a senior finance member within the recharges process to ensure internal recharges to ring-fenced regimes are not approved, and the	✓		✓	✓	

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	corresponding journal entries not posted. This will ensure statutory obligations / grant conditions are met and segregation of financial activities are ensured. (Detective)					
	RF3. Introduce a formal process with robust assumptions for allocating licensing costs between the newly developed license cost centres (RF1). NCC can implement a 'time in progress' system which identifies the amount of time the administration and enforcement of each license historically takes, and then allocate the costs based on these assumptions. (Preventative)	✓		✓		
10) Systems Access	SA1. Extract an initial report to identify all current temporary approval delegations, and then ensure through inquiry that all individuals have appropriate access and revoke those who do not.		✓		✓	
	SA2. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time. (Preventative)		✓		✓	

6.4 Control Implementation Plan

The control implementation plan below includes implementation steps and timeline that was correct as at 17th April 2024. Controls which have been implemented are shown in Table 1, with controls in the process of implementation shown in Table 2,

Table 1 - Implemented

Process area	Control reference	Steps for Implementation
1) AR: Grant Receive to Record	AR1. Define a Grant Champion or Senior Responsible Officer (SRO) role and determine expectations and responsibilities for individuals in this role. Allocate a grant champion within each 'Directorate' and within the grant register for each grant area. Alternatively assign accountability role to HoS or Director (SRO). (Preventative)	Control is live.
	AR2. Outline the process of the grant lifecycle i.e. from grant identification through to grant reporting, highlighting responsibilities along the lifecycle for key stakeholders involved in the process. (Preventative)	Control is live.
	AR3. Ensure the Grant Register is comprehensive, utilised and accessed properly - and instructions are effective and clear. (Preventative)	Control is live.
	P2P3. Amend configuration on Oracle Fusion to enforce three way match of Invoice, Receipt and PO. (Preventative)	Control is live.
2) AP: Purchase to Pay	P2P4. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time (Preventative)	Control is live.
3) Reporting: Record to Report	RR1. Implement hard stop to the system to prevent journals being automatically authorised without signature after 48 hrs (Corrective)	Control is live.
	RR2. Amend ORACLE configuration to ensure all Journals are authorised prior to posting onto the GL (Corrective)	Control is live.
	RR3. Finance team to ensure no transaction is processed without a 'Journal Evidence' form on Firm Step including Finance Staff for Journals with a control total below £20k. All journal evidence must be saved within the central filing system. (Preventative)	Control is live.

Process area	Control reference	Steps for Implementation
	RR5. Configure ORACLE to a 2-tier system approval so that the project manager can approve timesheets feeding into Projects Module in addition to the Supervisor for capital transactions (Preventative)	Control is live.
	RR7. Implement a compulsory standardized Journal Evidence Form that supervisors and project managers must complete prior to reviewing or endorsing Journals. (Preventative)	Control is live.
4) AP: Goods Receipting	GR1. Per transaction, the Accrual request approver from the Commercial team (First level Reviewer) and Technical Team (Second Level Reviewer) reviews every Accrual for appropriateness of input details and review of attached evidence per the Intranet policy with the additional key check being the inclusion of a Purchase Order (PO). (Detective - Review)	Control implemented, pending comms on intranet (to be drafted by Technical Finance team leader as part of annual financial close process).
	GR2. On a yearly basis, Technical Finance Team lead to approve the list of permitted individuals (from Commercial & Technical Team) with access to approval of Accruals on system. The list is agreed on E-mail and Finance Team Lead to complete the process before year-end. (Preventative)	Annual control implemented, with Technical Finance Team Lead to perform as part of annual financial close process.
	GR3. Perform a year-end reconciliation between the purchase orders (PO) and goods received notes (GRN), using this reconciliation as a reference to validate the accrual journal raised at year-end. (Detective - Review)	Annual control implemented, to be performed as part of annual financial close process. 1) Finance Manager extracts the reconciliation between PO and GRN from the three-way match. (March 2024) 2) Performs Reconciliation which is reviewed by Technical Finance Team leader.
	GR4. Transactional team and Purchase Requisitioner bi-monthly review of open PO's (Detective - Review)	Control agreed, design in finalisation. To be completed and then agree steps for implementation.
5) Procurement Process	PP1. On a monthly basis, the Procurement team reviews the 'Spend Analysis Tool' for expenditure close to contracted limits (ie over 90%) to ensure that contracted amounts are not exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation sought that spend will not exceed the contracted amount. (Preventative)	Control implemented,
	PP2. On a weekly basis, the Procurement Team	Control implemented,

