



Nottingham City Council Audit Committee

Date: Friday 25 September 2020

Time: 10.00 am

Place: To be held remotely via Zoom - <https://www.youtube.com/user/NottCityCouncil>

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 876 4353

- 1 Change in Membership**
To note the resignation from the Committee of Councillor Steve Battlemuch and Councillor Lauren O'Grady
- 2 Appointment of Chair**
- 3 Apologies**
- 4 Declaration Of Interests**
- 5 Minutes** 3 - 12
To confirm the minutes of the meeting held on 31 July 2020
- 6 Draft Statement of Accounts 2019/20** Verbal Report
Update by the Head of Strategic Finance
For discussion
- 7 Draft Annual Governance Statement 2019/20** 13 - 54
Report of the Chief Executive
For discussion
- 8 External Audit Reports** To Follow
For discussion
- 9 Public Interest Report** 55 - 156
Report of the Director of Legal and Governance
For discussion

10	Audit Committee Annual Report 2019/2020 Report of the Chair of the Audit Committee For discussion	157 - 182
11	Internal Audit Annual Report 2019/20 Report of the Head of Audit and Risk For noting	183 - 334
12	Customer Experience/Complaints and Ombudsman Annual Assurance 2020 Report of the Director of HR & Customer For noting	335 - 346
13	Work Programme	347 - 348
14	Exclusion of the Public	
15	Exempt Minutes To confirm the exempt minutes of the meeting held on 31 July 2020	349 - 352
16	East Midlands Shared Services Annual Report 2019/20 Report of the Head of East Midlands Shared Services For noting	353 - 376

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.

Nottingham City Council

Audit Committee

Minutes of the meeting held at remotely via Zoom -
<https://www.youtube.com/user/NottCityCouncil> on 31 July 2020 from 10.00 am -
12.45 pm

Membership

Present

Councillor Steve Battlemuch (Chair)
Councillor Graham Chapman
Councillor Michael Edwards
Councillor Jane Lakey
Councillor Lauren O`Grady
Councillor Anne Peach
Councillor Andrew Rule
Councillor Audra Wynter (Vice Chair)

Absent

Councillor Leslie Ayoola

Colleagues, partners and others in attendance:

Beth Brown - Head of Legal and Governance
Glyn Daykin - Senior Accountant Treasury Management
Katherine Kerswell - Interim Chief Executive
Laura Pattman - Strategic Director of Finance
Sue Risdall - Team Leader, Technical Finance
Shail Shah - Head of Audit and Risk
John Slater - Group Auditor
Caroline Stevens - Principal Risk Specialist
Thomas Straw - Senior Accountant Capital Programmes
Kate Morris - Governance Officer

12 Apologies

Councillor Leslie Ayoola - Leave

13 Declarations of Interests

Councillors declared the following Other Interest in item 7, External Audit Report 2018/19

Councillor Steve Battlemuch: Board Member of Robin Hood Energy and Trusts and Charities Committee, Trustee of Nottingham Play House.

Councillor Audra Wynter – Board Member of Robin Hood Energy, Nottingham City Transport and Nottingham City Homes .

Councillor Andrew Rule – Trustee of the Bridges Trust

Councillor Lauren O`Grady – Board Member of Robin Hood Energy

Councillor Graham Chapman – Board Member of Nottingham City Transport, and member of the Nottingham Pension Board (Non-Voting rights)

Councillor Michael Edwards – Board Member of EnviroEnergy

Councillor Anne Peach – Board member of Nottingham Ice Arena and Nottingham Play House and member of the Nottingham Pension Board (Non-Voting rights)

14 Minutes

Other than a grammatical correction in minute 2 to correct “and” to “an” the minutes of the meeting held on 26 June 2020 were confirmed as a true record and were signed by the Chair.

15 Feedback on issues raised at previous meetings

Shail Shah, Head of Audit and Risk, provided a verbal update on two items from the previous meeting.

The IICSA Costing work is currently being scoped. Details of the scope will be emailed to board members when the work is completed.

The Role of individual members of the Audit Committee is being considered and detailed as part of a wider governance review. Shail confirmed that he was in touch with colleagues across Core Cities regarding Independent members of Audit committee and a full paper can be brought to a future meeting.

The committee noted the updates.

16 Budget Update

Laura Pattman, Strategic Director of Finance gave a verbal update on the current Budget position. She referred Committee Members to the report to the Executive Board on 21st July 2020 for detailed commentary. She highlighted the following points:

- (a) The report to the Executive Board on 21st July detailed consultation on savings of £12.5 million necessitated by the cost of the response to COVID-19, and loss of income as a result of the pandemic. A full in year budget report will be taken to Council in early October setting out a revised Medium Term Financial Plan that will set out a high level plan for the Council and the services it can continue to provide;
- (b) The budget strategy is for
 - in-year savings
 - review of
 - all budgeted savings
 - expenditure
 - Income
 - Reserves;
- (c) Finance teams are monitoring the Council’s financial position on a weekly basis which is being reported to Corporate and political Leadership teams;

- (d) The Government has announced additional funding to help Councils cover the cost of lost income, however there are exemptions from this scheme and the government has not fully clarified eligibility. It is clear that this will not fully cover the financial impact. Finance colleagues are working to establish what the Council is able to claim through the different schemes. The Council continues to lobby the Government alongside other Local Authorities for additional funding to cover its pandemic-related costs

Following questions and comments further information was highlighted:

- (e) The Council has received almost £23million to date. Following recent announcements it is hoped that a further £16million will be made available, however this still will not fully compensate the Council in terms of overall financial impact of the pandemic. There is an estimated shortfall of around £60million;
- (f) The Public Accounts Select Committee, chaired by MP Meg Hillier examines value for money of public spending and the National Audit Office will look at government expenditure as a result of the pandemic;
- (g) It was confirmed that staff had been furloughed under the national scheme and eligible costs claimed. This had been factored in to calculations.

The Committee thanked Laura Pattman and other finance colleagues for their continued hard work and noted the update.

17 Treasury Management 2019/20 Annual Report

Glyn Daykin, Senior Accountant introduced the 2019/20 Treasury Management Annual Report to the committee highlighting that the main points to note were the increase in external debt, and the decrease in the average rate payable on debts. The following information was highlighted in discussion:

- (a) The Council has raised £65million from PWLB, £40million for the General fund and £25million for the Housing Revenue Account.
- (b) Investments achieved an average interest rate of 0.892% against a benchmark of LIBID which averaged 0.530%.
- (c) The 2019/20 budget outturn for General Fund Treasury Management was £79.531m.
- (d) There have been no breaches of the prudential indicators and the Council has worked hard to mitigate the increased risks to liquidity brought about by the pandemic.
- (e) The Council, like most Local Authorities doesn't have its own credit rating. The credit rating is generally viewed in line with the UK government and so currently stands at AA at present. The risk to the Council is in line with other Local Authorities. The Council's Treasury Management risks are monitored by a panel of finance colleagues alongside the external Treasury Management advisors and risks are adjusted accordingly.

- (f) The Council increased short term borrowing and made additional liquid investments at the start of the pandemic to ensure cash would be available to enable payments to be made during the pandemic restrictions., as it was clear that a lot of income from fees and charges would not be received and it was not clear whether any Covid-19 grants would be made in advance of the year end. This was an action many other local authorities had taken at the same time. This action was entirely prudent and is part of the Council's strategy for ensuring ongoing cash flow. The report is based on the year 2019/20 and so provides the position at 31 March, showing the additional borrowing and investments at that date.
- (g) 14% of fixed term debt would be maturing in the financial year, although it was likely that this debt would be replaced at better rates, the Council is taking on more debt so the overall debt charge would be not necessarily fall in 2020-21.

Resolved to note the performance information in relation to Treasury Management for 2019/20

18 Statement of Accounts 2018/19

Theresa Channell, Head of Strategic Finance introduced the report on the audited Statement of Accounts for 2018/19. She highlighted the unaudited or draft accounts had been approved by the Committee on 29 July 2019 but that the External Auditors had been unable to conclude the audit as Robin Hood Energy accounts audit had not been concluded. This report updates members of the Committee on the changes made from the approved draft to this final version.

The following points were made during discussion:

- (a) A full list of changes made to the accounts was published with the agenda for this meeting. The most significant adjustments were to the Group Accounts as a result of the results of the audited Robin Hood Energy Accounts with the report being adjusted for the increased reported loss.
- (b) The other notable event is the COVID-19 pandemic and its impact on the organisation which has also been reflected in the statement.
- (c) A final adjustment to highlight is the reclassification of Bridge Estate reserves within the Unusable Reserves note. The overall total is unchanged.

A request was made that going forward into the 2019/20 Statement of accounts that more granularity of movement between reserves is reported.

Before moving to the recommendations the committee agreed to hear the External Audit Report item to have a fuller picture.

Once hearing the External audit report and being satisfied with the content of both reports the committee considered the recommendations.

Resolved to:

- (1) Consider the external Auditors' Audit Finding Report (attached to the report published with the agenda) to those charged with governance**

- (2) Approve for publication the Audited Statement of Accounts (attached to the report published with the agenda) and authorise the Chair of Audit Committee to sign them on the Committee's behalf**
- (3) Approve the Draft Management Representation letter (attached to the report published with the agenda) for signature by the Chair of Audit Committee**
- (4) Delegate authority to the Chair of the Audit committee and the Strategic Director of Finance to approve any subsequent necessary amendments to the Statement of Accounts.**

19 External Audit report 2018/19

John Gregory, External Audit Director introduced the Audit Finding for Nottingham City Council. He reminded the committee that a draft version of this document had been presented to the committee in July 2019 and a delay in completion had come about as a result of the delay in receiving the full audited Robin Hood Energy (RHE) Accounts. The following points were highlighted during discussion on this report:

- (a) The 2018/19 audit of RHE was signed off on 24 March with a significantly increased loss and material uncertainty of the company's going concern;
- (b) Due to the delay in receiving the accounts the Value for Money conclusion is still outstanding due to concerns around company governance. Key risks identified were major projects, company governance, and financial resilience, Consideration is being given as to whether a report in the public interest should be issued or make statutory recommendations about the council's governance arrangements in respect of its relationship with RHE.. This processes is currently subject to consultation process with interested parties;
- (c) The issue around the consolidation of the Bridge estate into the accounts is a technical one and should not be a cause for concern for the Committee;
- (d) The Statement of Accounts produced by Nottingham City Council was complex and comprehensive and given the complexity was produced to a good standard, tracking the changes to the accounts clearly. The significant movement in the numbers should not divert from that;
- (e) The McCloud pensions issue highlighted in the report was out of the control of the Authority and has had sector wide impact;
- (f) Robin Hood Energy changes reflect the revised numbers into the group accounts. These changes have also significantly impacted parts of the Council's accounts as loans to the company and the equity holding share capital converted a number of years ago;
- (g) All adjustments identified have been made and in relation to the impairments those are the Council's judgements that the have been challenged and agreed;

- (h) Opinion on the accounts will be given around mid-August and a report on the Value for Money conclusion will come to the September Audit Committee meeting;
- (i) The draft EAR attached to the report on the published agenda still needs refinement. This will be completed and forwarded to officers for circulation;

Following a vote, Committee agreed to appoint Councillor Jane Lakey as Chair for this part of the meeting because both Councillor Steve Battlemuch (Chair) and Councillor Audra Wynter (Vice-Chair) had declared an interest in elements of the conversation around Robin Hood Energy. Along with Councillor Lauren O'Grady they did not take part in these discussions. The following further points were highlighted:

- (j) Financing of monies advanced to RHE is from reserves. It is not possible to borrow from the PWLB to finance this. All loans to RHE are currently being fully utilised;
- (k) Transactions in related party transactions notes should be making clear those transactions included elsewhere between the council and entities where the Council is a controlling party. It would including income and outgoings as well as balance sheet transactions;

20 Annual Governance Statement 2018/19

Shail Shah, Head of Audit and Risk, and John Slater, Group Auditor, introduced the report on the Annual Governance Statement (AGS) for 2018/19 to the Committee. A number of the issues raised within this report have been discussed as part of previous items at this committee. The following points were highlighted.

- (a) The 2018/19 AGS was considered twice last year by this committee but as the accounts have changed the AGS has to be republished to reflect the findings of the External Auditors;
- (b) External Auditors are still to complete the Value For Money aspect of the audit to complete, and updates have been made to take into account the movements in the accounts and the Covid-19 pandemic;
- (c) There are 6 significant issues highlighted within the report which have been discussed at previous Audit Committee meetings. These are:
 - Financial impact of Covid-19 pandemic
 - Robin Hood Energy
 - Capital Programme
 - NCC Governance for Group companies
 - Financial resilience
 - Ofsted focused visit and resulting improvement Programme
- (d) Previous iterations of the report did not highlight these significant issues as the issues have developed over the last year. The Opinion on governance has been changed as a result of developing situation.

During questions and discussion the following points and further information were highlighted:

- (e) Attention was drawn to the nine actions in section 9 of the published report;
- (f) Concerns were raised around how a work programme to address the actions detailed in the published report would be integrated into existing work programmes across the Council to ensure there was no duplication, and the limited resources the Council has due to necessary cutbacks as a result of budget pressures. A coordinated and focused corporate set of priorities for review is needed to show which actions are for Audit Committee to oversee;
- (g) Not all of the actions are appropriate for the Audit Committee to oversee. Officers are driving the actions forward and work will be overseen by Audit, Scrutiny and Executive Committees;
- (h) A considered and in-depth hand over process between the interim Chief Executive and the Chief Executive designate has already started and will continue to do so. This also includes the Corporate Leadership Team.
- (i) It was suggested that a Capital Programme steering group Sub Committee could be re-established to look at the finer detail of the programme to then feed into the committee;

The Chair and Vice-Chair will be meeting with officers to consider any revision of the work plan to ensure prioritisation of the 9 actions detailed in the 2018/19 AGS.

In addition to the recommendations made by the report the Committee considered verbal recommendations put forward during discussion.

Resolved to:

- (1) Approve the Revised Annual Governance Statement 2018/19 as published with the agenda**
- (2) Note the late availability of the report**
- (3) Note that the Draft Annual Governance Statement 2019/20 is to be presented at the September Audit Committee;**
- (4) Ensure that a timescale for each action be presented in the Draft Annual Governance Statement 2019/20 at the September 2020 Audit Committee and that timing for each of those to be integrated into the Audit Committee work plan;**
- (5) Consider whether further items of learning need to be considered as actions to be embraced in the Draft Annual Governance Statement 2019/20, particularly around culture, as well as learning around Robin Hood Energy and the Capital Programme.**

21 Risk Management and Corporate Risk Register Update

Shail Shah, Head of Audit and Risk, introduced the Risk Management Report and Corporate Risk Register Update. He highlighted that the register update had come to the Committee in January but as a result of the Covid-19 pandemic a number of

corporate risks needed to be highlighted to the Committee. The following information was discussed:

- (a) Following the presentation of the Register to the Committee in 2019 a lot of work has taken place to act upon the suggestions made by the Committee;
- (b) Since May 2020 the register has become key focus of the work of the Corporate Leadership Team (CLT), used to guide the work in order to address the risks.
- (c) As a result of the COVID-19 Pandemic the number of risks increased so the high level risk register was developed to capture the corporate and cross cutting risks;
- (d) There has been good engagement from officers departments and Leadership teams on the risk register. All risk feeds into the one register. In order to increase transparency and connected working there are no departmental registers;
- (e) Risk is dynamic, and the register is always being refined. There has been a visible development of information behind each item on the register as a result of the work on of CLT.
- (f) Self-assessment of risk management work takes place with External insurers. The most recent self-assessment showed that Nottingham City Council benchmarked well against other local authorities. The improved arrangements set into place in the past year have started to embed the improved risk management work across the council.
- (g) Committee members wanted assurance that risk management was being considered universally at a service level and a project management level;
- (h) It is important that Elected Members give feedback on the level of risk management information being fed into Committees so that this can be addressed by Officers

Resolved to:

- (1) Note the risks identified on the high level Corporate Risk Register.**
- (2) Identify any risks requiring additional assurance for review with the risk lead at a future Audit Committee**
- (3) Note the progress made to review existing processes and embed Risk Management across the Council.**

22 Work Programme

Committee members commented that there were many items on the agenda for the next meeting and that time was needed on each item to really focus on the issues being brought to the Committee.

The Committee noted the Work Programme and that it was subject to revision following earlier discussions.

23 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(s) 3 of Part 1 of Schedule 12A to the Act.

24 Risk Management and Corporate Risk Register Update - Exempt Appendix

In a change to the published agenda, the exempt element of the Risk Management and Corporate Risk Register update was heard before the exempt minutes.

The Committee noted discussed the content of the exempt appendices as detailed in the exempt minutes and noted its contents

25 Exempt Minutes

In a change to the published agenda the Exempt minutes were considered after the exempt element of the Risk Management and Corporate Risk Register Update.

With the amendment details in the exempt minutes of this meeting, the exempt minutes of the meeting held on 26th June 2020 were confirmed as a true record and were signed by the Chair

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Audit Committee – 25 September 2020

Title of paper:	Draft Annual Governance Statement 2019/20	
Director(s)/ Corporate Director(s):	Mel Barrett Chief Executive	Wards affected: All
Report author(s) and contact details:	Laura Pattman Strategic Director of Finance	
Other colleagues who have provided input:	Shail Shah Head of Audit & Risk	
Recommendation(s):		
1	To note the Draft Annual Governance Statement 2019/20 set out at Appendix 1.	

1 Reasons for recommendations

- 1.1 This report presents the Draft Annual Governance Statement (AGS), the final AGS will be published with the City Council's Statement of Accounts.

2 Background

- 2.1 The City Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.
- 2.2 The Accounts and Audit Regulations 2015 specify that every financial year the Council must undertake at least once a review of the effectiveness of its internal control and prepare an AGS. The AGS report should cover
- The governance system as it applied during the financial year 2019/20 including group activities.
 - Significant events or developments relating to the governance system that have occurred between the year-end and the date on which the Statement of Accounts is signed by the responsible financial officer.
- 2.3 In order to meet this last requirement, it is good practice to approve the AGS as close to publication of the final Statement of Accounts as possible.
- 2.4 The appendix attached is the Draft AGS required to accompany the draft Statement of Accounts. The Audit Committee has the delegated authority for the formal approval of the AGS in accordance with the requirements of the Accounts and Audit Regulations 2015.
- 2.5 The Executive Board approved and adopted the CIPFA/SOLACE Framework as the City Council's Local Code of Corporate Governance on 20th May 2008. The CIPFA/SOLACE Framework guidance for implementing good governance was updated in 2016 by CIPFA / SOLACE to reflect a revision to the international

framework in 2014. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.

2.6 The AGS reflects the governance arrangements operating within the Council and its significant partners.

2.7 Assurance used in compiling the report is derived from several sources:

- Corporate Directors and other key colleagues including the Monitoring Officer, Section 151 Officer and the Head of Internal Audit review the governance arrangements according to their respective responsibilities and give assurance and comment as to its effectiveness.
- A similar exercise is conducted with the Council's significant partners and groups.
- Information obtained from independent external reviews is also used to inform this assurance.
- Further understanding of governance, risk and controls identified through evaluating outcomes, internal and external assurance reports and information provided by key stakeholders including the Council's external auditors has been used to compile the revised report.

2.8 In accordance with the Local Code of Corporate Governance the AGS will be signed by the Leader of the Council, and Chief Executive, and will contain the following information:

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

2.9 This statement maps the policies, procedures and initiatives the Council has put in place to address the governance issues embodied in its Local Code. Items of note have been included and where relevant events or developments after the end of the financial year.