Process area	Control reference	Steps for Implementation
	<p>reviews the 'Spend Analysis Tool' for expenditure over contracted amounts (ie over 100%) to ensure that contracted amounts are not further exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation sought that spend will not continue and/or additional contracts are in place. (Corrective)</p>	
	<p>PP3. For any exemption request, this must be submitted to the Head of Procurement who will check for appropriate supporting evidence (form) or a relevant exemption. Any instances of policy not being followed should be reported to the individual's line manager. (Preventative)</p>	<p>Changes to policy drafted.</p>
	<p>PP5. On a monthly basis, a Strategic Finance Business Partnering team will review the AP dashboard for any invoices paid without POs. Any invoices paid without a PO will be investigated with the relevant cost centre manager, with additional training provided where relevant. (Detective) (Additional since June)</p>	<p>Control implemented.</p>
<p>6) Services: Recharges</p>	<p>R1. Update Council wide Recharges Policy during Summer 2023, and for each Budget setting period. This should include reference to Actual performance data, rather than historic budgeted values. (Preventative)</p> <p>HRExp3. related to journal evidence for recharge journals and has been covered by this control.</p>	<p>Control implemented, pending rollout in stakeholder communications.</p>
	<p>R2. All recharges must be reviewed by a second party (eg a line manager or the corresponding budget manager). Reviewers should confirm that the recharges template has been filled in, and that the recharges is on the master list of permitted recharges. (Preventative)</p> <p>The following controls are also remediated by control R2</p> <p>HRExp2. related to journal evidence for recharge journals and has been covered by this control.</p> <p>RF2. Introduce a formal review by a senior finance member within the recharges process to ensure internal recharges to ring-fenced</p>	<p>Control implemented, pending rollout in stakeholder communications.</p>

Process area	Control reference	Steps for Implementation
	regimes are not approved, and the corresponding journal entries not posted. This will ensure statutory obligations / grant conditions are met and segregation of financial activities are ensured. (Detective)	
	R3. On a monthly basis, Technical Finance team to review a sample of 5 recharges to confirm they are in line with Policy, permitted per the recharges master list, and appropriately calculated/coded. Any exceptions should be investigated with the poster of the recharge. (Detective) (Additional since June)	Control implemented, pending rollout in stakeholder communications.
8) System Reporting	SR3. Review current Oracle reports/ dashboards prepared by Financial Systems team to assess if they are or can be utilised to resolve control weaknesses across the process areas. Then if there are any gaps identify additional reports that should be created and implemented. (Corrective) SR4. Identify key users/ process owners for each report and implement a training / implementation strategy to promote increased usage of the reports. (Preventative)	Policy implemented and communicated. Policy to be refreshed on an annual basis by Financial Systems team.
9) Segregation of Certain Financial Activities	SR2. Develop a report/ dashboard within Flare which shows the date of renewal for every license. This will allow Finance to more accurately account for licensing revenue/ costs based on the renewal date, rather than relying on the initial start date of license. (Preventative)	Control is live.
10) Systems Access	SA1. Extract an initial report to identify all current temporary approval delegations, and then ensure through inquiry that all individuals have appropriate access and revoke those who do not. (Corrective)	Control is live.
	SA2. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time. (Preventative)	Control is live.

Table 2 - Remediations Designed, NCC in Process of Implementing

Process area	Control reference	Steps for Implementation
2) AP: Purchase to Pay	<p>A number of controls have been grouped relating to the implementation of the No PO, No Pay policy. Implementation steps cover all of the controls below.</p> <p>P2P1. Develop a comprehensive list ('Exception List') of specific cases in which purchase orders (POs) are not required for placing orders. Disseminate clear instructions to the entire service-wide team regarding the revised procedure for handling non-PO invoices (Detective)</p> <p>P2P2. Strict no PO, no pay policy. For any payments which do not have a PO, these must have a completed Justification Form, and be approved by the finance business partner responsible for that cost centre. (Preventative)</p> <p>PP4. (within P2P) Introduce strict no PO, no pay rule. Exception list under development by P2P working group (Preventative) (Additional since June)</p>	<p>Implementing a No PO No Pay policy requires a significant change in working practices and changes in technology. NCC are making good progress against the plan outlined during the Controls Remediation project. After a 'soft launch' implementation of the policy from November 2023, additional training will be provided to staff and suppliers, during April 2024.</p> <p>This policy will be operationally mandated with adherence enforced (ie a 'hard launch') from July 2024.</p>
3) Reporting: Record to Report	<p>RR6. Disable internal recharge capability (automated journals) within ORACLE timesheet so that undue time cannot be charged to capital projects (Corrective)</p>	<p>This control will be remediated by July 2024, through Oracle Fusion system improvements, including for the Capital module. System updates will be supported by training and communication activities to help to embed new ways of working in the finance team.</p>
7) HR and Expenses Processes	<p>HrExp1. On a monthly basis, select a random sample of 5 OTL (timesheet) entries, and confirm with Timekeeper (line manager) that time is appropriately coded to the correct cost centre. Any instances of incorrect coding should be corrected with a journal by finance. Additional training should be provided to Timekeepers where necessary. (Detective - Review)</p>	<p>This control will be remediated through training being provided to budget managers between April and July 2024.</p>
9) Segregation of Certain Financial	<p>The following controls all relate to Licensing and have been grouped.</p> <p>RF1. For each type of license, introduce a</p>	<p>These controls relate to relate to coding structure improvements for ring-fenced accounts and strengthened monitoring processes to ensure operational compliance.</p>

Process area	Control reference	Steps for Implementation
Activities	<p>separate cost centre within Oracle Fusion and also specific GL codes for the revenue/ costs of each license (ensuring there are distinguishable GL codes for both 'application fees' and 'enforcement costs'). This will allow NCC to accurately monitor the surplus/ deficit of each license to ensure it is in line with their statutory obligations. (Preventative)</p> <p>RF3. Introduce a formal process with robust assumptions for allocating licensing costs between the newly developed license cost centres (RF1). NCC can implement a 'time in progress' system which identifies the amount of time the administration and enforcement of each license historically takes, and then allocate the costs based on these assumptions. (Preventative)</p> <p>RR8. Create further Cost Centres (in addition to the current 5) from which licensing costs can be budgeted and managed, to allow full transparency of licensing costs charged to each regime (Preventative)</p> <p>SR1. Create and maintain a separate account or ledger to monitor the financial performance for each license, with sole access to the process owner initially to allow monitoring of surplus/deficit whilst the 'review process' becomes more refined. (Preventative)</p>	Training and communication to be completed by the end of June 2024.

6.5 Monitoring & Reporting

The frequency of monitoring and reporting in the table below is indicative, with NCC to determine a frequency which is operationally feasible and adequately addresses control risk.