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 CIPFA/SOLACE - Delivering Good Governance in Local Government Framework, 2016
- 4.2 Accounts and Audit Regulations 2015
- 4.3 Executive Board 20 May 2008 – Local Code of Corporate Governance
- 4.4 Audit Committee Papers July 2020 – Revised Annual Governance Statement 2018/19
- 4.5 CIPFA - The Annual Governance Statement for 2019/20: Matters to consider as a result of the coronavirus pandemic (7 April 2020)

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Draft Annual Governance Statement 2019/20

1. Executive Summary

- 1.1. Producing an Annual Governance Statement (AGS) complies with good practice for the reasons set out below. An AGS is required as part of the annual Statement of Accounts. The first part of the report, sections 2-5, brings together the main findings and actions. Sections 6-8 explain NCC's responsibilities, the purpose of good governance and the review process. Section 9 is the conclusion.
- 1.2. This draft AGS is being presented as part of the draft 2019-20 Statement of Accounts and is required to include significant events or developments up to the date the Statement of Accounts is signed. The AGS will be finalised after NCC's external auditor has given his opinion on the 2019-20 Statement of Accounts.

2. Significant Issues

- 2.1. This part of the AGS report reflects the position on significant control issues affecting the Council and the action plans put in place to address them. In ascertaining the significance of the control issues reported, the Council has used CIPFA guidance on the factors involved. These factors are summarised as follows:
 - The issue has seriously prejudiced or prevented achievement of a principal objective.
 - The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
 - The issue has led to a material impact on the accounts.
 - The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.
 - The Head of Audit and Risk has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.
 - The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
 - The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 2.2. Based on the definition above, there are issues identified as significant for 2019/20 and these are reported in section 8 of this report. The AGS has identified the following significant issues (see section 8) cross-referenced to the new High Level Risk Register
 - The Report in the Public Interest concerning NCC's governance arrangements for Robin Hood Energy
 - Financial Impact of Covid-19
 - Robin Hood Energy Ltd
 - Capital Programme

- Financial Resilience
- Ofsted Focussed Visit & Improvement Programme
- Protecting people from Covid-19
- Broadmarsh Shopping Centre
- Energy & Waste Infrastructure

2.3. These have been classified as significant issues for 2019-20 for the following reasons:

	Report in the Public Interest on NCC governance arrangements for Robin Hood	Financial Impact of Covid-19	Protecting People from Covid-19	Robin Hood Energy	Capital Programme	Broadmarsh Shopping Centre	Energy & Waste Infrastructure	Financial Resilience	Ofsted Focussed Visit & Improvement Programme
The issue has seriously prejudiced or prevented achievement of a principal objective.		✓	✓		✓	✓		✓	✓
The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.	✓	✓	✓	✓		✓	✓	✓	✓
The issue has led to a material impact on the accounts.	✓			✓				✓	
The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.	✓			✓	✓			✓	✓
The Head of Audit and Risk has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.	✓			✓	✓			✓	✓
The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.	✓	✓	✓	✓	✓	✓			✓
The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.	✓	✓		✓				✓	

3. Action Plan: Governance Challenges for Future Years

3.1. The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during future years, to address changing circumstances and the challenges identified. These are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the current financial year, in March 2021.

Ref	Action	Responsibility	Proposed
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		CLT	Directors or Heads of Service	timeline
1	Completion of the Action Plan arising from the Report in the Public Interest concerning the Council's governance arrangements for Robin Hood Energy (attached as Appendix 2)	Chief Executive	Director of Legal & Governance Strategic Director of Finance	Mar22
2	Close management of the capital programme. Ensure programmes and schemes are effectively managed. Update Capital Strategy, revise, de-risk and reprioritise capital programme based on a different approach to affordability. Asset Management Plan including Asset Rationalisation Programme managed and monitored. Robust Business Cases for investment and disposals. Review lessons to be learnt from capital projects.	Corporate Director of Development & Growth	Head of Strategic Assets & Property Director of Major Projects Head of Strategic Finance	Ongoing Oct20 Dec2020
3	Continuous review of the Council's financial position	S151 Officer	Head of Strategic Finance	Ongoing
4	Updated Medium Term Financial Strategy & Medium Term Financial Outlook and in future undertake a more regular formal review	S151 Officer	Head of Strategic Finance	Oct2020
5	Implementation of in year savings in 2020-21 to balance the budget	Corporate Directors	All Directors & Heads of Service	Mar2021
6	Work with central government for a fair settlement in respect of the impact of Covid-19 on all councils	Chief Executive & Leader	S151 Officer	Ongoing
7	Continued monitoring of government guidance, assess impact on citizens and employees and complete detailed risk assessments for any reinstatement of services with particular regard for BAME staff and citizens. Implementation of Local Outbreak Control Plan if appropriate	Chief Executive & Leader	All Directors & Heads of Service	Ongoing
8	A review of the council's commercial strategy in the light of the risks and negative financial impact the council is experiencing. A review of risk to returns and	Chief Executive	All Corporate Directors	Ongoing Nov2020

Ref	Action	Responsibility		Proposed timeline
		CLT	Directors or Heads of Service	
	dividends from council companies.			
9	A strategic review of the Council's options in respect of Robin Hood Energy.	Chief Executive	Corporate Director of Development & Growth	Oct2020
10	Review lessons to be learnt from the Council's involvement with RHE.	Chief Executive	Corporate Director of Development & Growth	Mar2021
11	Completion of Children's Improvement Programme plan and delivery of sustainable social work resource levels that deliver on the council's statutory obligations in respect of children and families	Corporate Director for People	Director of Children's Integrated Services	Ongoing Mar2021
12	<p>In respect of</p> <ul style="list-style-type: none"> • Business planning • Business case assurance • Programme and project management • Financial regulations & standing orders <p>Consider the Council's culture and its capacity to learn through a risk-based review of Major Projects and companies to give assurance on the relevance of business cases, programme and project management and compliance with financial regulations. Implement all agreed recommendations.</p>	Chief Executive	<p>Director of Legal & Governance</p> <p>Director of Major Projects</p>	Mar2021
13	Review and develop future strategy including funding model for energy & waste infrastructure and long term district heating strategy for the city	Chief Executive	<p>Corporate Director of Commercial & Operations</p> <p>Strategic Director of Finance</p>	Mar2021

4. Post balance sheet events and developments

4.1. The following have been classified as post balance sheet events for the purposes of this statement:

- Report in the Public Interest concerning NCC's governance of Robin Hood Energy

- Covid-19 Public Health Emergency
 - Financial impact & financial resilience
 - Protecting people from Covid-19
- External Audit of 2018-19 Statement of Accounts
- Broadmarsh Shopping Centre
- Energy & Waste Infrastructure

4.2. These events have had a significant impact on the Council and or its governance system including understanding of activities in 2019-20 and subsequently. The reasons for this are detailed below

Report in the Public Interest concerning NCC's governance of Robin Hood Energy

- 4.3. NCC's external auditor published a Report in the Public Interest on 11th August 2020 concerning NCC's governance of Robin Hood Energy. The Council is meeting its requirements under the Local Accountability and Audit Act 2014 by media statements and public notices, including publishing the report on its website allowing for public inspection, and communicating with internal and external stakeholders. Notice has been issued of the full Council meeting on 27th August to consider the report's findings and the proposed action plan (Appendix 2). Following this meeting, the Council will formally respond to the external auditor and MHCLG.
- 4.4. In particular, the Public Interest Report states that:
- There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in RHE,
 - There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information
- 4.5. The Local Government Act 1999 duty of "best value" requires councils to "make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness". In addressing that duty, the Council needs to be a learning organisation that focuses on improvement and development, is open to challenge, and is dynamically accountable to the citizens of Nottingham. As part of this commitment, the Council will seek support from outside bodies in how it can best respond to the recommendations. It will look to engage with bodies such as the Local Government Association and others to assist with its improvement journey. The Council has been involved in the national peer review programme which is delivered by the Local Government Association. A return visit was due within the next 12-18 months. Consideration will be given as to how a return visit could support the work outlined in Appendix to address the external auditor's recommendations.
- 4.6. The Council's proposed response fully accepts the findings and recommendations and proposes a number of additional actions to further support the external auditor's recommendations, and to secure the necessary improvements required. Accountability for its delivery will jointly rest with the Leader of the Council and the Chief Executive designate. They will both work

closely with the Executive, the Overview and Scrutiny Committee, the Audit Committee and Chief Officers.

- 4.7. This will include quarterly reports to the Executive Board and full involvement of Overview and Scrutiny and the Audit Committee in overseeing the implementation of the Action Plan (Appendix 2). Regular reports will be provided to the External Auditor and MHCLG on progress. There will be a report back to full Council in 12 months' time to the September 2021 meeting on progress against the Action Plan.
- 4.8. It will take some time to fully implement all the changes required in the recommendations proposed in the Action Plan. However, the Council has already started to address a number of the issues that are highlighted in the external auditor's report. These actions include:
 - Establishment of a fortnightly Robin Hood Energy Steering Group chaired by the Leader.
 - The replacement of the Council's Shareholder Representative.
 - Joint action with the new Chair of the Robin Hood Energy Board, to strengthen the Board with a Councillor who is a qualified accountant and more legal and administrative support and expertise.
 - The suspension of senior staff at Robin Hood Energy.
 - The appointment of industry experts and a new management team to lead the company, to bring a fresh approach to governance.
 - The establishment of a Companies' Governance Executive Sub-Committee to strengthen the Council's approach to governance across the authority.
 - The commencement of a strategic review to consider all options for the future of Robin Hood Energy Ltd.

Covid-19 Public Health Emergency

- 4.9. The emergency was declared on 16th March 2020 and various legislation has been brought in to regulate society and help the country weather the impact of the virus and lead to recovery. The emergency did not impact governance until March 2020. However, as a result of the emergency our view of the state of governance in 2019-20 has developed. Also the governance environment for the Council has significantly changed in respect of processes and legislation since the emergency was declared.
- 4.10. In the short term following the declaration of the emergency the majority of council staff and councillors were required to work from home, as they were not key workers. This enabled them to continue to support key workers and manage the situation as it developed. The Council was in a good position to achieve this because as part of its activity to get better value from its corporate headquarters at Loxley House and other buildings,
 - a significant level of working from home had been introduced,
 - the enabling work systems, communication and network tools were in place
 - the council's IT services speedily made arrangements to increase the bandwidth available on the Council's VPN and rolled out new software in order to deal with further operational needs.

- 4.11. Initially the Council was unable to follow its normal decision making processes as meetings of the Council and its committees were required by law to be in person. Executive arrangements and financial limits were extended to enable business to continue. The relative continuity of activities and ability to take on new functions effectively at this time has proved the resilience of certain aspects of the Council's governance systems and staffing.
- 4.12. In addition, to comply with government guidelines to ensure that businesses were provided with timely support, payments were released earlier than normal, and grant payments were subject to less stringent verifications.
- 4.13. Monthly returns were required by MHCLG to understand the cost to councils of Covid-19. In order that the financial impacts of the emergency could be better understood, the S151 Officer required additional financial monitoring to be undertaken from April. She continues to assess financial monitoring and forecasts and to update assumptions. The Council's Medium Term Financial Outlook and Medium Term Financial Strategy will be updated in September 2020 to take account of the significant changes and identify a pathway that might enable the Council to best manage the challenges ahead.
- 4.14. By mid-May, once the government had enacted legislation enabling Councils and their committees to meet and take decisions virtually, the Council implemented a system to enable those meetings to take place. Virtual meetings have been taking place since mid-May.
- 4.15. The additional service demand, reduced income and additional functions arising out of the emergency together with the delays to capital schemes have proved a huge financial burden on the Council. In part this is because the government has so far only partly funded these pressures. The following financial impacts have been identified by the S151 Officer in her communications with councillors.
- Staffing costs in social care
 - Staffing costs in Development and Growth and Commercial and Operations which would normally be capitalised but cannot due to delays or suspension of capital schemes due to Covid-19
 - Protective Personal Equipment (PPE)
 - Furloughing of staff
 - The ability to deliver 2020/21 savings
 - Commercial Property Income and Capital Receipts
 - Other Commercial Income – e.g. Commercial Waste, Catering Services
 - Dividends and returns received by group companies e.g. Nottingham City Transport and Scape and their impact on the Council's and the companies' balance sheets
 - Funding assumptions – Business Rates and Council Tax in particular – this will have significant impact in 2021/22 and future years
 - Continued viability and affordability of business cases in the capital programme
 - The impact of Covid on the Housing Revenue Account
- 4.16. The estimated net financial impact of Covid-19 after government support is £64.411m in 2020-21, based on period 3 forecasts and various other assumptions.

Protecting people from Covid

- 4.17. The Council has prioritised protection of its citizens and employees during the COVID-19 recovery noting a disproportionate impact on BAME. The COVID work streams led the response and recovery to the pandemic. Risk assessments with mitigations were completed for Covid specific risks and departments identified and managed existing risks impacted by the pandemic through their established risk management processes. Regular communication was provided to citizens and employees to advise of the live situation and the Council continues to monitor government guidance, assess impact on citizens and employees and complete detailed risk assessments for any reinstatement of services with particular regard for BAME staff and citizens.
- 4.18. The Council is working closely with Nottinghamshire County Council and the District and Borough Councils to develop local arrangements, with aligned operating procedures and shared structures where possible, and is working with other partners and the Local Resilience Forum.
- 4.19. The Council has published a [Local Outbreak Control Plan](#) that sets out how we will prepare for future outbreaks of Covid-19 in Nottingham.

External Audit of 2018-19 Statement of Accounts

- 4.20. In his recent Audit Findings Report the Council's external auditor has highlighted the following as significant during his review of the Council's 2018-19 statement of accounts:
- The Council's company governance arrangements
 - The Council's relationship with its subsidiary company Robin Hood Energy Ltd.
 - The Council's capital programme

The external audit is substantially complete but the Value for Money conclusion is delayed as discussion with officers and other interested parties in relation to findings in respect of the Council's arrangements for governance of its companies are still ongoing. In addition, there are various items of information awaited to enable the external audit opinion to be concluded.

- 4.21. The Council is continuing its dialogue with its external auditor about the significant financial impact being involved with Robin Hood Energy has had on the Council and will take further action where indicated. An update on this will be provided to the Audit Committee in due course.

Company governance arrangements

- 4.22. During the audit the external auditor has highlighted shortfalls in the company governance arrangements of the City Council, and has since issued a Report in the Public Interest as outlined above. In particular Grant Thornton have been concerned about delays in putting effective control arrangements in place and the role of the shareholder representative. There was a lack of clarity on the shareholder representative's role and this has led to the Council not achieving the best outcomes from its investments in companies, including some substantial losses. This will be addressed as part of the Report in the Public Interest Action Plan.

Robin Hood Energy Ltd (RHE)

- 4.23. The Executive Board of the Council on 17th December 2019 noted the intention to carry out a full options appraisal and Strategic Review regarding the future of Robin Hood Energy. This process commenced in January 2020. The public statement from the Company announcing the review in January 2020 said, “We have commenced a strategic review of the business. This will consider all options for Robin Hood Energy and will be complete by the summer. Meanwhile, our key objectives are to continue to find further efficiencies in our processes, ensure we continue to provide a great customer experience and deliver for our shareholder and most importantly the people of Nottingham”.
- 4.24. The Council anticipates the conclusion of the review shortly and the RHE Board will need to make a decision on this consistent with the best interests of NCC as Shareholder. Any decision for the Council resulting from this will be taken in accordance with the City Council’s constitution and the Executive Board report of 29th June 2020 “Council Financial Position - Financial Risk Assessment”.
- 4.25. RHE made a loss in 2017/18 and a much bigger loss in 2018/19. Since the balance sheet date the level of council loans to RHE and financial guarantees to wholesale suppliers have increased. Also the value of the Council’s stake in the company has been impaired following a review. The company’s ability to continue as a going concern in the future is dependent on the Council’s loan facility and not seeking repayment of loans advanced to the company. Whilst the company has relatively little exposure within the commercial sector and demand for domestic energy is expected to continue, there is a risk for all businesses, including RHE, due to the effect of the Covid-19 emergency on operations and cash flows during this unprecedented time.

Capital programme

- 4.26. In CIPFA’s 2019 Resilience Index publication, the City Council had the second highest level of gross external debt in its comparator group of near statistical neighbours. It had the highest ratio of interest payable to net expenditure. These figures reflect the high level of capital and commercial investment, but also that the City Council’s borrowing was at risk of being unsustainable, and particularly so following a shock to any of the economic, funding, or statutory responsibilities systems. A £70m gap in the capital programme has been supplemented by borrowing based on realisation of capital receipts. The market may no longer support the previous asset valuations upon which capital receipts were forecast.
- 4.27. It is apparent that the level of capital funding allocation has become unsustainable, particularly in view of the unfunded Covid-19 public health emergency demands on the Council, the impact of the emergency on Council owned companies, and the reversion of the Broadmarsh Centre lease to the Council following the liquidation of Intu. As a result, the Council is reviewing its Capital Programme, including proposed borrowing and use of reserves.

Broadmarsh shopping centre

- 4.28. Concerns regarding delivery of the Greater Broadmarsh Redevelopment on time and within budget were identified due to INTU financial pressures and a shortfall in funding as a result of Council budget measures. Post balance sheet,

this issue deteriorated as work stopped on the BMSC site due to Covid measures and INTU went into administration and its subsidiary relinquished the BMSC lease. NCC now has full control and responsibility for the site. The programme has had close management with regular updates taking place and a Programme Management and Framework approach has been developed around future vision and plans for Broadmarsh centre.

Energy and Waste Infrastructure

- 4.29. Energy and Waste Infrastructure is one of NCC's most significant risks. It has the potential to limit many other capital investments. A significant capital investment is needed to replace the deteriorating district heating infrastructure including distribution network, power generation plant (Enviroenergy) and Energy-From-Waste (EFW) facility (Eastcroft incinerator). Ongoing maintenance programmes are in place and contractual parties have been engaged over the medium term for the management of the EFW facility. A long-term strategy for energy & waste infrastructure and long term district heating strategy and affordability for the city are being developed. An estimated £300m 30-year contract is being negotiated and this needs fully supporting by the council with expert professional advice.

5. Issues Worth Noting and Actions Taken

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

EMSS

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

Fit for the Future

- 5.4. Currently Leicestershire County Council and Nottingham City Council share an Oracle e-business platform to support a range of functions. These include procurement and payments to suppliers, billing and income from customers, financial budgeting and reporting, general ledger, HR processes, employee contract management, payroll and a range of statutory and business reporting capabilities.
- 5.5. It is well recognised across both Councils and within EMSS that the current Oracle implementation has a number of deficiencies which, if addressed, would be likely to deliver efficiency and effectiveness benefits to the Councils. A tender was concluded in 2017/18 to purchase the Oracle Cloud solution and it was expected that the system would be operational no later than April 2020.
- 5.6. The expected key benefits are:

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

5.7. During 2019-20 the Partners undertook preparations to upgrade the system. These preparations were paused near to implementation date due to the Covid-19 emergency. Nottingham City Council's migration to the new platform is now proposed to take place in April 2021, however this will result in additional costs.

[Central Government Review of Local Government Funding and Balancing the Councils Budget](#)

5.8. There is no direct correlation between the statutory duties required of local authorities and the level of funding provided by the Government to enable them to carry out their duties. The Government consulted on Fair Funding during 2016-18. The Review was to have been implemented from 2020-21, but in September 2019 it was postponed by a year. Then, the Government postponed the implementation of the Fair Funding Review again in April 2020 due to the coronavirus pandemic.