Process area	Key Monitoring Points Identified	Frequency	Owner
1) AR: Grant Receive to Record	<p><u>Lifecycle</u></p> <ol style="list-style-type: none"> 1) Sign-off against pursue of grant (SRO) 2) Review of grant application (s151) 3) Monitoring of Compliance Report 4) Grant performance Report 5) Close-out / Audit Report Submission <p><u>Grant Register</u></p> <ol style="list-style-type: none"> 1) Review of Grant register prior to rolling out to wider team 2) Grant register year-end reconciliation to GL 	<p><u>Lifecycle</u></p> <p>Per grant award / application (if applicable)</p> <p><u>Grant Register</u></p> <ol style="list-style-type: none"> 1) Annual 2) Monthly/Annual 	<p><u>Lifecycle</u></p> <p>Refer to 1B</p> <p><u>Grant Register</u></p> <ol style="list-style-type: none"> 1) Technical Team 2) Finance Team
2) AP: Purchase to Pay	Review the NCC payments report to identify the exceptions where an invoice has been raised, flag exceptions and identify	Monthly (NCC Payments Extract Report)	P2P Manager

Process area	Key Monitoring Points Identified	Frequency	Owner
	individuals within the department who are still continuing to do the same.		
3) Reporting: Record to Report	<p><u>Revenue Journals</u></p> <ol style="list-style-type: none"> Review of journal instructions based on monitoring and feedback of effectiveness of measures in place. Monitoring of compliance against journal instructions report <p><u>Capital Journals</u></p> <ol style="list-style-type: none"> Feedback report from Highways Finance on effectiveness of transition from intra-project codes to capital codes Project summary report detailing which dates project codes were opened highlighting un-identified intra-projects. Monitoring of 'Time and Labour' charged directly via manual journals prompting correction to be charged via OTL. 	<p><u>Revenue Journals</u></p> <ol style="list-style-type: none"> Bi-annual Bi-weekly <p><u>Capital Journals</u></p> <ol style="list-style-type: none"> Monthly (until successful transition) Monthly Quarterly 	<p><u>Revenue Journals</u></p> <ol style="list-style-type: none"> Technical Finance Team To be determined by NCC (Refer to 6.7 - 3C) <p><u>Capital Journals</u></p> <ol style="list-style-type: none"> Highways Finance Team Technical Team Technical Team
4) Goods Receipting	<ol style="list-style-type: none"> Commercial and Finance team to ensure POs are attached to every Accrual posted as part of reviews (review System rejections) Year-end, Technical Finance team to ensure Accrual approver list is limited to authorized individuals (evidenced on email) Year-end reconciliation between PO/ GRN used to validate accrual journal Open POs beyond 6 and 12 months status on PowerBi dashboards 	<p>Monthly (1 and 4) Yearly (Control 2 and 3)</p>	<ol style="list-style-type: none"> Commercial/ Technical Finance Technical Finance Technical Finance F�Ps
5) Procurement Process	<ol style="list-style-type: none"> Review of Procurement dashboard for spend over 90% of contracted value Review of Procurement dashboard for spend over 100% of contracted value 	<ol style="list-style-type: none"> Monthly Weekly 	
6) Services: Recharges	<ol style="list-style-type: none"> Review of sample of 5 recharges each month to ensure they are in line with Policy As part of revised recharges policy, review mid year position against forecast to determine if recharges are being apportioned on an appropriate basis 	<ol style="list-style-type: none"> Monthly 6 monthly 	Technical Finance team
7) HR and Expense Processes	<ol style="list-style-type: none"> Review of sample of 5 OTL timesheet entries each month to ensure they are coded to the correct cost centre 	<ol style="list-style-type: none"> Monthly 	HR team manager
8) System Reporting	<ol style="list-style-type: none"> Review and update of System Reporting Policy document Update of start / renewal dates of each license on Oracle Fusion 	<ol style="list-style-type: none"> Annually Monthly 	Senior Systems Analyst
9) Segregation of certain financial activities	<ol style="list-style-type: none"> Monthly/ Quarterly/ Yearly monitoring of surplus/ deficit of each license. Monthly/ Quarterly/ Yearly update of cost allocation offline model to calculate allocation of licensing costs Cost allocation model assumptions and policy refreshed 	<ol style="list-style-type: none"> & 2) Monthly/ Quarterly/ Yearly Annually 	Finance Business Partners
10) Systems Access	<ol style="list-style-type: none"> Perform temporary Approval Delegations Review Control 	Monthly	Senior Systems Analyst

6.6 Training Roadmap

Process area	Key Training Identified	Frequency	Department	Suggested Lead	Proposed Timeline
1) AR: Grant Receive to Record	<ol style="list-style-type: none"> Educate wider team on conditions and appropriate documentation with respect to each grant awarded 	Per Grant Award	All Service Areas	Finance Team & Responsible Officer	Beginning November 2023

Process area	Key Training Identified	Frequency	Department	Suggested Lead	Proposed Timeline
	2) Understanding of grant conditions by individuals who are going to spend				
2) AP: Purchase to Pay	1) Educate the P2P team and specific individuals within the department who are raising invoices without a PO, not adhering to defined process, conduct training, seek acceptance and agreement on the policy compliance.	Monthly	P2P department	P2P process owner	Beginning September 2023
3) Reporting: Record to Report	<u>Revenue Journals</u> Targeted training resulting from monitoring of compliance exercise (see Appx 6.5 - 3.2) <u>Capital Journals</u> Finance Improvement Team developed focused training for teams prior to commencing capital projects. Expected to go live online early October.	<u>Revenue Journals</u> As of when need identified. <u>Capital Journals</u> Prior to creation of project code.	<u>Revenue Journals</u> All Service Areas. <u>Capital Journals</u> All Service Areas.	<u>Revenue Journals</u> TBC by NCC. <u>Capital Journals</u> Technical Finance Lead (Capital)	<u>Revenue Journals</u> TBC by NCC. <u>Capital Journals</u> Oct - Dec (all staff), then ongoing as per need.
4) Goods Receipting	5) <u>Educate transaction/ Commercial/Technical Finance team with regards to mandatory PO attachment for all accruals</u> 6) <u>Train team to perform a PO to GRN reconciliation to validate the year-end Accrual journal raised (Yearly)</u> 7) <u>Train FBPs to utilise the PowerBI dashboard for long standing POs review</u>	Monthly	Technical/ Commercial Finance	Technical Finance Lead	Beginning September 2023
5) Procurement Process	1) Train NCC staff on the revised procurement exemptions process, including lead times and any escalation process agreed for non-compliance		All service areas involved in procuring services	Head of Procurement	September 2023
6) Services: Recharges	1) Train NCC staff on the revised recharges policy		Finance initially, other service areas if identified	Technical Finance team	September 2023
7) HR and Expense Processes	1) Train Timekeepers and bank staff on the appropriate use of OTL timesheets		All service areas	HR team manager	September 2023
8) System Reporting	1) For each report identified through System Reporting, ensure key owners for each report understand the functionalities available to them and how they are to be utilised to remediate control weaknesses	Per identified report	All service areas	Senior Systems Analyst	September 2023
9) Segregation of certain financial activities	1) Provide and explain revised licensing guidance and recharges policy to relevant NCC staff	Ad-Hoc	Licensing Team, Finance Team	Finance Business Partners	October 2023

Process area	Key Training Identified	Frequency	Department	Suggested Lead	Proposed Timeline
	2) Train licensing accounting staff regarding changes in license cost centres/ GL codes				
10) Systems Access	1) Train System Reporting team to perform the monthly control related to review of temporary approval delegations on Oracle > 60 days	Monthly	Finance, System Reporting	Senior Systems Analyst	September 2023