5.9. The Council, in line with all other local authorities across the country, is continuing to operate in a very challenging financial environment of reduced levels of Government funding with the full consequences of Brexit and the pandemic as yet unknown. In previous budgets there were no significant measures to address the rising demand and funding gaps for Adult Social Care and Children's Services.

5.10. Revenue Support Grant (RSG) as a proportion of the Council's total revenue funding has been significantly reduced. The RSG was profiled to fall from £126.8m in 2013/14 to £25.7m in 2020/21.

5.11. Alongside this reduction in grant income, Nottingham has seen increased demand for a number of services, primarily Adult Social Care and Children in Care. These increasing care pressures and continuing funding cuts will have a significant impact on the Council's ability to fund other local services. It is expected that this continuing trend will mean that local taxpayers will increasingly fund local services as Government funding continues to fall. The Council continues to monitor the impacts on demand due to Covid-19.

5.12. In order to respond to the funding cuts and manage the increasing pressures the construction of the Medium Term Financial Plan (MTFP) has been following the following principles:

- Take account of the Council's priorities within the Council Plan.
 - Address demographic and service pressures.
 - Reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities.
 - Support the Council's determination to be efficient, improve performance and modernise the organisation.
 - Minimise the impact of service reductions and changes on vulnerable citizens by protecting frontline services.
 - Pursue trading opportunities to generate income for the Council.
- These principles are being reviewed as part of the MTFS.

5.13. The Council remains committed to tackling crime and anti-social behaviour, keeping Nottingham city clean, protecting children, supporting vulnerable elderly people and tackling homelessness.

5.14. In response to the current financial climate, the Council continues to work with council networks including the Local Government Association and the Special Interest Group of Municipal Authorities (SIGOMA) to campaign for a fairer funding settlement from central government for cities like Nottingham and other core cities.

Addressing Risk and Future Challenges

Three-Year Medium Term Outlook

5.15. Given the challenging environment that the Council continues to operate in, the budget assumptions are subject to ongoing review in light of changing circumstances.

5.16. These issues together with the impacts of Covid-19 are being brought together to produce a 3-year Medium Financial Outlook (MTFO) by September 2020. The current MTFO, agreed in February 2020, confirms the need for on-going significant cost reductions in the short to medium term of £24.565m in 2021/22 and £30.075m in 2022/23. These figures are pre-Covid estimates and as such do not fully reflect the likely ongoing impact.

National Non-Domestic Rates (NNDR)

5.17. Localisation of NNDR has significant risks for the Council. Under the retention scheme, there are risks in calculating the share of the yield due to the level of unknowns including:

- The number of successful rating appeals that could be made in the year.
- The number of bankruptcies and business going into administration.
- The number of empty and new properties etc.

5.18. In mitigation, the Council works with Analyse LOCAL, which is a system developed to help local authorities to make sound and prudent estimates of its business rate income for the year ahead. It uses a wide range of historic rating information to provide the most reliable base possible on which to base decisions.

Brexit

5.19. There is a high level of uncertainty about the implications of leaving the European Union. Nottingham has benefitted from European funding in the past and it is unclear whether or what other similar sources of funds will be available. The arrangements for what deal the UK will leave with on 31st December 2020 is as yet undecided but our assumption at the current time, based on the limited data available, is that there will be no significant impairment on the value of the Council's assets. This will be reviewed when more information is known.

Commercial Income

5.20. Investments in commercial property have been made to raise income to offset reductions in funding. Given the uncertainties over the economy as a result of Covid-19 and Brexit, it is difficult to predict the future or whether investments will be adversely affected. This is mitigated by making sound business cases at the outset, which are checked and challenged, and robust and rigorous monthly monitoring. A review of commercial strategy is being undertaken and further actions in respect of gaining assurance for commercial risks and trading outcomes are outlined in the Report in the Public Interest Action Plan (Appendix 2).

General Data Protection Regulation (GDPR)

5.21. This bill came into effect on 25 May 2018. This had a huge impact on all local authorities and carries fines of up to 4% of annual turnover for serious breaches of compliance. In mitigation, the Council appointed a Data Protection Officer who updated all policies and privacy notices. Annual training sessions are delivered across the authority in addition to mandatory refresher e-learning.

Universal Credit

5.22. Universal Credit in Nottingham commenced in October 2018. As the Council needs to recover Council Tax and rents directly from residents, this gives rise to a potential increase in the level of bad debts and an increase in the cost of collection.

Housing Revenue Account – HRA

5.23. The HRA is balanced in the medium term but there is a long-term gap on capital investment requirement. Following the tragic events at Grenfell, the Council has undertaken an £8.4m programme of fire safety works to high-rise blocks. There are likely to be further costs resulting from the need to comply with any resulting legislation on fire safety and other regulation potentially including the Decent Homes Standard and social housing regulation.

5.24. The Welfare Reform and Work Act 2016 required that social rents were reduced by 1% per annum for four years from 2016, with 2019 being the final year the Council had to reduce rents. Under the government's new regime for the next 5 years, the Council now has a policy to increase rents by CPI+1%, which was 2.7% in the 2020 rent increase. As mentioned above, HRA rents are potentially subject to greater costs due to the implementation of Universal Credit. The Council has increased the Bad Debt Provision / Loss Allowance Account and the Working Balance to provide a buffer to manage any additional costs.

5.25. Covid-19 impacts are likely to be substantial and will be covered by the Working Balance, but may require savings to be made, for example in the prioritisation of HRA capital spending.

Group Governance Arrangements

5.26. In July 2018 KPMG reported to NCC that “The Authority has been progressing its overarching group governance processes to ensure that these are fit for purpose given the continued growth of the group.”

5.27. During 2018-19 the Council had:

- Set out a best practice framework for governance of its companies and its shareholder responsibilities.
- Prepared terms of reference for councillor and officer bodies to direct, monitor and control the group.
- Set out the information requirements of these bodies.
- Identified resources and training requirements to support group governance.
- Drafted shareholder agreements.

5.28. To date and during 2019-20 a framework for the Companies and Commercial Executive Sub-Committee has been established and sub-committee meetings have been taking place regularly from January 2020, with each meeting now receiving presentations by group companies. A financial overview paper has also been presented and there are plans for key risks from company risk registers to be presented to the Audit Committee. A significant amount of work still needs to be undertaken to ensure effective governance and a work programme has been developed for the sub-committee.

5.29. Further actions have been set out in the Report in the Public Interest Action Plan (Appendix 2).

Capital and Capitalisation

5.30. In July 2018 KPMG reported to NCC that:

- “The Authority should develop and appropriately approve a capital investment strategy document as soon as possible, given the growth of its investment property portfolio and associated borrowing costs.” This has been developed and approved during 2018-19
- “The Authority should:
 - review its process for capturing and accounting for capital accruals, to ensure costs are capitalised in the correct period, notably in regards to internally delivered schemes; and
 - review how it calculates its capitalised project management costs; and
 - review the basis of the “surplus recovery fee” capitalised cost for internally managed capital projects and why it is appropriate to capitalise this cost.”
- Following a 2018-19 review of the mechanism for internal charging to the capital programme to ensure compliance with the CIPFA Code of Practice costs were reallocated to revenue with a resulting reduction in capital spend. The Council’s current external auditors Grant Thornton tested the

capitalisation of project management costs during the 2018-19 audit and confirmed that no issues were identified.

Climate Change Emergency

5.31. UK Parliament declared a climate and environment emergency. In the light of the Intergovernmental Panel on Climate Change's 2018 Special Report on "Global Warming of 1.5° C" the Council heeded the call for urgent action within the next 12 years to avoid a climate crisis and has resolved to become a carbon neutral city by 2028. The Council's Energy Team have developed a plan during 2019-20. In addition, the Council will need to understand and react to the impacts of climate change on the Council's operations, strategies and governance and investments costs must be identified.

Children in Care

5.32. We continue to closely monitor this cohort of children to ensure that we support children to remain within their families wherever possible and that suitable permanent alternatives are identified for those who cannot do so safely.

5.33. On 16.4.2019 there were 619 young people in care, of who 33 were unaccompanied asylum seeking young people and 7 were remanded into our care. Our rate of children in care stood at 91.1 per 10,000 children. In 2017/18 the rate per 10,000 of our statutory neighbour group stood at 94.3 per 10,000. We have a range of innovative and evidence based services that support children to remain within their family homes. These include Multi-Systemic Therapy, Safer Families for Children, and Family Network Meetings. At the end of June 2020 there were 677 children in care. The most recent published comparator figure for children in the care of other similar authorities is from 2018/19 and stood at 97.1 per 10,000. From our work regionally we know that a number of other authorities have seen a recent increase in their numbers of children in care.

5.34. Children in care numbers have increased month on month from January 2020 – May 2020. As part of our regular and ongoing analysis, we undertook a detailed analysis of the circumstances of all children admitted into care between 1.6.20 and 9.6.20, a period that saw a particularly sharp rise. During that period 13 young people were recorded as coming into care, although analysis indicated that four of these had been admitted prior to this with data latency being the cause of them falling within the cohort. Of the remaining 9, five were from the same sibling group, one child was remanded into care, one child was made subject to an Interim Care Order and the other children came into care under Section 20 of the Children act 1989. Safeguarding concerns continue to be the largest contributory factor to children coming into care.

5.35. At the end of March 2019 there were 447 children in foster care. We have continued to work hard to recruit City Council foster carers. As a consequence, we have again increased the proportion of children in City Council foster placements to 51.7% (at the start of April 2017 this figure was 39%). In June 2020 there were 494 children in foster care. Of these 56.5% were placed with Nottingham City Foster carers. The number of children in internal foster placements has been higher than those placed with independent fostering agencies since December 2018.

- 5.36. In March 2020 90% of care leavers were in suitable accommodation (89.6% at end of March 2019) and 66% were in Education, Employment or Training (EET) (53.3 at end of March 2019). Care Leavers have been identified as a priority cohort within the Nottingham City Integrated Care Partnership. We will be working with colleagues from other statutory and voluntary sector organisations to focus on further strengthening the support we offer to care leavers in relation to accommodation, EET opportunities and the transition to adulthood for those experiencing challenges with their emotional and mental health.
- 5.37. All of our children's homes have been inspected. They are all judged to be good or outstanding.
- 5.38. We are continuing to work creatively to enable children and young people to remain with their family wherever this can be managed safely, making sure we respect and listen to the voices of children and young people in this process.

The impact of Covid 19

- 5.39. Our children and families have experienced the swift and extensive impact of Covid on their daily lives, both the direct experience of Covid and the lockdown, but also the experience of living through the uncertainty of this unprecedented situation. This will include impact on emotional, social and physical wellbeing as well as the impact due to reduced service availability and protective contacts during lockdown.
- 5.40. It has been vital to maintain robust and good quality services for our children and families at this time of unprecedented challenge for them. With a national focus on keeping vulnerable children visible to services, the Department for Education guidance has been clear that it remains the responsibility of local authorities to meet their key statutory responsibilities for the welfare of children and families. These responsibilities include safeguarding children, although recognising the difficulties in seeing children a small number of limited adjustments have been provided for in national guidance (see flexibilities below).
- 5.41. Our priority under Covid has been safeguarding and protecting the welfare of children and young people. National guidance and public health guidance has been adhered to. The Department for Education has published a significant range of guidance throughout the period and we have ensured that we have understood and responded accordingly. We have sought to ensure that we understand risk and prioritise our work to reflect this.
- 5.42. As lockdown approached the service prioritised all children for whom we had the greatest concerns for ongoing face to face visits. All families receiving early help or social work support have been risk-assessed to determine the level of support required (face-to-face or via phone/video conference). Children and families supported by Children's Social Care have been receiving at least fortnightly contact and those children most in need of protection are seen more often in planned and unannounced visits to ensure they are safe. This level of visiting has been below normal requirements but for a period we wanted to ensure that children's needs were well understood and visible.
- 5.43. Nearly 2,500 individual risk assessments have been carried out since lockdown for children currently open to services:

- 354 were risk assessed as red
- 1334 were risk assessed as amber
- 783 were risk assessed as green

5.44. During May 2020, risk assessments were randomly dip sampled using a regional template and findings have been available to the Corporate Director and Portfolio Holder to provide assurance regarding the practice during this period.

5.45. We engaged more social work capacity from agencies as we approached lockdown, with additional resources being invested by the Council to make sure we had enough staff to keep children safe. There have been no significant issues that we could not manage in terms of staff absence due to illness, although a number of staff are shielded or isolating at different points, many staff are working remotely. Staff usually deployed within universal services, including youth workers and Children's Centre workers, have worked flexibly to support vulnerable children, young people and families to ensure that critical services continue. Some of our youth workers have been trained to work in our children's homes to help fill any gaps. Family support staff have continued to visit children who may be vulnerable and robust arrangements are in place to monitor staffing levels and agree where necessary the emergency deployment of staff.

5.46. There was a robust response to the impact of Covid 19 on children in care. Initially we increased the frequency of contact to every two weeks so that we were confident children and their carers were being supported. Feedback from children in settled placements was that this was too frequent and so we reduced this. Most visits to children in care have been virtual, which some children are telling us that they prefer. Where we need to visit children face to face we have continued to do so. We quickly sourced PPE so that staff were able to do this. Face to face contact with birth families was suspended but contact was maintained virtually. Direct contact has recently been reintroduced following meetings with public health and infection control specialists to ensure we plan this safely

5.47. The Court process has been delayed given the complexities of social distancing. This has delayed final outcomes for some children although we have still been able to progress plans where cases are less complex and do not require face to face hearings. Adoption work has continued, although lodging adoption applications have been impacted by the delay in court processes and we have had to find creative ways to help children transition from foster care to adoptive placements.

5.48. Children in care were able to attend school throughout the lockdown period but the majority did not. The main factor in this was concern about the safety of the child and/or the carer. The Virtual School and Social Care developed a system for checking on attendance rates and this had reached 45% at the end of June 2020. There are weekly meetings with education colleagues and one of the outcomes of this has been to develop resources to encourage children back to school

5.49. Although a number of foster carers have reported positive consequences from lock down we have seen some increase in placement breakdown. The

children's placement market is particularly challenging which has made it harder to find placements, particularly for older children or those with complex needs. We have recently agreed to undertake a commissioning review to look at placement availability.

5.50. The Department for Education introduced a range of flexibilities to the regulatory framework governing work with children in care. The City Council has not utilised the overwhelming majority of these. We are using health self-declaration from potential foster carers to progress fostering assessments. We have logged all of those assessments where this approach has been necessary and will re-visit the assessments when GP surgeries return to normal. First reviews of Foster Carers where there are no concerns or issues are going straight to the Agency Decision Maker, who in the City is independently employed for this role, rather than going via the Fostering Panel. Independent visits (Regulation 44) to Children's homes have continued to be monthly but were virtual.

IICSA

5.51. On 31 July 2019, IICSA published its findings into the extent of any institutional failures to protect children in the care of Nottingham City and Nottinghamshire County Councils from sexual abuse.

5.52. There were two recommendations for the City Council,

1. Nottingham City Council should assess the potential risk posed by current and former foster carers directly provided by the council in relation to the sexual abuse of children. They should also ensure that current and former foster carers provided by external agencies are assessed by those agencies. Any concerns which arise should be referred to the appropriate body or process, including the Disclosure and Barring Service, the local authority designated officer (LADO) or equivalent, the fostering panel and the police.
2. Nottingham City Council and its child protection partners should commission an independent, external evaluation of their practice concerning harmful sexual behaviour, including responses, prevention, assessment, intervention and workforce development. An action plan should be set up to ensure that any recommendations are responded to in a timely manner and progress should be reported to City's Safeguarding Children Partnership.

5.53. An action plan was developed in response to the findings of the report. This was published in November 2019 and shared with the Inquiry, Victims/Survivors and partners.

5.54. We continue to closely monitor our Action Plan and have a monthly Governance Group to review progress.

5.55. We continue to work in partnership with Nottinghamshire Police to actively support the ongoing criminal investigations, help to identify perpetrators and whenever possible, bring them to justice. We also work in partnership with Nottinghamshire County Council to progress Civil Claims and with Nottinghamshire CCG to help victims access the support they need.

5.56. The safety and wellbeing of children and young people in the care of the City is and always will be our highest priority. The Service is tracking progress against this action plan.

Ofsted

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

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

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

5.59. In response to the findings of the Focussed Visit, an improvement plan was developed and shared with Ofsted in March this year. This includes the investment of £1.4m, appointment of a Partner in Practice which recognises the seriousness of our position. The improvement programme is led by the Director of Children's Services and the Portfolio Holder for Children and Young People.

5.60. As an immediate action, scrutiny of current Children in Need cases was undertaken to ensure that there was robust management oversight, decision-making was appropriate and that timely action had been taken to address any drift or delay identities.

5.61. Alongside the response to Covid, teams have been working hard to drive delivery of this action plan and to secure sustainable improvement which will make a real difference for children, young people and families. An Improvement Fund of £1.5m one-off funding has been identified to support short-term work force capacity and delivery of the improvement plan.

5.62. To drive delivery of this action plan, the Children at the Heart Improvement Board has been established. The Improvement Board is chaired by the Chief Executive and membership includes both the Leader of the Council and the Portfolio Holder for Children and Young People, along with senior officers and Executive Board members of the Council. Key health, education and police partners are also members. At the time of writing this report, the Board has met four times. The Service is tracking progress against this action plan.

Workplace Parking Levy (WPL)

5.63. The overall NET/WPL financial model is regularly updated to reflect the actual WPL income received each financial year together with the latest projections of future income. It is proposed that the financial model be extended to 2037/38,

four years after the end of the Concession Agreement, to include continued WPL income and re-profiling of the Prudential Borrowing repayments.

Information & Communications Technology

Increase in Targeted Threats

- 5.64. During 2019/20 we continue to see a large number of sophisticated and often targeted attacks. This is in keeping with the broader picture across local and national government.
- 5.65. We continue to be successful in preventing / detecting issues to date, but the elevated threat level continues.

Security Accreditation and Best Practice

- 5.66. In early 2019 NCC was successful in securing the Cyber Security Essentials Plus accreditation, this is in addition to remaining accredited to the Health and central government security standards, (HSCN and PSN). Whilst elective, this is a helpful check and demonstration of good practice in our approach to operational information security.

Information Governance

- 5.67. An Information Compliance Board (ICB) has been established to ensure that privacy is embedded into the heart of the Council and to ensure that data protection compliance is appropriately monitored.
- 5.68. The Senior Information Risk Owner (SIRO) chairs the ICB and the SIRO has overall ownership of information risk management across the Council, acting as champion for information compliance activities in order to mitigate against potential risks, and realising greater operational efficiencies and improved customer services. Information compliance activities include Data Protection, Records Management and Freedom of Information requests.
- 5.69. Performance associated with requests under Freedom of Information and Environmental Information Regulations continue to remain above the increased statutory target of 90%. There are still challenges associated with managing and processing personal information requests under the General Data Protection Regulation 2106/679 and the Data Protection Act (DPA) 2018 and performance has currently dropped below new statutory expectations of 100% compliance. Steps have been taken to address this issue with a view to achieving the standard as soon as possible.
- 5.70. The GDPR imposes significantly more stringent requirements for the handling of personal data than previous regulation. Procedures are in place to deal with the provisions of the GDPR associated with transparency and individuals' rights. A GDPR project manager is helping to monitor compliance with the GDPR and is assisting the Data Protection Officer with the GDPR project plan and the Information Assurance Framework. Mandatory GDPR training has been embedded into the organisation as has refresher training on an annual basis. Data flow mapping is continuing as business as usual for the authority. An Annual Assurance report has been produced by Information Compliance and Information Technology for the Audit Committee.