6.7 EY Deliverable Summary

Process areas	Output
1) AR: Grant Receive to Record	1A. Best Practice Guidelines - Grant Registers
	1B. Guidance Document - Lifecycle of Grant
	1C. Guidance Document - Grant Champion Role
2) AP: Purchase to Pay	2A. Policy Document - Exception Lists
	2B. Revised P2P Process Map
	2C. Guidance Document - No PO No Pay
3) Reporting: Record to Report	3A. Guidance Document - Revised Journal Narratives
	3B. Control Memo - Results of Journal Sample Exercise
	3C. Guidance Document - Monitoring of Journal Compliance
	3D. Control Memo - Capital Journals Sign-out
4) Goods Receiving	4A. Control Memo - Accruals Input and Approval
	4B. Control Memo - Addendum to Accruals Policy
5) Procurement Process	5A. Control Memo - Contract spend reviews (>90% & >100%)
	5B. Policy document - Exemption request
	5C. Control memo - AP Dashboard control and testing results
6) Services: Recharges	6A. Control memo - Updates to Council wide Recharges Policy
	6B. Control memo - Results of Recharge sample testing Against New Policy
7) HR and Expense Processes	7A. Control memo - Results of Timesheet Sample Testing
8) System Reporting	8A. Guidance document - Control Reports Across Process Areas (Exception / Broach of Controls Report)
	8B. New Report - License start/ renewal dates
9) Segregation of certain financial activities	9A - Guidance Document - Licensing Best Practice and Approach
10) Systems Access	10A - Control Memo - Oracle Approval Delegations Mandatory End Date
	10B&C - Control Memo - Temporary Approval Delegations Monthly Review

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Audit Committee – 28 June 2024

Title of paper:	Internal Audit Report – No Assurance Reports	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance & Resources	Wards affected: All
Report author(s) and contact details:	John Slater Group Assurance & Audit Governance Manager	
Other colleagues who have provided input:	None	
Does this report contain any information that is exempt from publication?		
Yes An appendix to this report is exempt under paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not in the public interest to disclose this information because it highlights a weakness in the Council's systems that potentially poses a risk to the security of the council's buildings and assets contained within them		
Brief Summary		
This report has been submitted to make the Committee aware of the 'No Assurance' classification (which is the lowest level of assurance in use) attached to a further two Internal Audit reports. The report also introduces current Internal Audit evaluations of assurance level in relation to all No Assurance reports issued in 2023/24 and provides an opportunity for the services concerned to present their responses and updates on actions to the Committee		
Recommendation(s):		
1.	To note that Internal Audit have given No Assurance to the activities in the Internal Audit Reports, and to consider the level of assurance provided by Internal Audit follow-up summaries in this report together with the relevant findings.	
2.	To consider the Action Plans / actions identified in the service responses and in each case determine whether they provide assurance that the issue considered is being adequately managed	

1 Reasons for recommendations

- 1.1 The Public Sector Internal Audit Standards set out the role of the Audit Committee in relation to Internal Audit and the standards include the requirement to receive reports from Internal Audit on significant risk exposures and control issues. This continues to be a requirement in the Global Internal Audit Standards issued in January 2024.

2 Background – Colleague Expenses

- 2.1 This audit was included within our Audit Plan for 2023/24 as part of our response to the issue of management override identified in the Council, and a summary included in our February update to committee.
- 2.2 The planned review by Internal Audit followed a data analytics approach to review business expense claims using new techniques including unsupervised machine learning, the scope included various data analytic tests to identify anomalous, duplicate, or potentially fraudulent claims and non-compliance with policy.

- 2.3 We found a weak system of internal controls with consistent non-compliance with key controls. Issues included: -
- Out of date policy with widespread, consistent non-compliance with policy.
 - Concerns about compliance with regulations such as the Income Tax (Earnings & Pensions) Act 2003.
 - Concerns that first line controls i.e. line management scrutiny and authorisation could not be seen to be operating effectively.
 - An absence of second line controls carried out by HR & EDI and/or Finance i.e. no monitoring of organisational compliance with policy or with financial controls (such as accounting regulations).
- 2.4 We have recently reviewed the status of action against recommendations and still consider that a No Assurance opinion is appropriate.
- 2.5 The service will provide an update on progress.