Enviroenergy (EE)

- 5.71. EE is now able to issue Renewable Obligation Certificates (ROCs) for power generated through low carbon sources to secure new income for the company.
- 5.72. A number of network legacy repairs have been identified through thermal imaging drone survey work and investment in improving network quality remains a key priority for district heating longevity. Condition surveys of operating plant at the heat station also identify significant investment need or replacement, co-dependent upon securing a steam source when current arrangements expire.
- 5.73. Long term financial planning and affordability remains the biggest issue and risk, with proposals being brought forward during 2019 to address this. Affordability of the proposals will need to address the roles and responsibilities of shareholder and company in determining the investment required.

6. Responsibility of NCC and Purpose of the Governance Framework

NCC Responsibility for Implementing Good Governance

- 6.1. Nottingham City Council (NCC, the Council) is responsible for ensuring that its business is conducted in accordance with the law and standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a best value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 6.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, and effective delivery of its powers and duties, this includes arrangements for the management of risk, and a sound system of internal control.
- 6.3. The Council approved and adopted a code of corporate governance consistent with the principles of the 2016 CIPFA/SOLACE Framework Delivering Good Governance in Local Government publication. A copy of the code is available on our website at <http://www.nottingham.gov.uk/governance>.
- 6.4. This statement explains how the Council has complied with the code in 2019/20 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which require all relevant bodies to review their system of internal control and prepare an Annual Governance Statement. It reports on
 - The governance system as it applied during the financial year 2019/20 including group activities.
 - Significant events or developments relating to the governance system that have occurred between the year-end and the date on which the Statement of Accounts is signed by the responsible financial officer.
- 6.5. In addition, the CIPFA Code of Practice on Local Authority Accounting requires reference to and assessment of the effectiveness of key elements of the governance framework, including:
 - group activities where the activities are significant,

- the role of those responsible for the development and maintenance of the governance environment such as
 - the authority,
 - the executive,
 - the audit committee
 - others as appropriate including shareholder representatives.

6.6. Good governance helps the Council to set its objectives and achieve them efficiently and deliver value for money for the tax payer.

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

7. The Governance Framework

Governance principles & how NCC aims to meet them

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

Achieving the intended outcomes while acting in the Public Interest at all times



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

<u>A. Behaving with Integrity</u>	
Councillors' and Co-opted Members' Code of Conduct	Employees' Code of Conduct
	Scheme of Delegation
Councillor / Officer Protocol	Performance Appraisal Process
Counter Fraud Strategy	Confidential Reporting Code (Whistleblowers' Code)
Registers of Interests, Gifts & Hospitality	Declaration of Related Party Transactions
<u>B. Openness and Engagement</u>	
Customer Charter	Consultations
Comments, Compliments and Complaints Policy (Have Your Say)	Partnership Governance Framework
	Citizens' Panel
Freedom of Information arrangements	
<u>C. Defining Outcomes (decision making)</u>	
2030 Vision	Constitution including <ul style="list-style-type: none"> • Responsibilities for Functions and Terms of Reference • Councillors' and Co-opted Members' Code of Conduct • Procedures and Standing Orders
Metro Strategy	
Council Plan	
Nottingham Plan to 2020	
Business plans / Service plans	

Decision-making protocols & records	
<u>D. Interventions</u>	
Performance Management Framework	Budget Monitoring
Early Interventions	Responding to the Report in the Public Interest and implementing the Council's Action Plan
<u>E. Capacity and Capability</u>	
Member Induction & Training	Officer Induction
Performance Appraisal	Learning Zone
Peer Review	
<u>F. Risks and Performance</u>	
Risk Management Framework	Medium Term Financial Plan
Financial Regulations	Counterfraud Team
<u>G. Effective Accountability</u>	
Annual Financial Statements	Partnership Governance Framework
Nottingham Plan Annual Report	External Audit and Inspection

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

- 7.3. The Council's Code of Conduct and Standards Committee arrangements were reviewed to reflect national requirements in the light of national provisions. In advance of the local elections in May 2015, the Council agreed that its code of conduct should be amended to require all councillors to have a DBS check within one month of election and to maintain that check during their terms of office as a councillor, or otherwise be in breach of the code and disbarred from all offices and appointments. In addition, attendance at safeguarding training has been made mandatory. These additional provisions in the Code are designed to strengthen the Code and public confidence in councillors.
- 7.4. Councillors are briefed in detail at induction by the Council's Monitoring Officer about the Code of Conduct and what its provisions mean in practice. The Code of Conduct forms part of the Council's Constitution and in addition there is a Councillor/Officer Protocol, which is included in the Constitution, to which all colleagues and councillors are alerted and have access. This Protocol defines how councillors and officers should work together appropriately and the standards of personal behaviour and conduct expected. There is no formal code of conduct performance management system for councillors – but, where appropriate, early, and initially informal referral and discussion of any issues/complaints either from colleagues or from citizens by the Monitoring Officer, to the relevant group whip or the individual councillor concerned, is effective and adequate in most instances. More serious matters would be investigated formally if required and referred to the Monitoring Officer in the first instance and then to the Standards Committee if appropriate. In July 2020 the

Committee on Standards in Public Life announced an autumn review of progress against recommendations it made to all Councils in January 2019 (Local Government Ethical Standards: A Review by the Committee on Standards in Public Life). As part of implementing good practice contained in this January 2019 report a governance review is to be undertaken which amongst other matters will clarify the roles of officers and members.

- 7.5. Nottingham City Council aims to ensure that personal information is treated lawfully and correctly. The lawful and correct treatment of personal information is extremely important in maintaining the confidence of those with whom the Council deals and in achieving its objectives. The Council has systems in place to monitor and maintain compliance with the General Data Protection Regulation and Data Protection Act 2018. This includes an appointed Data Protection Officer and updated privacy notice, policies and guidance pertaining to data protection for the City Council.
- 7.6. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management. The Council's Chief Executive left at the end of April 2020 and was replaced by an Interim Chief Executive. She quickly assimilated the key issues faced by the council and started to make the changes required. A new Chief Executive will take up his role in September 2020.
- 7.7. The Council's establishment incorporates all posts required by statute. These include:
 - Head of Paid Service
 - Section 151 Officer
 - Monitoring Officer
 - Director of Adult Social Services
 - Director of Children's Services
 - Director of Public Health
- 7.8. The Constitution and its appendices define the delegated roles and responsibilities of key post holders, the Leader and executive councillors and decision-making bodies of the Council in detail. NCC has adopted the 'Strong Leader and Cabinet' model of executive governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the constitution. The Leader approves and reports changes to the Constitution including those to financial reporting for approval at a meeting of full Council. The Monitoring Officer may make changes to the constitution to comply with the law.
- 7.9. The Council's Leader decided to step down as a councillor at the 2019 elections, and a new Leader was elected at the full Council meeting on 20th May 2019.
- 7.10. The Council has set out budget and policy frameworks, which define how budget and policy decisions are made. These include setting each year's budget.
- 7.11. In order to ensure that the Council acts in the public interest at all times the former Chief Executive communicated expectations within a message map as part of the Council's Good to Great journey as follows

Message Map



B. Ensuring openness and comprehensive stakeholder engagement

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

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

7.14. The Neighbourhood Management concept has been developed in Nottingham since 2007. Locality working is based on the key tenets that the local level is the most effective level at which to engage citizens and service users, and fixing local problems, however small, has a profound effect on citizen’s quality of life. The city has 19 Neighbourhood Action Teams (NATs) (one in each ward, apart from the Castle ward which is covered by a separate City Centre

Management Group) headed up by a Neighbourhood Development Officer working in partnership with key agencies. Each NAT is closely linked to its ward city councillors and the appropriate City Council area committee (which comprise of two-three neighbouring wards). The NAT model is based on early intervention, aiming to reduce citizens' need to engage with costly Council or health services unnecessarily. They work with citizens to actively shape services and their neighbourhoods, supporting social cohesion.

- 7.15. Key strategies are published on the Nottingham Insight website.
- 7.16. The Chief Executive and Corporate Directors engage with all staff and specific groups through various channels including the council's intranet, email newsletters, information screens and through managers. The Council also engages with its staff through the Colleague Opinion Survey, which is managed and reviewed by the Development and Change team.
- 7.17. Complaints can be made in various open and transparent ways including through the internet, councillors, the Director of the service or office responsible. Have Your Say is now managed through a dedicated Customer Relationship Management (CRM) system. Access to the Ombudsman is well publicised.
- 7.18. The Local Government Ombudsman (LGO) report presented to Audit Committee in 2019 identified a similar level of complaints referred to Ombudsman to the previous year. The most frequent areas for complaints reflect the national picture. The level of LGO upheld complaints was less than in the previous year, and the upheld rate among the best performing authorities. The rate at which the Ombudsman upheld complaints was down from 48% in 2015-16 to 35% in 2016-17, 27% in 2017-18 and 69% in 2018-19. This compares to the national rate of 58% and the English Core Cities average rate of 66%.
- 7.19. The Council recognises that the 26 cases investigated by the Ombudsman is a very small sample of all complaints dealt with by NCC (3984 Have Your Say complaints and 510 Social Care complaints and 290 school admission appeals) and that statistically it may not be representative of our complaints process. However, we have attempted to identify any learning applicable. In particular, the majority of the complaints investigated by the ombudsman resulted from a new Transport Policy for adult social care, the Ombudsman recommended both a change to the policy and a review of a number of decisions both of which have been completed.
- 7.20. The Council aims to meet the Information Commissioner's Office targets for performance in respect of Freedom of Information and Environmental Information Regulations. A searchable disclosure log of these requests is published on the Council's website at

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

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

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

- 7.22. The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan to 2020. Accordingly, this vision is not subject to annual review.
- 7.23. Over the period 2015-2020 the Nottingham Plan to 2020 has set the overall strategic direction and vision for the economic, social and environmental wellbeing of the City of Nottingham and focused on the following six themes (with three important cross-cutting aims of Aspiration, Green and Fairness):
- World Class Nottingham
 - Neighbourhood Nottingham
 - Family Nottingham
 - Working Nottingham
 - Safer Nottingham
 - Healthy Nottingham
- 7.24. Following elections in 2019 new plans and vision were developed supported by a fresh framework of performance indicators for the Council Plan, Nottingham Plan, corporate health, strategy and operations, together with citizen survey data and selected statutory returns.
- 7.25. On economic issues, the Council works in partnership with many other organisations across administrative boundaries. This includes: Nottingham Growth Board (comprising Nottingham's major employers and business support organisations); Nottingham and Nottinghamshire Economic Prosperity Committee; Metro Delivery Board (primarily with Derby City Council); D2N2 Local Enterprise Partnership and the Midlands Engine.
- 7.26. The Council Plan, was approved by councillors on 11th November 2019. It set out the Council's ambitions for the city over the 4 years up to 2023. This includes the following 5 key objectives for the Council to deliver:
- Build or buy 1,000 Council or social homes for rent
 - Create 15,000 new jobs for Nottingham people
 - Build a new Central Library, making it the best children's library in the UK
 - Cut crime, and reduce anti-social behaviour by a quarter
 - Ensure Nottingham is the cleanest big city in England and keep neighbourhoods as clean as the city centre
- 7.27. The Council Plan puts continued emphasis on placing citizens at the heart of everything the Council does. It has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Plan priority. It also incorporates a review of outcomes from the previous Council Plan. The Corporate Leadership Team manages major changes, including all internal transformational projects and programmes, which together ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.
- 7.28. A robust system of regular monitoring and reporting on performance against priorities and targets is in place, with Portfolio Holders will receive progress reports on performance throughout the lifetime of the Plan. The detailed performance of the Plan will be reviewed and updated. This will allow achievements, revised improvement targets and new activities to be incorporated and ensure that the annual budgeting cycle.

- 7.29. A corporate template was developed in 2016, which is followed by the majority of services in constructing their business plans. Business plans capture how the Council delivers the Council Plan objectives. These in turn feature in colleagues' own Performance Appraisals to detail how the work they do contributes to the delivery of the Council's key priorities.
- 7.30. The Council Plan and other key plans such as the Children & Young People's Plan are agreed by Full Council and published and are available to all members of the public. Financial statements are published annually and equally the Medium Term Financial Strategy (MTFS) is a publicly accessible document. Regular updates and reviews ensure consistency within plans and reflect national developments including the effects of reduced Government funding. Ultimately this means the Council's priorities and those of its key partners, over both the short and long term, are in accord. The principles underpinning the Plan are summarised in the updated Council's 'Message Map', which illustrates the direction and focus for the Council.
- 7.31. Portfolio Holders and the Executive Board make decisions based upon Chief Officer professional policy recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered, clearly explain the technical issues and their implications and relate the recommended action to agreed policies and strategies. Where more than one course of action is possible the alternatives are analysed and justification given for the preferred choice.
- 7.32. The Report in the Public Interest action plan includes an action to enhance the effectiveness of the Overview and Scrutiny Committee and the Audit Committee.
- 7.33. Professional advice is taken in advance of decision-making, this is a key safeguard in protecting the Council and the decision-makers, and where possible professionals should be able to explain this advice publicly. Advice on legal and financial matters is taken from internal, and where necessary, external sources. Portfolio Holders also have a common responsibility to promote and be accountable for their services nationally and internationally as required. They also represent the Council's views on matters of corporate or strategic policy within their portfolio. The Leader of the Council also has responsibility to promote the City, the Council and its core values and objectives.
- 7.34. The advice given will be contained within the decision papers and will be presented to the appropriate meeting to facilitate discussion. Reports are circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where applicable, the recommendation will be supported by appropriate external evidence or advice. Minutes of Council, Board and Committee meetings are available to the public. These meetings were not webcast before May 2020.
- 7.35. The Council is reviewing its governance arrangements and part of this review will look at how well the formal advice arrangements work.

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

- 7.36. The Corporate Leadership Team (CLT) manages major changes, including all internal transformational projects and programmes, which together ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.
- 7.37. Progress monitoring of the Council Plan is undertaken quarterly through a series of exception reports to both CLT and Council Executive. Business plans are in place for all key Council services and the actions and performance indicators are monitored quarterly, reviewed, and refreshed on an annual basis.
- 7.38. The Council's Early Intervention approach provides integrated support to children, adults and families as soon as a problem begins to emerge or where there is a strong likelihood that problems will emerge in the future. In addition, by focussing on root causes there is an aim to prevent or reduce future demand for specialist services bringing down costs in the long term.
- 7.39. During 2019-20 the corporate performance system has been updated for the new Council Plan, including measures, performance data and commentary at departmental level, graphs and customised dashboards to improve the contribution of performance management systems to achievement of intended outcomes.
- 7.40. The Council's budget monitoring arrangements exist to identify variance from the financial plan at an early stage, allowing appropriate intervention to take place to understand and correct performance.
- 7.41. During 2019-20 the Council has continued to restructure its operations to meet its responsibilities within the resources available.

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

- 7.42. The Council holds all out elections every four years and the main councillor induction programme is delivered in the weeks following the election. Where a councillor is elected at a by-election an individual induction programme is held. Mandatory training as part of the induction includes training on safeguarding and on the Code of Conduct. The induction programme is developed by the Councillor Development Steering Group (CDSG) which is made up of cross-party councillors and relevant colleagues. New councillor inductions are in place and largely completed following the City Council elections in May 2019. As well as information/ training sessions the induction will also include an IT skills audit to support councillors in working electronically.
- 7.43. CDSG also manages the planning of in-year training for councillors. Current planned training includes a range of 'on the front line' opportunities, training in GDPR and in the use of social media. Councillors also take advantage of LGA training.
- 7.44. Following the adoption, in full, of the recommendations of the Independent Remuneration Panel in January 2017, a revised Members' Allowances Scheme was implemented from May 2017. Details of the scheme are published on the Council's website as part of the Constitution. Amounts paid to individual

Councillors, including claims made under the scheme for the reimbursement of Travel, Subsistence and Carers' Allowances are checked on a monthly basis and both allowances and claims are publicised in line with legislative requirements. An audit of Members' Allowances, concluded during April 2019, gave a rating of Significant Assurance (the highest level awarded).

7.45. Succession planning ensured that the Deputy Monitoring Officer post was recruited to successfully in 2019-20.

7.46. Further arrangements are being developed with regard to company governance with a view to strengthening the Council's resilience and levels of control. This will be achieved through the Report in the Public Interest action plan, including considerable work to be done on member training.

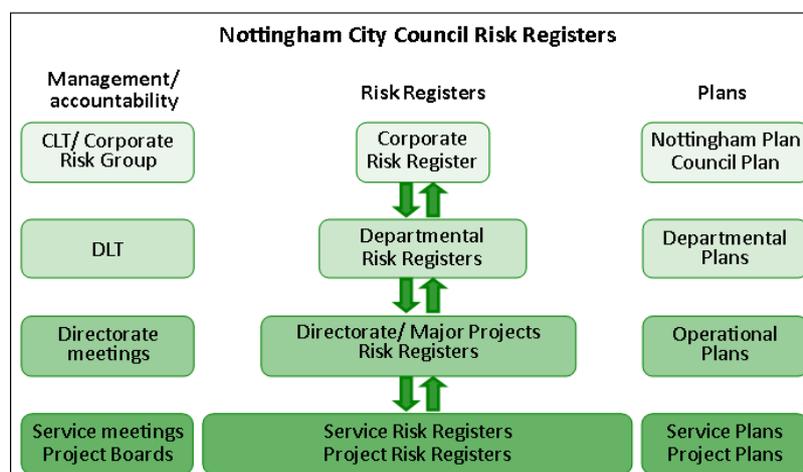
F. Managing risks and performance through robust internal control and strong public financial management

7.47. A refreshed Risk Management Framework and Strategy was rolled out in 2019/20, workshops took place in 2019/20 with the Departmental Leadership Teams to review their risk registers using the revised Framework as the consistent standard. Work has continued to develop the corporate risk registers and a Corporate Risk Group was established to support Corporate Leadership Team (CLT) in managing corporate risk.

7.48. Risk registers are used across the Council to record the risk exposure (the risks and their characteristics) and the decisions taken as a result of that knowledge (e.g. new mitigations) related to the relevant Council plan. Risk registers are reported regularly to Service, Project, Directorate, Departmental and Corporate Leadership Teams and the Corporate Risk Register is also presented to Audit Committee to provide assurance of the effectiveness of the Council's risk management processes.

7.49. Risks can move between registers based on seriousness and required oversight and support. Major Projects and Directorate Risk Registers are used to inform Departmental Risk Registers which then inform the Corporate Risk Register. The escalation process during 2019/20 is shown diagrammatically as follows.

Risk Reporting and Escalation Process



7.50. The Interim Chief Executive established in May 2020 a further High Level Corporate Risk Register to prioritise the most severe risks as

- the rising and broadening of risks emanating from the Covid-19 public health emergency
- the challenges of the funding shortfall for the local authority response became apparent
- the Report in the Public Interest.

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

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

The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	MTFS					
		Income Generation Strategy	Capital Strategy & AMP	Treasury Management & Debt Repayment Strategies	Procurement Strategy	Risk Management Framework
Guidance	IFRS LAACOP CIPFA & technical guidance HMRC Tax Regulations	Budget Guidelines	Capital Guidelines	CIPFA Prudential Code for Capital Finance in Local Authorities & Code of Practice for TM	CIPS Procurement Toolkit	Risk Management Policy and Guidance
Plans	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
Governance	Constitution	Budget Management & Control statements & Local Code of Corporate Governance		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report

7.53. The Chief Finance Officer is responsible for providing guidance on setting up companies. Corporate Directors and the Director for Public Health must seek approval from the Chief Finance Officer and Head of Legal before setting up a company or establishing formal relationships with any external organisation. Group companies each have their own board, which is responsible for the

direction and governance of the company. The Council as shareholder has rights to nominate directors to these boards.

- 7.54. NCC has ensured that group companies (subject to the sole exception of Robin Hood Energy Ltd) align their financial closedown with the NCC timetable and has continued work to ensure best practice for governance of companies. In 2019/20 this has included a Shareholder Advisory Panel and Companies Governance Executive Sub-Committee to ensure that the Council's strategic objectives are met across the group and to support the development of the Group in line with the Council's regulations and ambitions. These arrangements will be reviewed as part of the action plan for the Report in the Public Interest (Appendix 2).
- 7.55. The Internal Audit work plan is aligned to the Council Plan and as part of the process to determine the plan Internal Audit consults with Corporate Directors and key stakeholders within the Council and its companies. Internal Audit mainly conforms to the Public Sector Internal Audit Standards. The arrangements for Internal Audit are set out in the Internal Audit Charter and the Constitution.
- 7.56. Significant partnerships self-assess their governance as part of Partnership Governance Health Checks which are reviewed by the NCC Policy team with support from Internal Audit. The results of this review are reported to the Council's Audit Committee.

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

- 7.57. The Council has a website on which it publishes key information about decisions made and performance, including the results of external assessments. The Council is compliant with the Ministry of Housing, Communities and Local Government's Transparency Code 2015, and continues to lead in proactively making [datasets available](#) for re-use, via the Open Data Nottingham portal, thereby providing continued commitment to the Council's value of being open and transparent.
- 7.58. The Register of Significant Partnerships, a mechanism of the Partnership Governance Framework, records the status of each significant partnership and is updated annually.
- 7.59. The annual partnership health checks, which are carried out with support from Internal Audit, include a section to enable the significant partnerships to assess the robustness and clarity of their decision making and accountability, including that authority and delegations are set out in governing documents, including
- Who can make what decisions
 - Delegated responsibilities
- 7.60. A quarterly Statutory Officers meeting, chaired by the Head of Paid Service, takes place to review key issues and arrangements. As highlighted in 7.7 above, the Monitoring Officer and Section 151 Officer are in place and fulfil their governance roles.
- 7.61. The Council complies with relevant statutory financial reporting processes and guidance, including production of a published annual Statement of Accounts.

- 7.62. Annual performance highlights are published in the Nottingham Arrow in the summer with quarterly summaries published on Nottingham Insight. The Nottingham Arrow is available online with 3 editions per year and can be printed to reach members of the community without internet access. Nottingham Insight website publishes a large quantity of data and documents that are freely available to the public.
- 7.63. The Council uses a performance management system to collate its performance information and reports are generated by Department and by Portfolio Holder. One-to-one support is given to each Portfolio Holder so that they understand the performance reports and slides given to them. Graphical information provided includes targets and data for past time periods.

Constitutional Bodies Dealing with Governance

- 7.64. The Report in the Public Interest sets out the need for an overarching governance review. This is incorporated in the action plan (Appendix 2).
- 7.65. The Overview and Scrutiny Committee takes an overview of key strategic issues relevant to Nottingham, ensuring decision makers are held to account for their decisions and actions. It commissions review panels to deliver its work programme.
- 7.66. The Audit Committee's core role is to consider governance, assurance and risk and to manage the external financial reporting and review process. It also reviews and recommends to Council, proposals for non-executive amendments to the Constitution.
- 7.67. The Standards Committee's main functions concern promoting and maintaining high standards of conduct by Councillors and co-opted members, including in relation to the Code of Conduct, Confidential Reporting Code and issues referred to it by the Monitoring Officer. It can also make recommendations regarding the settlement of cases of maladministration.
- 7.68. The Companies Governance Executive Sub-Committee was established by the Leader during 2019-20, and deals with the Council's activity as shareholder in its companies, and aims to support the good governance of those companies.

Audit Committee

- 7.69. The Report in the Public Interest sets out the need for an overarching governance review. This is incorporated in the action plan (Appendix 2).
- 7.70. The Audit Committee regularly updates its programme of work in accordance with its terms of reference. It complies with CiPFA guidance on the role of Audit Committees. It monitors and approves arrangements for Internal Audit and Risk Management
- 7.71. The Audit Committee also receives a summary of external sources of assurance in the Internal Audit Annual Report, and during the year receives information about departmental arrangements for assurance, risk management, key systems, governance audits, companies, partnerships, departmental audits and fraud.
- 7.72. A regular programme of work is carried out by Internal Audit, and additional scrutiny committees, external audit and external inspection contribute to compliance with Council policies, procedures, laws and regulations. The

Council's arrangements for Internal Audit were externally assessed against Public Sector Internal Audit Standards in 2017 and the next external assessment is due in 2022

8. Review of Effectiveness

Review Process

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

Internal Audit

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

8.3. In 2019/20, the HoIA maintained processes complying with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit. The service met the requirements of the Account and Audit Regulations 2015 and associated regulations. An independent review in 2017 confirmed the service mostly conformed to the detailed principles contained in the Public Sector Internal Audit Standards (PSIAS). An annual self-assessment process operates to maintain and improve compliance with PSIAS.

8.4. The HoIA reports to Corporate Directors and stakeholders who are responsible for ensuring that proper standards of internal control operate within their areas of responsibility. Internal Audit has reviewed the controls and given an opinion in respect of the systems and processes found in place. The 2019/20 Audit Plan, as agreed by the Audit Committee and Corporate Directors and key stakeholders, was completed in accordance with the professional standards.

8.5. The HoIA has also overseen those policies and procedures in place addressing the risk of fraud and irregularity, and is of the opinion that they align with best practice as described in the CIPFA Code of Practice for managing the risk of fraud and corruption. The HoIA has continued to develop the use of a corporate team to strengthen the counter fraud function.

Head of Audit & Risk (HoIA) Opinion

8.6. The mandatory Public Sector Internal Audit Standards require the HoIA to give an opinion and report to support the City Council's Annual Governance Statement. Corporate Directors are responsible for ensuring that proper standards of internal control operate within their directorates. IA reviews these

controls and gives an opinion in respect of the systems and processes put in place. The audit work concludes with a report detailing the findings and giving an overall level of assurance.

- 8.7. The IA service works to a risk based Audit Plan agreed with Corporate Directors and agreed by the Committee. The 2019/20 Audit Plan has been completed in accordance with the PSIAS and other professional standards applicable to the service. The IA service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and its partners, where appropriate. The service has operated within professional standards as set out in PSIAS.
- 8.8. Planned work has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the City Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible colleagues, together with recommendations and agreed action plans. Further, a list of reports has been sent regularly to the Committee for consideration.
- 8.9. Throughout 2019/20, the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the Internal Audit Plan, to form his opinion on the Council's governance arrangements. In forming his opinion, the HoIA has reviewed all the IA reports issued in 2019/20, which has included ICT work, and he has drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to help him identify and assess the key control risks to the Council's objectives. Other sources of assurance have included the AGS Statement, the Ombudsman Report, Grant Thornton (the Council's external auditor), and the partnership health check review. External assurance sources such as OFSTED, and the Care Quality Commission have been reviewed, and where necessary further information has been sought, in order to assess these assurances.
- 8.10. Based on the post balance sheet events the HoIA has given an overall limited level of assurance for this revised AGS. No systems of control can provide absolute assurance, nor can IA give that assurance, significant issues (as defined in the CIPFA Code of Practice) were included in audit work undertaken and reported by IA as part of the 2019/20 Audit Plan. Subsequent IA experience, covering financial systems, risk and governance, and based on the recent Ofsted report and the concerns that the External Auditor has raised during the audit of the 2018-19 Statement of Accounts, together with the knowledge that the Council finances are suffering significant stress due to the Covid-19 emergency in 2020 leads the HoIA to conclude that whilst many internal control systems are operating effectively within the Council, its significant partners and associated groups – the areas of weakness identified under significant items (section 2) lead to an overall limited level of assurance.

8.11. It is clear from the last 4 years' budget outturns and the 2020-21 projected overspend that the financial control framework, is under stress. IA will prioritise additional activity in 2020-21 to identify issues within financial control to assist management in maintaining the effectiveness of the framework. As might be expected in an era of frequent change, reorganisations and cuts, internal audits have highlighted system weaknesses in some areas and governance and compliance issues. IA will aim to review these key areas during 2020-21.

Other Assurance Activities

8.12. Corporate Directors and statutory officers will be asked to provide an assurance statement supporting the final AGS for 2019/20. These statements are supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including those carried out by the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance.

8.13. In summary, the Council has reviewed the effectiveness of its governance framework, including key bodies responsible for the governance environment and systems of internal control, and those of group companies where the activities are significant. A comprehensive approach has been taken to considering and obtaining assurance from many different sources. Subject to the additional work required to respond to the external auditor's report, as a result of the review of the effectiveness of the governance framework, the arrangements need significant improvement to be fit for purpose and in accordance with the approved governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined in section 3 of this report.

External Audit

8.14. The Council's external auditor, Grant Thornton UK LLP, has not yet concluded their audit. However a number of issues have been identified from the 2018-19 audit and updates received from the external auditor as set out in section 4 of this report.

9. Conclusion

- 9.1. The Council has reviewed the effectiveness of its governance framework including the system of internal control as outlined above and considers it needs improvement, particularly in respect of the significant issues set out in section 2 above.
- 9.2. The City Council recognises the seriousness of this Report in the Public Interest and has fully accepted all its recommendations. The Council recognises the significant shortfalls in its governance and management practice, and is wholly aware of the potential consequences of not effectively overhauling its arrangements and the potential for government intervention.
- 9.3. We propose over the coming year to take steps to address the above matters as indicated in the Action Plan presented in section 3 of this statement to make our governance arrangements robust and effective. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council

Signed:

Chief Executive

Audit Committee – 25 September 2020

Title of paper:	Report of External Auditor in the Public Interest and Action Plan	
Director(s)/ Corporate Director(s):	Director of Legal and Governance	Wards affected: All
Report author(s) and contact details:	Daniel Ayrton daniel.ayrton@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To consider the Council response and action plan approved by extraordinary meeting of full Council on August 27 th 2020 and provide comment	

1 Reasons for recommendations

- 1.1 As required by the Local Audit and Accountability Act 2014, the report of the external auditor issued in the public interest regarding the governance arrangements for Robin Hood Energy was considered by full Council on August 27th 2020.
- 1.2 The Council meeting on August 27th also considered and approved the Council's formal response to the auditor's report and an action plan detailing the steps the Council proposes to take in response to the auditor's recommendations.
- 1.3 The report to full Council on August 27th recommended that the Council request that the Overview and Scrutiny Committee and the Audit Committee consider and review the Action Plan from their differing constitutional positions, and give their feedback in a report to the Executive Board at its October meeting.

2 Background

- 2.1 On Tuesday August 11th, the Council received a report from its external auditors into the governance arrangements for Robin Hood Energy, a wholly owned subsidiary of Nottingham City Council. The report was issued in the public interest and therefore required the City Council to take steps detailed in the Local Audit and Accountability Act 2014.
- 2.2 The report addresses the governance arrangements Nottingham City Council had put in place since Robin Hood Energy was set up in 2015 and the failure of that governance.
- 2.3 The report notes that over the last year and with new Council leadership, improvements to this governance have been put in place. The report made 13 recommendations which the Council must consider and respond to within one month. These recommendations speak to the Robin Hood Company in particular but also require the council to think about its arrangements with all its companies and its governance as a council in general.
- 2.4 In preparing a response to the auditors report and recommendations, the City Council has produced an action plan detailing 62 specific actions it proposes to take. These

actions were presented to full Council in the form of an action plan a copy of which is appended to this report.

- 2.5 The City Council voted to accept the findings of the auditor's report including recommendations R1 to R13. The Council agreed the Action Plan appended to this report, noting that the Action Plan includes a response to each of the external auditor's recommendations, as well as a number of additional recommendations. It also sets out both indicative timelines and accountabilities.

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 Report of external auditor; 'Report in the Public Interest concerning the Council's governance arrangements for Robin Hood Energy Ltd'.
- 4.2 Nottingham City Council Action Plan in response to auditor's report approved by full council on August 27th 2020; 'Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response'.



You are hereby summoned to attend an Extraordinary meeting of **City Council** on Thursday 27 August 2020 at 2.00 pm to transact the following business.

The meeting will be held remotely on Zoom – Councillors and colleagues attending the meeting will be provided with access details.

The meeting will be livestreamed on the Council's YouTube Channel
<https://www.youtube.com/user/NottCityCouncil>

Agenda	Pages
1 Apologies for absence	
2 Declarations of interests	
3 Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response	3 - 54

If you need any advice on declaring an interest in any item on the agenda, please contact Governance Services, if possible before the day of the meeting

Dated 19 August 2020
Director for Legal and Governance
To: All Councillors of Nottingham City Council

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City Council (Extraordinary)

27 August 2020

Subject:	Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response
Interim Chief Executive:	Katherine Kerswell
Portfolio Holder:	Councillor David Mellen, Leader of the Council
Report author and contact details:	Katherine Kerswell katherine.kerswell@nottinghamcity.gov.uk
Other colleagues who have provided input:	Daniel Ayrton, Business Development Manager Bipon Bhakri, Head of Finance (Commercial and Projects) Beth Brown, Head of Legal and Governance Dean Goodburn, Corporate Policy and Performance Officer Richard Henderson, Director of HR and Customer Colin Monckton, Director of Strategy and Policy Laura Pattman, Strategic Director of Finance Malcolm Townroe, Director of Legal and Governance, and Monitoring Officer
Wards affected: All	
Date of consultation with Portfolio Holder: 14 – 19 August 2020	
<p>Summary of issues: On Tuesday 11 August 2020, the Council's external auditor issued a Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy Ltd (RHE) (<i>The Report in the Public Interest</i>).</p> <p>The report confirms that setting up the company was a legitimate policy response to seek to address fuel poverty, albeit a hugely ambitious and complex undertaking. The report states that the governance arrangements the Council had in place were not strong enough.</p> <p>In particular, <i>The Report in the Public Interest</i> states that:</p> <ul style="list-style-type: none"> • There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in, RHE. • There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information. • There was insufficient sector (or general commercial), expertise at non-executive Board level. • There was a lack of clarity in relation to roles within the governance structure. • The arrangements did not establish an appropriate and consistent balance between holding to account and allowing the Company freedom to manage, and this worsened as levels of trust decreased and the financial position deteriorated. <p>The Council fully accepts the findings and recommendations of <i>The Report in the Public</i></p>	

Interest.

The Council is proposing a number of additional actions to further support the external auditor's recommendations, and to secure the necessary improvements required.

The Report in the Public Interest's recommendations will be responded to by way of a detailed Action Plan, as outlined in Appendix 1 of this report.

Accountability for the delivery of the Action Plan will jointly rest with the Leader of the Council, Councillor David Mellen and the Chief Executive designate, Melbourne Barrett.

They will both work closely with the Executive, the Overview and Scrutiny Committee, the Audit Committee, and Chief Officers.

Accountability for each recommendation in the action plan will be clearly identified by lead portfolio holder and individual action by chief officer.

Exempt information: None.

The Local Audit and Accountability Act 2014 governs and prescribes the way in which the Council should handle an external auditor's formal Report in the Public Interest.

Schedule 7 (section 9) of the 2014 Act requires the public to have "access to meetings and documents". It makes clear that a Report in the Public Interest is not to be treated as an exempt item as per Part 5A of the Local Government Act 1972 (the provision that is used for the proper purposes of excluding the press and public).

The meeting to consider the external auditor's Report in the Public Interest and the Council's response – the Action Plan must be conducted in public.

Recommendations:

1. The Council accepts *The Report in the Public Interest* and all of its recommendations, from R1 to R13.
2. The Council agrees the Action Plan appended to this report, noting that the Action Plan includes a response to each of the external auditor's recommendations, as well as a number of additional recommendations. It also sets out both indicative timelines and accountabilities.
3. The Council notes the commitments in the Action Plan to learn from best practice from its partners, from its successful other companies, and from national bodies such as the Local Government Association to support its implementation of the recommendations.
4. The Council requests that the Overview and Scrutiny Committee and the Audit Committee considers and reviews the Action Plan from their differing constitutional positions, once it is approved at this meeting, and give their feedback in a report to the Executive Board at its October meeting.

- | |
|--|
| <p>5. The Council requests that the Executive Board receive a report at its October meeting on the Action Plan. This report will consider the feedback from the Overview and Scrutiny Committee and the Audit Committee. The report will also provide more detail on the recommendations and accountabilities. It will review the initial deadlines suggested in Appendix 1. It will outline the work with suitable external bodies such as the Local Government Association to support the Council in its endeavours. Any costs associated with implementing the recommendations and the delivery mechanism to support this work will also be reported to that meeting.</p> |
| <p>6. The Council notes that a report will be brought back to full Council in September 2021 updating members on the progress on implementing the Action Plan. During that period the Executive will receive quarterly updates on progress. These updates will also be regularly scrutinised by the Overview and Scrutiny Committee and the Audit Committee (having regard to their respective terms of reference).</p> |
| <p>7. The Council commits to a regular and open dialogue with the external auditor and the Ministry of Housing, Communities and Local Government to keep them appraised of the Council's progress in implementing its action plan.</p> |

1 Reasons for recommendations

- 1.1 Nottingham City Council fully recognises the serious nature of *The Report in the Public Interest* being issued. It fully accepts the findings, conclusions and recommendations of the external auditor's report into the governance arrangements for Robin Hood Energy Ltd.
- 1.2 The City Council is required under the Local Audit and Accountability Act 2014 to consider the recommendations of *The Report in the Public Interest* and decide what action to take in response. It is also essential that all decisions made by the Council with regard to its governance arrangements are taken in full cognisance of the report's findings and recommendations
- 1.3 Nottingham City Council adopted the Seven Principles of Public Life, otherwise known as the Nolan Principles, as part of its constitution.¹ The Nolan Principles establish the ethical standards and framework for conduct for all those working and governing in the public sector. These standards are not optional. They are foundational to the Council's Constitution.
- 1.4 The Nolan principles are: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. Nottingham City Council added two further principles to this list: respect for others and a commitment to uphold the law. These principles apply equally to elected members as well as to officers. They frame the code of conduct that guides behaviour and governance practice in the Council's constitution.
- 1.5 The external auditor's report highlights how the Council should have paid more regard to the principles of objectivity and accountability in its governance practice of Robin Hood Energy Ltd. The Council may find it helpful to reflect on its overall governance practice in relation to its commitments to the Principles of Public Life in implementing the Action Plan.

¹ Section 6. Nottingham City Council Constitution

- 1.6 In considering the actions required to address the recommendations in the report, it is important to note that some of the actions will require a change in culture and governance behaviour, as well as transactional changes in process and functions.
- 1.7 It will take some time to fully implement all the changes required in the recommendations proposed in the Action Plan. However, the Council has already started to address a number of the issues that are highlighted in the external auditor's report. These actions include:
- Establishment of a fortnightly Robin Hood Energy Steering Group chaired by the Leader.
 - The replacement of the Council's Shareholder Representative.
 - Joint action with the new Chair of the Robin Hood Energy Board, to strengthen the Board with a Councillor who is a qualified accountant and more legal and administrative support and expertise.
 - The suspension of senior staff at Robin Hood Energy.
 - The appointment of industry experts and a new management team to lead the company, to bring a fresh approach to governance.
 - The establishment of a Companies' Governance Executive Sub-Committee to strengthen the Council's approach to governance across the authority.
 - The commencement of a strategic review to consider all options for the future of Robin Hood Energy Ltd.
- 1.8 Some of the actions to address the specific recommendations are also in progress. These are set out in Appendix 1.