3 Background – Business Continuity

- 3.1 This audit was included within our audit plan as part of our response to the increased prevalence of service disruption events within the public sector and other changes within the threats landscape. Examples recently have led to local authorities having to recover services and data with a significant impact on vulnerable citizens and priority services.
- 3.2 The scope was the Business Continuity (BC) controls environment across council directorates. The Council has a statutory responsibility under the Civil Contingencies Act 2004 to ensure that it has management processes in place to ensure that the council can continue to operate effectively in the face of a disruption to services.
- 3.3 The Executive Summary reported to this meeting sets out the key recommendations within the report. There was a significant decline in the level of control from that observed during the 2018/19 review. Our particular concerns include:
- Lack of engagement of senior management and management
 - Lack of BC assurance reporting mechanisms for CLT and Councillors.
 - Colleagues are not regularly briefed/trained on their service area's business continuity plan
 - No testing policy or strategy to ensure that BC plans are tested
 - Out of date, partial or missing BC plans not sufficiently tested or informed by LA lessons learned reviews
 - BC Management System and the Emergency Planning incident management systems development/maintenance a single point of failure.
 - No corporate BC testing of the Council's response to a cyber related event despite corporate level risk
 - BC requirements for the Council's financial systems and process not covered by Financial Regulations
- 3.4 No response been received from the Director of Finance or the Head of IT to recommendations raised within the report, despite reminders being issued. This is breach of the Accounts & Audit Regulations 2015 requirements and a limitation of scope.
- 3.5 The service will provide an update on progress.

4 Background – Appointeeship

- 4.1 The following concerns arose from our report
- System used to manage the finances of citizens not fit for purpose.
 - Lack of transparency over balances held, true position for each citizen not apparent. This impacts on the Council's ability to demonstrate that it is acting in the best interests of each client.
 - No effective monitoring of appointeeship accounts, with the risk that inaccurate information is passed to the DWP
 - Inadequate separation between citizen's monies and NCC funds.
 - Council holding in excess of £1m in respect of deceased persons accounts
- 4.2 As requested by the committee we have again followed up the concerns and found that progress is being made to address the recommendations.
- 4.3 We continue to assess No Assurance as a large number of accounts have not yet been raised on the Deputyship system. We acknowledge that speed of transfer is highly dependent on external factors.
- 4.4 The service will provide an update on progress.

5 Background – HR/Payroll

- 5.1 The following particular areas of concern arose from our 2022/23 report:
- An absence of ownership & accountability within HR & EDI for ensuring organisational compliance with internal controls and critical processes, i.e. no monitoring of compliance and no challenge to non-compliance.
 - The Pay and Governance Board had not met since the Covid Pandemic.
 - Inability to demonstrate compliance with legislation in relation to Right to Work Checks for employees under Transfer of Undertakings (Protection of Employment).
 - Overpaying and underpaying employees in a number of different ways.
 - HR & EDI not applying the Special Payments Guidance consistently, creating an equal pay liability risk. Scrutiny, review and monitoring set forth within the policy had not been undertaken.
 - HR & EDI assert line managers are responsible for ensuring pay is correct but Line Managers were often unable to explain why pay decisions have been taken for employees under their responsibility and storage of documentation to explain decisions about pay is inadequate
 - A number of data quality / integrity issues affecting the Oracle Fusion HCM system in its use and outcome.
- 5.2 As requested by the committee we have recently followed up the concerns and found that the original concerns remain current, therefore our opinion at this stage remains as No Assurance.
- 5.3 The 2022/23 review included specific testing in respect of NCC's management of the process but reflected upon other external reviews and our previously reported concerns. The review highlighted a poor system of internal control and consistent non-compliance with key controls resulting in monetary impact to the organisation, affecting its ability to achieve its objectives.

6 Background – Exempt Appendix

- 6.1 An exempt appendix details an update on a further No Assurance audit report previously highlighted to the Committee in February.

7 Responses to the Audit Reports

- 7.1 Responsible Directors will discuss summarise actions taken since the reports were issued and future proposed action, and respond to questions during the meeting.

8 Background papers other than published works or those disclosing exempt or confidential information

- 8.1 None

9 Published documents referred to in compiling this report

- 9.1 Public Sector Internal Audit Standards (2017 update)
- 9.2 Global Internal Audit Standards January 2024
- 9.3 Internal Audit Progress Update Q3 2023/24 – Item 9, Audit Committee 23 February 2024
- 9.4 Internal Audit Report – No Assurance Reports - Item 8, Audit Committee 23 February 2024

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