2. Addressing the recommendations

- 2.1 The Local Government Act 1999 introduced the duty of "best value" for all local authorities. This duty requires councils to "make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness".
- 2.2 In addressing that duty, the Council needs to be a learning organisation that focuses on improvement and development; a Council that it is open to challenge and which is dynamically accountable for the people it is here to serve – the citizens of Nottingham.
- 2.3 As part of this commitment, the Council will seek support from outside bodies in how it can best respond to the recommendations. It will look to engage with bodies such as the Local Government Association and others to assist with its improvement journey.
- 2.4 Nottingham City Council has been involved in the national peer review programme which is delivered by the Local Government Association. A return visit was due within the next 12-18 months. Consideration will be given as to how a return visit could support the work outlined in Appendix to address the external auditor's recommendations.

- 2.5 Accountability for the delivery of the report will be jointly owned by the Leader of the Council and the Chief Executive designate. They will work closely with the Executive, Overview and Scrutiny Committee, the Audit Committee and chief officers to deliver the Action Plan. Executive portfolio holders have been given specific accountability for the recommendations and the detailed actions required will be owned by a designated chief officer.
- 2.6 Work on the Action Plan will be reported in public to the Executive Board on a quarterly basis commencing from the October Board meeting. The Overview and Scrutiny Committee and the Audit Committee will be regularly engaged from their differing constitutional perspectives with the work on the Action Plan. They will ensure progress is timely, thorough and fulfilling both the spirit and the letter of the recommendations from the external auditor
- 2.7 There will be a report back to full Council in 12 months' time to the September 2021 meeting on progress against the Action Plan.
- 2.8 Feedback will be provided on a regular basis to the external auditor on progress on the recommendations. Regular briefings will also be offered to the Ministry of Housing, Communities and Local Government having regard to the Permanent Secretary's role of Accounting Officer for the Department.
- 2.9 Progress on meeting the recommendations and delivering the Action Plan will also be shown on a dedicated page on the Council's website fulfilling our commitment to transparency and to better inform the citizens of Nottingham of our work on this important matter.
- 2.10 In addition to responding to the specific recommendations in the external auditor's report, the Council will also commit to a number of additional recommendations to improve overall governance and the oversight of Council companies.
- 2.11 The City Council has a diverse portfolio of companies and other subsidiary bodies it either owns or is a co-owner/shareholder in. Where the City Council is the sole owner of a company, it will lead any review working closely with the governing body of that company. Where the authority is the joint owner/shareholder/ partner, it will work collaboratively with other stakeholders to review governance as appropriate.
- 2.12 The Action Plan, together with the additional actions, refer to the Council's companies collectively. The list of company boards that are included within scope are:
- Blueprint Limited Partnership
 - Enviroenergy Ltd
 - Futures Advice, Skills & Employment Ltd (was Nottingham & Nottinghamshire Futures Ltd)
 - Nottingham City Homes Ltd
 - Nottingham City Transport Ltd
 - Nottingham Ice Centre Ltd
 - Nottingham Revenues & Benefits Ltd
 - Thomas Bow
 - Robin Hood Energy Ltd

2.13 More details of the Action Plan, recommendations and the additional actions are set out in Appendix 1.

3. Communication and publication of the report

3.1 In accordance with the requirements of the Local Audit and Accountability Act 2014, and upon receipt of the external auditor's report on 11 August 2020, the Council ensured the report was brought to the attention of the public, elected members and to its partner organisations and stakeholders.

3.2 At 14:00 on 11 August, the Council published the report on the Nottingham City Council website at <https://www.nottinghamcity.gov.uk/public-interest-report/>. There is also a frequently asked questions and answers note to help further understanding about the issue and the report.

3.3 The web page also provides details on how to obtain physical copies of the report. Due to the coronavirus pandemic, arrangements have been put in place for the report to be sent out by post on request.

3.4 The Council issued a Notice in the local paper – the Nottingham Post – on the first available printing, to publicise receipt of the report. Copies of the report were also circulated to all elected members on 11 August.

3.5 The Council issued a press release to ensure the report was brought to the attention of the press and public and proactively contacted 25 partner organisations to share the report.

3.6 All employees of the City Council have been contacted via email to inform them of *The Report in the Public Interest*, along with details of how to obtain a copy. Similar communication has been issued to all 14 associated organisations and the Council's subsidiary companies.

3.7 The Chairs and chief executives / chief officers of all Council companies will be sent a copy of this report, and their full engagement in responding to the recommendations will be sought.

4. Background

4.1 In 2015, Nottingham City Council set up Robin Hood Energy as a 'not for profit' energy company. The original aims of the company were to address fuel poverty, the unfairness of those using 'pre-paid' meters being charged very high prices for their energy and to give an alternative to the 'Big Six' energy providers for Nottingham residents.

4.2 The setting up of a council owned energy company in Nottingham was followed by others in Plymouth and Bristol. The company grew and established 'white label' arrangements with other areas and thus increased the customer base.

4.3 The company was affected negatively by the volatility in wholesale energy markets and by price cap changes by the regulator. The company has 115,000 customers as of August 2020.

5. Other options considered in making recommendations

- 5.1 In accordance with the 2014 Act, the Council has reviewed the recommendations. These have also been reviewed in light of the Nolan principles incorporated as part of our constitution.
- 5.2 In reviewing the recommendations the Council accepts all of them. Therefore, there are no other relevant options other than to accept the external auditor's report and its recommendations.
- 5.3 *The Report in the Public Interest* focusses on improving the governance of the Council. This is entirely aligned with the Council's own Constitution and with its statutory duty of best value and continuous improvement.

6. Financial comments

- 6.1 The proposed response to the external auditor's report will ensure that the Council will operate within best practice standards. This will ensure that the Council's strategic objectives are being met across the companies it has a financial interest in.
- 6.2 The recommendations will have implications for the Council and all of its subsidiary companies, enabling them to operate more effectively and be more accountable to the Council in its role as Shareholder.
- 6.3 The recommendations will require a more corporate approach; this will provide greater visibility and stronger governance across all of the various entities operated by the Council.
- 6.4 Having better and more robust corporate governance will help improve the underlying financial viability of the Council. This approach will provide clarity on what is expected from the Council's companies. It will clarify their key deliverables, which together with an integrated financial and performance reporting schedule, will provide up to date and consistent information so as to meet group-wide deadlines (i.e. the Council's corporate budget/forecast and year-end timetables).
- 6.5 The UK Corporate Governance Code 2018 makes reference to the benefits of clear relationships and integrated business objectives between companies in a group arrangement.
- 6.6 There will be costs associated with implementing the recommendations. At the time of publishing this report these costs are unknown. An update regarding associated costs will be brought to the October Executive Board for consideration and approval.

7. Legal and Procurement comments

- 7.1 *The Report in the Public Interest* ("the Report") is issued under the provisions of the Local Audit and Accountability Act 2014 ("the Act"). The Council must comply with the requirements of the Act in responding to the Report. At the time of writing this report, all of the relevant requirements of the Act have been fully complied with.
- 7.2 Under the provisions of the Act, the Council must decide whether the Report requires the authority to take any action or whether the recommendations are accepted. It must decide what action to take in response to the Report and its

recommendations. The recommendations and proposed actions by the Council are set out in the body of this report and accompanying Action Plan.

- 7.3 After considering the Report and its response to it, the Council must notify the external auditor of its decisions, and publish a notice containing a summary of those decisions which has been approved by the external auditor.
- 7.4 Where the Action Plan or recommendations in this report require amendments to be made to the Constitution, these will need to come back to Full Council for approval.
- 7.5 Any procurement issues that arise out of the recommendations contained within this report, or as a result of subsequent decisions, will need to be addressed in accordance with the Council's Financial Regulations and Contract Procedure Rules.

8. Equality Impact Assessment (EIA)

- 8.1 There has not been an equality impact assessment of this initial response to the external auditor's report.
- 8.2 However, each of the individual actions included in the Action Plan will require an equalities impact assessment produced as part of the work undertaken; and which will need to be considered in respect of any formal decisions to changing governance practice.
- 8.3 Any improvements to governance that arise from the implementation of the recommendations in the action must pay due regard to ensuring that all citizens in Nottingham are able to understand the actions the Council takes in their name, the decisions it makes to spend resources on their behalf, and who is accountable for that action.
- 8.4 Close attention will need to be paid to ensure the Council is as transparent as possible and is as open and engaging with local people as possible through this process of improvement and afterwards in the new practice established.

9. List of background papers relied upon in writing this report

- 9.1 None.

10. Published documents referred to in this report

- 10.1 Grant Thornton Report in the Public Interest August 2020.
- 10.2 Nottingham City Council press release.
- 10.3 Nottingham City Council Constitution.
- 10.4 Companies Governance Executive Sub-Committee Terms of Reference.
- 10.5 Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014.
- 10.6 Statutory Intervention and Inspection, A Guide for Local Authorities, MHCLG (May 2020).

10.7 The UK Corporate Governance Code 2018.

11. Appendices

Appendix 1 Action Plan

Appendix 2 Report in the Public Interest

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Appendix 1

Action Plan in response to the Report in the Public Interest

- All recommendations are accepted
- Recommendations R1 – R13 are recommendations from *The Report in the Public Interest*
- Recommendations NCC1 - NCC 3 are additional recommendations

The overall accountability for the action plan rests with the Leader of the Council and the Chief Executive designate

Recommendation 1

Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of Robin Hood Energy, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<ul style="list-style-type: none"> • At the June 2020 Executive Board Nottingham City Council agreed its full support for the strategic review launched by the Robin Hood Energy Board. 	31/10/20	Corporate Director Development & Growth
<ul style="list-style-type: none"> • The Strategic Review will report to the Robin Hood Energy Board and will be concluded shortly. 	05/10/20	Corporate Director Development & Growth
<ul style="list-style-type: none"> • Any consequences of the review for the Council's 2020/21 budget and its medium term financial outlook and plan will be reported to full Council as part of the October 5th interim budget report. 	05/10/20	Strategic Director Finance

Recommendation 2

The Council should review its overall approach to using Councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none"> • An audit and review of NCC’s approach to councillor membership of each subsidiary company board and any other similar organisations NCC Councillors are appointed to, will be undertaken. This review will fully involve the chief executives/chief officers of the Council’s companies, as well as the Chairs and members of the Company Boards and other subsidiary organisations. • As part of this review, the membership balance of the boards will be considered in aggregate in regard to best practice for achieving diversity, skill set, sectoral knowledge and NCC representation. • External guidance on best practice in regard to Councillor appointments on local authority companies will be sought • External guidance on defining the role and legal requirements for local authority company directors and guidance on skill set required will be sought. 	31/10/20	Director of Legal & Governance
	31/10/20	Director of Legal & Governance
	30/09/20	Director of Legal & Governance
	30/09/20	Director of Legal & Governance

Recommendation 3

Where it continues to use Councillors in such roles, it should ensure that the non-executives (including Councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of Councillors.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The review of NCC councillor directors of boards in R2 will also establish the sectoral knowledge required to effectively hold the management of the different companies to account and assess the knowledge and skill set of the existing membership of the boards in relation to that sector or business area. This review will fully involve the chief executives or chief officers of the Council's companies, as well as the Chairs and members of Company Boards.	31/10/20	Director of Legal & Governance
<p>Page 75</p> <ul style="list-style-type: none">Proposals for remedying any identified gaps in knowledge and/or experience will be brought forward which will include a consideration of training and if necessary using interim additional expertise to ensure effective governance.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">Training will be devised to enable members to understand and practice effective director / board member interventions so as to appropriately challenge the management of the Council's companies and improve the robustness of Company accountability to the Council.	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">Specialised mandatory training packages will be devised to ensure councillors appointed as chairs of council company boards are able to understand and effectively fulfil their roles	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">Essential training will be mandatory and retention of the director role for each councillor will rely on completion of the training on this recommendation.		
<ul style="list-style-type: none">The relevant NCC officials will continue to be available to offer advice to members on all aspects of their role on Council company boards.	With immediate effect	Director of Legal & Governance
<ul style="list-style-type: none">Advice will also be sought on the best way to assess the competence of Councillors	30/01/21	Director of Legal & Governance

<p>fulfilling their roles as directors as part of effective company governance. The group whip for each political party or recognised group will have a role in this assessment process.</p> <ul style="list-style-type: none"> The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting. 	<p>May 2021</p>	<p>Director of Legal & Governance</p>
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Recommendation 4

Where Councillors are used in such roles, the Council should ensure that the Councillors are provided with sufficient and appropriate training, which is updated periodically.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<p>Page 73</p> <ul style="list-style-type: none"> • A review of the current training package offered to Councillors as directors on company boards and other similar organisations will be undertaken. • External best practice and advice will be sought from both the Local Government Association and bodies in the private sector who advise on company governance and training for directors. <p>This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards.</p> <ul style="list-style-type: none"> • New training packages will be devised and delivered on a mandatory basis for: <ul style="list-style-type: none"> > Initial training > Refresher training > Specialist training where required to understand a particular subject/field. • External sources will provide the specialist training and this training will be reviewed every two years to ensure it remains relevant and effective. • Funding for the new training courses will need to be identified • Only Councillors who have completed the requisite training will be able to remain as Council appointed directors. • The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting. 	<p>30/10/20</p> <p>30/10/20</p> <p>30/01/21</p> <p>May 2021</p>	<p>Director of Legal & Governance</p>

Recommendation 5

The Council should ensure that all elements of its governance structure, including the shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<ul style="list-style-type: none">• The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">• As part of that review, the specific corporate role, definition and resources for the shareholder representative function will be examined.	30/11/20	Director of Legal & Governance
<p>Page 78</p> <p>External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies.</p>	30/01/21	Director of HR and Customer
<ul style="list-style-type: none">• This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards.		
<ul style="list-style-type: none">• Once the role and resources have been determined, costings to implement the new function and an appropriate role description (s) will be produced and submitted for decision.	31/10/20	Director of HR and Customer
<ul style="list-style-type: none">• Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and interim new role definitions will be drawn up as well as appropriate training provided.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">• In addition to individual roles being identified and re-defined from the review of the constitution, there are also Council bodies that perform a vital function for the Council's effective governance. The role of the Executive Board, Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee and the Audit Committee's terms of reference will also be reviewed to ensure clarity on role and	20/12/20	Director of Legal & Governance

<p>accountability for Council companies' governance across the Council. The Chairs of Overview and Scrutiny and the Audit Committee will be fully involved in this review.</p> <ul style="list-style-type: none">• Training will be offered to all members and chief officers on the roles of these bodies.	30/01/21	Director of Legal & Governance
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Recommendation 6

When allocating roles on Council-owned organisations to individual Councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The Council's constitution and the appointments process of Councillors onto Council company boards will be reviewed. A councillor may not be appointed as chair of a council company board whose main activity lies within any executive portfolio they hold.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">The length of appointment tenure beyond a 12-month appointment period will be reviewed to enable consistency of membership of the board and to develop knowledge and experience	30/11/20	Director of Legal & Governance
<p>An amendment to the Constitution will be developed for formal consideration, so if a Councillor is appointed chair or vice-chair of a company board, they are unable to also be the chair or vice-chair of the Audit Committee, or Overview and Scrutiny Committee thus avoiding any conflict of interest in these essential roles.</p>	31/03/21	Director of Legal & Governance
<ul style="list-style-type: none">In addition, the Council will take steps to minimise any other possible conflicts of interest for directors on Council company boards by ensuring the improved training offer to be developed for members includes how to recognize and avoid any conflicts of interest for chairs and Councillor directors.	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">The access to formal advice from the Council's legal and democratic service for all councillors appointed to council company boards on conflicts of interest or any other matter will continue to be made available.	With immediate effect	Director of Legal & Governance

Recommendation 7

The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadline	Accountability
<ul style="list-style-type: none">• The Council's high level risk register was created in May 2020 and was reviewed by the July 2020 Audit Committee. A number of Council company risks were included in that new risk register. This will continue to be developed and refined.	30/11/20	Strategic Director of Finance
<p>Page 27</p> <ul style="list-style-type: none">• The Council's risk management framework has been reviewed to ensure the full incorporation of council company risks across all risk registers within departments and also in the new financial risk register. Council companies' risks will be separately considered and reported in such a way that explicitly draws out the risks to the Council that may arise from the financial (and other) performance of the various companies. This review will fully involve the chief executives/ chief officers of the Council's companies, as well as the Chairs and members of the Company Boards.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">• The reporting of risks to Council company boards will also be implemented as part of this action.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">• The regularity of the reporting of the high level risk register to the Audit Committee and the Executive Board and Overview & Scrutiny Committee will be reviewed as part of this action. The Chairs and members of these bodies will be fully involved in this action.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">• The reporting of companies' related risks will form part of the suite of reporting information presented to the Companies Governance Executive Sub-committee		

Recommendation 8

As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Executive Sub-Committee (CGESC), the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action, with the oversight of the s151 officer, is taken if suitable information is not provided.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadline	Accountability
<ul style="list-style-type: none">The Companies Governance Executive Sub-Committee (CGESC) has been meeting since 2019 and has established reporting requirements for all Council companies.A dedicated senior finance post provides additional capacity and capability to managing the financial reporting requirements on the Council's group of companies.	30/11/20	Director of Legal & Governance
<p>Page 28.</p> <p>The current role and remit of the CGESC will be reviewed as to how it can deliver the most effective governance in the light of The Report in the Public Interest.</p>	30/11/20	Director of Legal & Governance
<p>Officer support is to be provided to offer full advice and analysis for members on CGECS, Audit Committee and Overview & Scrutiny Committee in relation to risks; annual reviews of & updates on business cases and plans; scheme of delegation; financial matters and overall delivery.</p>	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">The dedicated senior finance role will also be continually reviewed in the light of The Report in the Public Interest to ensure it is fulfilling the corporate function needed and that departments and Council companies understand their relationship and new ways of working on this matter.	With immediate effect	Strategic Director of Finance
<ul style="list-style-type: none">The s151 Officer will make recommendations to CGESC regarding action to be taken in the event that Companies do not comply with the required reporting requirements.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">Council company financial information reporting will be reviewed to see how more explicitly it can be referenced in the regular Council budget monitoring reports provided to the Executive Board on a quarterly basis	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">This review will need to consider how to balance the transparency in the Council's		

budget reporting with the need to retain commercially sensitive information in the private part of any public meeting.		
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Recommendation 9

Within the new arrangements involving the Companies Governance Executive Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none"> The Council will review the terms of reference for Companies Governance Executive Sub Committee (CGESC), Overview and Scrutiny Committee and the Audit Committee to ensure that roles and responsibilities are explicitly clear. The Chairs of all these bodies will be fully involved in this action. 	30/11/20	Director of Legal & Governance
<p>Page 20</p> <p>External advice will be sought on best practice in defining the roles between these bodies and on effective training for members to understand and work in these new defined roles and to achieve the prominence in practice.</p>	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> The training packages that will be offered will carry the same mandatory requirements for membership off these bodies to continue. 		
<ul style="list-style-type: none"> Specific training modules will be drawn up to explicitly support the chairs of these bodies in carrying out their new roles. 	30/01/21	Director of Legal & Governance

Recommendation 10

In addition to those referred to in recommendations above, the Council should apply the lessons from Robin Hood Energy in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<p>Page 25</p> <ul style="list-style-type: none"> • The Council will draw together all the varying reviews and activity as outlined above into an overall picture of its governance arrangements and from that produce a unified report on the lessons to be learnt from Robin Hood Energy Ltd. • This learning lessons report will draw upon the effective practice of some of the other Council company boards to share those positive lessons across the group of council companies as well. • External support and advice will be sought on how best to draw together all the learning from the reviews. • This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards. 	20/12/20	Director of Legal & Governance

Recommendation 11

As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action – N.B. the actions below must be read alongside the actions for Recommendation 5	Deadline	Accountability
<p>Page 28</p> <ul style="list-style-type: none">• The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure.• As part of that review, the specific corporate role and resources for the shareholder representative duty will be examined and in particular how it safeguards the Council's financial interests.• External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies.• Once the role and resources for this function have been determined, costings to implement the new function and an appropriate role description will be produced and submitted for decision.• Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and an interim new role definition be drawn up and training provided.	30/11/20	Director of Legal & Governance
	30/11/20	Director of Legal & Governance
	30/01/21	Director of HR and Customer
	30/11/20	Director of Legal & Governance
	31/10/20	Director of HR and Customer

Recommendation 12

The Council should use the experience of owning RHE to consider whether there are any lessons for its wider governance, particularly in relation to the 'checks and balances' which need to be in place, including the need for a stronger monitoring and scrutiny function and moving to a culture in which challenge of political priorities and how they are being implemented is seen as a positive.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadlines	Accountability
<ul style="list-style-type: none">• An overarching review of the Council's wider governance arrangements will be commissioned following advice from the LGA and other relevant external bodies.• External advice and best practice models will be considered alongside an in-depth assessment of council practice to date	31/03/21	Director of Legal & Governance

NCC 2. Review of effective governance practice in NCC companies

The Council has a number of companies which have had effective governance over a number of years and which have involved elected members on the boards. As part of this improvement work it is important to understand what has made those council companies and Boards effective and how any learning can be applied to other council companies and the other recommendations in this Action Plan.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadlines	Accountability
<ul style="list-style-type: none"> • Seek out external guidance on independently assessing effective company governance and use this to assess the governance practice of all Council owned companies. 	31/03/21	Director of Legal and Governance
<ul style="list-style-type: none"> • Following that assessment, draw out any lessons or good practice that can be shared across all council companies. 	June 2021	Director of Legal and Governance
<ul style="list-style-type: none"> • Work with the chairs and chief executives / chief officers of Council companies to understand any self-assessment models they may use. 	June 2021	Director of Legal and Governance
<ul style="list-style-type: none"> • Companies Governance Executive Sub Committee, Executive Board and the Audit Committee to consider the findings of this review and its recommendations. 	June 2021	Director of Legal and Governance

NCC 3. Review of membership of the Audit Committee

As a solution to the pressures from the reduction in public funding of services, the Council either owns or has a major interest in a considerable number of companies. It has also pursued a policy of in-house commercialisation of some services. As such the company and commercial trading risks it carries are more that would normally be expected for a local authority.

As such, the role that the Audit Committee plays in giving assurance to the Council on these commercial risks and trading outcomes is vital. In the light of the findings of the Report in the Public Interest, it is proposed that a review of the membership of the Audit Committee is undertaken to consider whether it is necessary to bring in additional expertise in a relevant capacity to further support the Committee.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadlines	Accountability
<ul style="list-style-type: none">Review of the current membership of the Audit Committee.Seek out external advice of best practice models of Audit Committees in local government that could bring additional support to how the council is dealing with the risks it is facing	30/01/21	Strategic Director of Finance

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Nottingham City Council

Report in the Public Interest concerning the Council's governance arrangements for Robin Hood Energy Ltd

Nottingham City Council

Report concerning the Council's governance arrangements for Robin Hood Energy Ltd

Summary

We are issuing this report as a Report in the Public Interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. The Council is required to publish this report as soon as practicable, consider it at a meeting held in public within one month of the date of publication and provide a publicly available written response to us.

The Council set up Robin Hood Energy (RHE) in 2015 as a wholly owned not-for-profit subsidiary, in order to tackle fuel poverty in the City of Nottingham and provide a realistic alternative to the 'big 6' energy suppliers. As part of this, it aimed to provide better terms to users of pre-payment meters, who are more likely to be below the poverty line and cannot access the variety of discount arrangements offered to other customers of the big six suppliers. As expected, the Company made losses in its early years but reported a small profit of £202,000 in 2017/18 (although this was subsequently amended to a loss of £1.6m as a result of a prior period adjustment as part of the 2018/19 audit). In 2018/19, it made a large loss of £23.1m, giving it cumulative losses to 31 March 2019 of £34.4m. These losses were caused by a number of factors including:

- Volatility in wholesale energy markets which impacted on all energy retailers
- Price cap changes by the regulator, Ofgem
- The need to increase the provision for doubtful debts by £2.6m (more than trebling it) following an increase in debtors, implementation of a new accounting standard and continuing difficulties in collecting old debt in the year, which was partly due to insourcing a previously outsourced debt management service.

Despite having concerns about the quality of the financial information being produced by the Company, its deteriorating financial performance and therefore its ability to make repayments, the Council decided to make significant additional loans to the Company on several occasions during 2018/19 and 2019/20. Had it not done so, the Company would have immediately failed, and the Council would have lost most of the value of its existing stake in it, with £47.4m at risk at the time when the largest loan was requested in October 2019. The Council faced a choice between two highly undesirable alternatives, a scenario brought about in large part by its own inadequacies in holding the Company to account.

This position stemmed from a range of factors:

- The setting up and operation of an energy company is hugely ambitious, given the highly complex, highly competitive and highly regulated markets in which energy companies operate, and the impact which external global factors can have on pricing. Some aspects of RHE – particularly its focus on low tariffs and poorer customers – further increased these risks.
- The governance arrangements which the Council has had in place were not strong enough, particularly given the nature of the Company and its markets:
 - o There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in, RHE
 - o There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information
 - o There was insufficient sector (or general commercial) expertise at non-executive Board level

- There was a lack of clarity in relation to roles within the governance structure
 - The arrangements did not establish an appropriate and consistent balance between holding to account and allowing the Company freedom to manage, and this worsened as levels of trust decreased and the financial position deteriorated.
- Overall, the governance arrangements were overshadowed by the Council's determination that the Company should be a success, and this led to institutional blindness within the Council as whole to the escalating risks involved, which were ultimately very significant risks to public money. Where concerns were raised by some individuals, these concerns were downplayed and the resulting actions insufficient.

Improvements have been made to the governance arrangements over the past year, but have been too late to protect the Council's finances. These have included the setting up of an internal RHE Steering Group, chaired by the Council's Chief Executive, an officer Shareholder Board and more recently the bi-monthly Companies Governance Sub-Committee, chaired by the Leader of the Council, with the latter two developments covering all the Council's companies.

Because of the poor financial performance and prospects of RHE, and hence the reduced likelihood of loans being repaid and any future realisation of the value of its £7.5m shareholding, the Council has had to impair (reduce the value of) these loans and the shareholding in its accounts. It has also had to increase the value of the liability disclosed in its accounts for the Parent Company Guarantees, totalling £15m, which it has entered into with RHE's suppliers, because the risk of them being 'called in' has increased.

The Council has now amended its 2018/19 accounts to reflect what amounts to a 'loss' of £24.4m. This will have a direct impact on the Council's financial reserves and leave it with a need for more challenging savings plans. A further loss of over £8m will be incurred in the 2019/20 accounts, while depending on decisions which have yet to be taken about the future of the Company, it is likely that a further significant loss will be incurred in 2020/21. Despite the escalating situation, the Council's Leadership has only very recently reacted vigorously to the situation and moved away from what had felt to be a determination to continue at any cost. This is not how local authorities should look after large amounts of public money.

The Council has a controlling interest in a range of companies and other organisations. While it has been working to improve the governance arrangements across these companies, and make them more consistent, this progress has been very slow and its benefits are not yet being reflected. The Council needs to ensure that lessons are learned from the experience of RHE and further improvements made across all the Group. Some of these companies are successful and appear well-run, but this does not eliminate the need for strong governance arrangements within the Council.

The Council also needs to reflect on the RHE experience in relation to its overall governance arrangements, and ensure that sufficient effective safeguards are built into these to ensure that policy initiatives are appropriately challenged and risks properly understood and managed, in the context of the Council's overall strong ambitions for the City of Nottingham.

Recommendations

This report makes a number of recommendations for the Council to address. A Strategic Review is already underway to determine the future of RHE, and the most important steps for the Council to take now involve applying the lessons from RHE across the wider group. In this regard, we would particularly highlight recommendations 2 and 3 in relation to the composition of company boards, recommendation 8 in relation to further strengthening monitoring arrangements and recommendation 12 in relation to applying the lessons to the Council's overall governance.

R1. Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of RHE, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.

R2. The Council should review its overall approach to using councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.

- R3. *Where it continues to use councillors in such roles, it should ensure that the non-executives (including councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of councillors.*
- R4. *Where councillors are used in such roles, the Council should ensure that the councillors are provided with sufficient and appropriate training which is updated periodically.*
- R5. *The Council should ensure that all elements of its governance structure, including the shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals.*
- R6. *When allocating roles on Council-owned organisations to individual councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.*
- R7. *The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.*
- R8. *As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Sub-Committee, the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action, with the oversight of the s151 officer, is taken if suitable information is not provided.*
- R9. *Within the new arrangements involving the Companies Governance Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.*
- R10. *In addition to those referred to in recommendations above, the Council should apply the lessons from RHE in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.*
- R11. *As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.*
- R12. *The Council should use the experience of owning RHE to consider whether there are any lessons for its wider governance, particularly in relation to the 'checks and balances' which need to be in place, including the need for a stronger monitoring and scrutiny function and moving to a culture in which challenge of political priorities and how they are being implemented is seen as a positive.*
- R13. *The Council should ensure that it reflects the financial pressures arising from RHE alongside those from covid-19, demand-led services and other areas to produce balanced and achievable financial plans for the current year and for the medium-term, without disproportionate, unsustainable reliance on one-off measures.*

Introduction

We are issuing this report as a Report in the Public Interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. The Council is required to publish the report as soon as is practicable, consider it at a meeting held in public within one month of the date of publication and provide a publicly available written response to us.

Background

The Council set up Robin Hood Energy (RHE) in 2015 as a wholly owned not-for-profit subsidiary, in order to tackle fuel poverty in the City of Nottingham and provide a realistic alternative to the 'big 6' energy suppliers. As part of this, it aimed to provide better terms to users of pre-payment meters, who are more likely to be in poverty but do not receive a good deal from the regular commercial suppliers.

The original business case which led to the setting up of RHE stated that the company would require an investment of £8.1m and would stand cumulated losses of £3.8m before moving into profit in year 4 (2018/19). It envisaged that the Company would need to attract significant external investment as it grew.

While the policy focus was primarily on serving the people of Nottingham, we understand it was always clear that in order to be competitive, and to provide a realistic alternative to the 'big 6', the Company would need to operate on a more national basis. In early 2017, RHE entered into a partnership with EBICO, another not-for-profit energy supplier operating across the country with similar aims to RHE, while it has also entered into deals with various 'white label' companies, many of which are linked to specific local authorities. RHE also grew its customer base by focusing on 'void switchers' (arranging supplier switches in vacant properties), both directly and through the white label companies.

As a result, RHE has grown at a rapid rate in terms of turnover and meter points served (Table 1) but has been far less successful in terms of its profit and loss position, with cumulative losses of £34.4m to 31 March 2019, the most recent date for which audited accounts are available.

Table 1
Robin Hood Energy financial results

	2015/16	2016/17	2017/18*	2018/19
Turnover	£4.6m	£25.9m	£69.0m	£97.9m
Profit(loss)	(£2.5m)	(£7.2m)	(£1.6m)	(£23.1m)
Meter points			168,000	220,000

* The accounts for 2017/18 were restated following the 2018/19 audit, converting the previously reported profit of £202k to a £1.6m loss.

Table 2 below demonstrates how the Council's financial commitments to RHE have grown since its inception, with the gross liability at 31 March 2020, including guarantees, being £59.6m. In effect, the Council had invested £43m of public funds into RHE, and risked a further £16.5m in the form of guarantees.

Table 2
Council liabilities in respect of RHE (gross values, £m)

	31/3/16	31/3/17	31/3/18	31/3/19	31/3/20
Shareholding	0**	0**	7.5	7.5	7.5
Loans	2.3	9.5	11.7	20.2	31.8
Prepayments	0	0	0	3.9	3.9
Parent company guarantees	0	7.0	12.0	12.0	16.5
Pensions guarantee	0	0.7	0.7	0.7	0
Total*	2.3	17.2	31.9	44.3	59.6

* In addition, the Council provided uncapped letters of comfort in respect of 31 March 2016 to 2018, and a letter capped at £12.5m for 31 March 2019.

** The Council held a single £1 share on 31/3/16 and 31/3/17.

Scope

The events described in this report are complex and involve a wide range of individuals in various roles across the Council and the Company. While we have legal powers to comment on RHE as a 'connected entity' of the Council, our focus has been primarily on the Council and its own governance arrangements in relation to RHE. The Company became operational in 2015, well before we were appointed as the Council's external auditors, and we have not sought to assess the original decisions to set the Company up, including the compilation of the business case. Inevitably, though, some of the risks that we comment on were inherent to the original decision-making.

Summary of events

While our findings are focused particularly on the Council's governance arrangements, in order to understand our concerns about governance, it is necessary to understand the sequence of events in the Council's relationship with the Company over the past two years, and the key points are set out below.

We were appointed as the Council's external auditors with effect from April 2018. Shortly after that, the Company celebrated its first profit, having made a reported surplus of £202k in 2017/18 (although this was subsequently amended to a loss of £1.6m as a result of a prior period restatement agreed in the 2018/19 audit). The Company was securing growth through the acquisition of 'white label' companies, often linked to other local authorities, through which it sold energy in various parts of the country. To finance this growth, RHE negotiated with the Council to convert £7.5m of debt to equity shareholding in January 2018, giving it a more favourable balance sheet position and meaning that it no longer had to pay principle and interest on the debt, but taking it beyond the assumptions set out in the original business plan.

Since that time, the relationship between the Council and RHE has been under increasing strain, due to:

- the Council not authorising RHE to proceed with two proposed acquisitions in January 2018 and January 2019, which the Company maintained would have helped to cushion the impact of market pressures and hence to improve its financial position but for which Council officers maintain they were not provided with adequate formal proposals and business cases, and in the context of the Company not having provided the Council with up-to-date and reliable management accounts
- an at times rapid and unpredicted deterioration in the Company's financial position in terms of both profit and loss and cash. We appreciate that 2018/19 was a particularly difficult year for all energy suppliers due to market and regulatory

changes, but the Council was not properly sighted on the impact of this on RHE's performance or the security of its own loans and investments.

- issues arising from the audit of the Company's 2018/19 accounts, which led to tension over the request by RHE for an uncapped 'letter of comfort' from the Council as well as significantly delaying the production of the Council's final Statement of Accounts for 2018/19, which have necessitated a large number of amendments in respect of accounting for its relationship with RHE.

Additional loan – Dec 2018

In late 2018, RHE approached the Council for an additional £5m loan, in two tranches, to assist with its cash position over the winter. This was discussed at a meeting between RHE executives and relevant Council officers on 11 December 2018. At that time, the Council had the preliminary findings from PwC from a review of RHE's finances, and these flagged up significant concerns with the Company's financial performance in the first 6 months of 2018/19, its underlying cash position and the quality of its financial forecasts. The notes of the meeting record that the PwC views were discussed and recognised as early feedback, with a need for more input from RHE officers. They also record that the loan was agreed, subject to the need for a formal Council decision. The Strategic Director of Finance expressed concerns at that time about the risks involved in making the loan and the inadequacy of information provided by the Company. She was also clear that the normal level of assurance could not be provided from due diligence work because of the short timescales necessary and the continuing difficulties encountered in obtaining the necessary information from RHE. These concerns are well-documented in the decision-making report.

The notes also refer to the Council's concerns about the governance of RHE, and an action is noted for the Council's Director of Legal and Governance to carry out a review of it. It is not clear that this requirement was ever communicated to the Director of Legal and Governance and no specific review of RHE governance was carried out, although he was already involved in work to review company governance across the Council (as described later in this report). It would appear, though, that the fact that an RHE-specific review was not carried out at this stage was one of several missed opportunities to address the significant issues.

Overdraft facility – Jan 2019

In addition to the need for the new loan outlined above, the Company was seeking to agree an overdraft facility with its bank, but negotiations collapsed because the Council could not provide a copy of a particular document to be shared with the bank: as part of its due diligence process, the bank requested a copy of the record of the portfolio-holder decision to enter into parent company guarantees. As the report and the decisions made were exempt from publication by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972, disclosure of those reports to Lloyds and their legal advisors would have given them more information than warranted to enable Lloyds to make a decision over a £3m overdraft. In that context the bank's legal advisors were offered a redacted version of the report. That was not acceptable to the bank.

Instead, the Council agreed to provide a short-term additional loan of £3m, due originally to be repaid within 3 months, although this expectation was not formally documented and appears not to have been communicated to RHE executives. In the event, this loan has not been repaid, and was converted to a long-term loan as a result of a decision of the Council's Executive Board in December 2019.

Proposed acquisition – Jan 2019

RHE entered into negotiations to acquire Our Power, an energy supplier with around 31,000 customers which collapsed in January 2019. RHE negotiated a purchase price of £1 but in order to be able to forward purchase energy for the increased customer base, RHE sought an additional Parent Company Guarantee (PCG) of £3m from the Council. The Council initially approved the acquisition, but subsequently, on the advice of the Strategic Director of Finance, rejected it because it believed that insufficient justification had been provided for the acquisition – indeed no formal written proposal was ever presented to the Council - and that the associated risks were too high. Our Power therefore went into the Supplier of Last Resort (SoLR) process instead.

This was the second occasion on which the Council had not authorised an acquisition which the Board of RHE supported, with the first having been a smaller opportunity in January 2018. The fact that the Our Power proposal was the second such example significantly worsened the relationship between the Council and RHE, putting strain on the governance arrangements. We understand that there were also disagreements in relation to proposals to secure additional external investment.

RHE 2018/19 audit – May 2019 onwards

The next significant events were related to the audit of RHE's 2018/19 accounts. The Company was due to produce draft accounts in May 2019 to form the basis of the Council's group accounts, with the audit of RHE then due to be completed in time for the final version of the Council's accounts, due to be signed off by us by 31 July 2019. Draft accounts were duly produced, showing a loss of £11.4m. RHE executives made clear to us and to Council officers that they did not wish this loss to be overtly referenced in the Council's accounts, because they did not want the market to be aware until later in the calendar year when, they hoped, the Company's performance would have improved. The Company would still be able to meet its own statutory deadline for filing its accounts of 31 December 2019. While we understand the reasoning, this discussion provides a good example of the potential conflicts between the commercial imperatives of running a company in a highly competitive market and the accountability requirements from being owned and funded by a public body.

In the event, difficulties in the audit process meant that the audit of RHE took around 10 months to complete, and to avoid being fined for late filing of its accounts at Companies House, RHE took a decision on 24 December 2019 to shorten its accounting period by one day, which automatically gave it another 3 months from that date to file its accounts.

During the lengthy period of the audit (May 2019 to March 2020), the relationship between the Company and the Council deteriorated, with the Company's request to the Council for an uncapped 'letter of comfort' being the main focus of the conflict. Where companies' auditors have concerns about whether a company has sufficient cash to meet its ongoing liabilities (ie about whether or not it is a 'going concern'), it is normal for them to ask the company to obtain some form of letter of comfort or even Deed of Guarantee from a parent organisation, in order for the directors to be able to prepare the accounts on a going concern basis, with this judgement having a significant impact on the valuation of the company's balance sheet. The Council had provided the Company with an uncapped letter in previous years, meaning that the Council was in effect agreeing to meet any liabilities the Company incurred. We expressed concerns about whether this was appropriate, especially given the Company's deteriorating cashflow position, and there was a process of negotiation between the Council and the Company about what level of financial support would be sufficient to allow the Company to be signed off as a going concern, and also whether the letter of comfort could be issued as a legally binding Deed of Guarantee.

Throughout this time, the Company was accusing the Council of delaying the audit by not providing the letter of comfort while the Council was not prepared to provide a letter of comfort because the Company had not provided it with appropriate cashflow forecasts to enable the Council to properly consider the level of financial support requested. In turn, the Company asked for a copy of the PwC report to feed into its considerations, and there were delays in this being provided to the Company. Amongst other occasions, this disagreement was demonstrated in successive meetings of the Council's Audit Committee in the Autumn of 2019, including a meeting at which the Committee had requested the Chief Executive and Managing Director of RHE to attend and explain the reasons for the delay in the finalisation of RHE's accounts.

In reality, issues concerning the letter of comfort did not lead to the delays in the audit – BDO made clear to us that there were a range of outstanding audit queries throughout this time waiting to be resolved between themselves and the Company.

BDO also had their own concerns about the robustness of the Company's cashflow forecasts, and took the unusual step of writing personally to each individual member of the Board on 2 December 2019 setting out their requirements in relation to the assessment of going concern and expressing concern about the delays in providing the information requested. The letter concluded by reminding each director of their statutory responsibilities as a director and suggested that they should take legal advice. This action by the auditor is very rare in the context of a local authority company and reflects poorly on the Company's governance and in turn on the Council's governance arrangements for the company.

Renewables Obligation – October 2019

A very significant cashflow crisis occurred in October 2019. As part of the regulatory regime established by Ofgem, energy companies which do not obtain green energy directly have to either trade their obligations with a green energy supplier or pass on to Ofgem, for redistribution, the premium which customers pay to them as part of their tariffs. This arrangement is known as ROCs (Renewable Energy Obligation Certificate) and for 2018/19 for RHE amounted to £9.5m.

ROCs payments had to be made to Ofgem within 6 months of RHE's financial year end. RHE's management were aware over the summer of 2019 that, although the majority of the cash for paying the ROCs had already been received from customers, it had been absorbed into the Company's wider cash position and was not available to make the payment. The need to make the significant payment was discussed by the Board, and hence known by councillors and the shareholder representative, but the Board was told by RHE executives that they intended to negotiate an instalment payment plan with Ofgem, and provided assurances that there was no cause for concern. This view was based on informal discussions with Ofgem and an understanding that other suppliers had been granted payment arrangements. Despite its potential magnitude, there is no evidence that this issue was flagged as a major concern within the Council by the shareholder representative or anyone else.

In the event, Ofgem were not willing to accept a payment plan and issued a statutory notice on 1 October threatening RHE ultimately with the loss of its licence if the ROCs payment was not made in full within 30 days. At this point, RHE approached the Council to ask for an urgent loan of £9.5m to enable it to make the payment.

This sudden request put Council officers in a very difficult position, and we had a number of discussions with officers at the time as to whether or not making the additional loan was sufficiently rational as to be lawful. At the time, the Council had not received management accounts from RHE for several months, the 2018/19 audit of RHE was still in progress and a number of significant issues were coming out of it about the company's finances. There was a significant risk that the Council was simply investing more public money into a failing company, but there was insufficient time to carry out meaningful due diligence research into RHE's finances.

However, the alternative was that, if the ROCs payment were not made, suppliers and customers would lose faith in RHE, with the result that rapid failure of the company could follow, and the Council would lose the value of its holdings in RHE and have to pay out on the Parent Company Guarantees, with a total potential loss highlighted by the Strategic Director of Finance of £47.4m.

As part of discussions, RHE provided the Council with an update on its financial position, in order to provide assurance that the risk of making the further loan was limited. This presentation stated that RHE was expected to make a profit of £3m in 2019/20 and provided a cashflow forecast which suggested that the £9.5m could be repaid in full by 31 March 2020, although this was the base case and there was a 'worst case' included which did not include repayments in this timescale.

In the event, officers determined that the loan could be made lawfully, because minimising the risk of immediate failure of the company was a reasonable, if unfortunate, justification. We did not disagree with this view. The additional £9.5m was provided to RHE at a market rate of interest, with payment of principal due to be made in its entirety by 31 March 2020. In the event, no principal repayments were made by that date because the Company did not have the cash available, and the forecast profit for 2019/20 has since become a £12m loss.

As part of the discussions on this crisis, the Council's Strategic Director of Finance commissioned PwC to carry out further investigations into RHE's finances. To strengthen governance arrangements within the Company, the Council arranged for one of its own solicitors to take up the Company Secretary role for RHE, and for its own Committee Services team to start minuting Board meetings. The shareholder representative was removed from the role by the Chief Executive and the role was given instead to the Corporate Director of Development and Growth.

It was because of this crisis that we took our initial formal audit action as set out in the Annex to this report, resulting in us making formal recommendations to the Council and discussing our concerns with the Council's Executive Board on 17 December 2019. Even at this stage, it did not appear that the Council fully recognised the magnitude of the risks that it was facing.

Additional loan request Nov/Dec 2019

Having categorically assured the Council in negotiations in October 2019 that there would not be any need for further cash injections, the Company again approached the Council on 12 November 2019, only three weeks after the Executive Board had granted the ROCs loan, with a further urgent request for an additional loan of £4.5m. This raised the same issues in terms of lawfulness as did the previous request, but by this time the Council had received PwC's report commissioned as a result of the previous loan request. This concluded that:

- RHE would require further cash support from the Council in future;
- the Company's cashflow forecasts had a number of assumptions and sensitivities within it totalling between £18 and 22m, amounting to around 20% of RHE's annual turnover;
- a detailed review of the debt position of the Company was required;
- a shortfall in income collection following the insourcing of the previously outsourced debt collection function had led to the deteriorating cash flow position of the Company;
- the current quality of financial planning and reporting and control at RHE was not giving the Council adequate foresight of underperformance in relation to financial results.

Following further discussions, it was determined that the immediate need for the loan could be avoided if the Council agreed to increase the percentage coverage of losses under the Parent Company Guarantees from 80% to 100%, thus increasing the Council's maximum exposure by £3m (from £12m to £15m). However, due to the uncertainties felt to be within RHE's cashflow forecasts, the Strategic Director of Finance obtained delegated authority from Executive Board on 17 December for an additional loan of £2.7m, to be drawn down if needed. This loan was provided to the Company in February 2020, in addition to the increased PCG coverage.

Recent events

In December 2019, the Board of RHE decided to suspend the Company's Chief Executive and its Managing Director of Finance. The Board, with assistance from the Council, secured an interim Chief Executive and an interim Director of Finance, initially for a period of three months but this has been extended. At the same time, the Council secured the services of a specialist energy consultant – who has held senior positions in major energy suppliers – to act as a retained advisor.

The audit of RHE's 2018/19 accounts was eventually finalised on 24 March 2020, with the loss of £11.4m reported in the initial draft accounts in May 2019 (and used in the draft of the Council's accounts) having increased to £23.1m. The original draft was predicated on a positive outcome to discussions on a number of accounting issues totalling £7m in value. The Council provided a letter of comfort capped to a value of £12.5m, based on the expected ROCs payment due in September 2020, and taking into account the cashflow forecasts prepared by the new interim management, which Council officers considered to be more robust and understandable.

The audit report included a 'material uncertainty' on going concern, drawing the reader's attention to the disclosure notes in the accounts around the existence of the 'letter of comfort' and the fact that RHE is only a going concern because of the Council's financial support.

Following the confirmation of RHE's financial results for 2018/19, the Council commissioned different consultants to explore options for the future of the Company, including seeking bids from the market. This process is still in progress: the Council is not committed to disposal, but obtaining information as to the current value of the Company in the market is clearly helpful in discussions about its future.

As we have previously made clear, the Council is entitled to make the policy choices that it has made in relation to RHE, and it is not for us as auditors to substitute our judgement for that of elected councillors. However, as with all the legal powers which local authorities are given, the power to invest in companies needs to be exercised reasonably, balancing the costs and risks against the benefits to local people and the local area. While we appreciate that the policy objectives of RHE, particularly those around tackling fuel poverty, are laudable, we question whether the costs already incurred and the continuing risks of the Council's involvement in RHE can now be seen as reasonable.

R1. Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of RHE, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.

The Council's governance arrangements for RHE

While we acknowledge the clear improvements made over the past year or so, overall, the Council's governance arrangements for RHE were not strong enough, especially given the specialist nature of the Company and the challenging and highly regulated markets in which it operated. In particular:

- There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in, RHE
- There was insufficient understanding within the Council of RHE's financial position, due to delays in provision and the quality and comprehensibility of the information provided
- There was insufficient sector (or general commercial) expertise at non-executive Board level
- There was a lack of clarity in relation to roles within the governance structure
- The arrangements did not establish an appropriate and consistent balance between holding to account and allowing the Company freedom to manage, and this worsened as levels of trust decreased.

Overall, the governance arrangements were overshadowed by the Council's determination that the Company had to be a success, and this led to institutional blindness in the Council as a whole to the escalating risks involved and to very significant risks to Nottingham taxpayers' money. The Strategic Director of Finance gave formal advice on numerous occasions, but this was not sufficiently heeded.

Roles and responsibilities

RHE Board

The governance arrangements for RHE were not dissimilar to those in operation in the Council's other companies. The Board of RHE was set up to be chaired by a councillor and with other councillors on the Board ensuring a councillor majority, but with no opposition councillors. Indeed for a fair proportion of its life, councillors have been the only non-executive Board members. For some of RHE's existence, but not recently, the Council's former portfolio holders for energy have been on the Board and the portfolio holder was chair until 2017. The Leader of the Council was also on the board from May 2016 to December 2018.

Between October 2017 and July 2019, the Chief Executive of EBICO also sat on RHE's Board, bringing additional expertise independent of the executive directors. Since he left the Board, there has been no-one with energy expertise to challenge the executives, although as noted above, a special advisor was brought in from December 2019 onwards, but is not a Board member. Longer ago, there was also a different special advisor in place between July 2016 and July 2017.

Overall, we do not think that the composition of RHE's Board has been conducive to good governance. A company operating in a highly competitive, highly regulated market needs non-executive members who understand that environment. It is clear that councillors who have been on the Board of RHE have taken their roles seriously and sought to understand that environment, but this is no substitute for having gained direct experience in that or a similar environment. While they were equipped to challenge the executives on more generic issues, it was not reasonable, given their backgrounds, to rely on them to be able to provide sufficient scrutiny of the operation of the Company, or to understand its finances. The availability of special advisors during 2016/17 did help to mitigate this, as has that since December 2019.

There were also risks in having the Chief Executive of EBICO on the Board, given that EBICO are in effect a customer of RHE, and at times the interests of RHE and EBICO would not be the same, although we have no evidence that this led to any specific issues.

The previous inclusion of the Council's successive executive councillors with the energy portfolio on the Board brought advantages in that the portfolio holder would be expected to understand more than other members about energy-related issues, and it provided a direct link from the leading group of members into RHE, as did the inclusion at certain times of the Leader and/or Deputy Leader of the Council. This helped ensure that the Council's policy priorities were being pursued and that the Company's aims were congruent with those of the Council. However, the strength of this linkage may also be a contributory factor in why governance and financial risks appeared to be given less of an emphasis. The Company became a de-facto extension of the Council.

More generally, it is not seen as good practice for councillors to be on the boards of local authority companies, with other mechanisms used to ensure that the company meets the Council's policy objectives. This reflects the above issues in relation to the expertise and experience of many councillors, and the potential for conflicts of interest between the councillors' commitment to the interests of the company, which has to override other interests when they are on company 'business', and their wider responsibilities as councillors. Having councillors on company boards can lead to a failure to properly separate the two sets of interest – of the company and of the Council – and it appears that this occurred in relation to the expectation that the Council would continue to fund RHE indefinitely.

While there is no evidence of such conflicts leading to any impropriety in relation to those councillors on the RHE Board, the difficult relationship between the Council and the Company, and the decisions faced in respect of increased council funding for the company during 2019, put the councillors into difficult situations.

As a minimum, the Council needs to consider the appropriateness of being as reliant as it is on councillors sitting on the boards of its companies and ensure that the boards have an appropriate level of sector-specific and commercial knowledge and experience; there may be some companies for which a higher proportion of councillors can still achieve this, although such arrangements still present risks around potential conflicts of interest. For a Company operating in a very specialised and regulated market like RHE, the proportion of outsiders with experience clearly needs to be higher.

The Council has offered training to its members who serve on the boards of its companies, but we were told that further training was needed. Overall, the Council needs to be aware that being on the board of a company, and especially one operating in a complex and highly-regulated market, with a turnover of around £100m and outside the Council's normal course of business, is a significant role which requires particular skills, experience and training.

R2. The Council should review its overall approach to using councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.

R3. Where it continues to use councillors in such roles, it should ensure that the non-executives (including councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of councillors.

R4. Where councillors are used in such roles, the Council should ensure that the councillors are provided with sufficient and appropriate training which is updated periodically.

Shareholder representative

For each company, the Council designated one of its senior officers as 'shareholder representative', with the intention that this individual ensured that the Council's (as shareholder) best interests were served and protected. For RHE, the shareholder representative was the Corporate Director Commercial and Operations, until October 2019 when he was replaced by the Corporate Director for Development and Growth. The role of the shareholder representative was not formally defined but was understood to require a balance between ensuring that the Council's policy aims were being achieved through the Company and also ensuring that the Council's financial stake in the Company was secure. It required effective two-way communication, and in relation to protection of the Council's interests required concerns to be raised with other senior Council officers, such as the Executive Director for Finance and the Council's Director of Law and Governance.

In practice, the shareholder representative role does not appear to have operated as the focus of the relationship between the Council and the Company. For example, when requests for financial assistance were made, these were made through an approach from RHE executives to the Council's Strategic Director of Finance, who then brought in other officers as appropriate – we would have expected the shareholder representative to be the primary focus for such requests and for him to discuss them with other Council officers. Conversely, we would have expected the shareholder representative to be the one applying pressure to the Company to provide appropriate financial information to the Council, but the Strategic Director of Finance in practice took the lead on this.

On the face of it, this may not appear to have significant practical consequences. However, not having a shareholder representative acting as a clear focal point for the relationship it is part of an overall situation in which the distinction between the Council and the Company was very blurred, with multiple communication channels (including those between councillors on the Board and the Council leadership, company MD to Council Strategic Director of Finance etc) and no clear overall mechanism for holding the Company to account. A properly defined shareholder representative role should have been the focus for that relationship and the channel through which the Company was held to account.

As the focus of the relationship, the shareholder representative role is ideally placed to be the Council's 'eyes and ears' in the strategic management of the Company, and in particular to highlight emerging risks (to the Council), referring these to other appropriate Council officers such as the Strategic Director of Finance and the Monitoring Officer, and ensuring that the Company is addressing these risks. The scale of the financial risks which emerged in relation to RHE, and the speed at which they emerged, suggests that the shareholder representative role did not fulfil this purpose.

Irrespective of the lack of clear definition of the shareholder representative role, we would expect any senior local government officer to recognise the very significant risks to public money which RHE came to represent, and to ensure that they were highlighted and to champion mitigation of those risks. We are not suggesting that the shareholder representative failed to identify the risks at all, but he appears to have not attached sufficient seriousness to them and to have prioritised instead the element of the role which was aimed at ensuring the success of the Company in accordance with political priorities. Arguably, this may be part of a more general tendency, which we ask the Council to reflect on later in this report, for legitimate challenge of political priorities to be viewed as inappropriate.

R5 The Council should ensure that all elements of its governance structure for companies, including the shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals and are adhered to.

Shareholder meetings

In addition to RHE Board meetings, shareholder meetings were also held. These comprised a mix of Council officers and RHE Board members and were intended to ensure that a wider range of Council officers and members were aware of the issues being faced by RHE and the associated decisions. However, these meetings ceased formally in March 2019 in anticipation of the new arrangements being put in place following a review of company governance across the Council – but in the event the replacement member forum was not put into place properly for around 9 months. This should, however, have been mitigated by the existence of the shareholder role and the fortnightly meetings of the Steering Group.

Linkages between the Company and leading councillors and senior officers also existed through less formal means, with a range of ad hoc meetings taking place. These were strengthened in February 2019, when the Council's Chief Executive started leading a more frequent RHE steering group. When Cllr Mellen became Leader in May 2019, he and the Chief Executive agreed these meeting should be continued and they would alternate fortnightly meetings of officers and then member meetings with the Leader chairing the latter. Over time these meetings have merged into one the RHE Steering Group, solely chaired by the Leader.

For many councils, shareholder meetings are the key means through which subsidiary companies are monitored and overseen, particularly given that, as noted above, the inclusion of councillors directly on the boards of companies is not seen as good practice.

Audit Committee

We had specific concerns about the role of the Council's Audit Committee in relation to RHE, during 2019 in particular. As the member body responsible for oversight of governance, it should have been better sighted on the developing issues in relation to RHE. The Committee had previously identified the need to improve arrangements for the governance of companies in general, leading to the developments later in this report, and we are aware that some of its members did have concerns about RHE. However, the Committee did not pursue those concerns until we started reporting the emerging outcomes from our 2018/19 audit and the delays in RHE's audit.

An additional complication was that the then Chair of the Board of RHE was also the Chair of the Audit Committee from May 2019, leading to a very clear conflict of interest which took some time to resolve. With the Audit Committee in effect being part of the mechanism for holding RHE to account, at least in relation to governance, it was inappropriate for the Chair of the Board to also be Chair of that Committee. This was dealt with by the individual declaring an interest in the relevant items at Audit Committee, and handing the chair over to his deputy, although shortly after this, he ceased to be chair of the RHE Board. We are not suggesting that there was any actual impropriety on the part of the individual concerned but the arrangement potentially put him in a difficult position.

R6. When allocating roles on Council-owned organisations to individual councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.

Overall governance

A successful relationship between a local authority and its subsidiary companies relies on achieving an appropriate balance between the authority on the one hand being sufficiently involved to hold the company to account and on the other hand giving it freedom to manage itself. Where the balance lies will vary between companies and over time, depending on the nature of the company and its performance, but this has to be in a clear framework and to be linked to the governance roles and structures that are put in place. Ordinarily, a council would set the overall aims of a company and approve its business plan and significant variations from it, and then monitor performance against this business plan by means of an agreed framework.

As part of an overall review of company governance arrangements (see later section of this report) instituted at the request of the Audit Committee in July 2017, the Council established a set of governance principles, reported 18 months later in February 2019, which sought to establish the framework for achieving this balance. The length of time taken to undertake this review and implement the improvements represents an important missed opportunity to address the governance of both RHE and other Council companies.

In the case of RHE, there had always been a closer relationship between the Council and the Company, given the composition of the latter's Board and the transfer of existing Council employees to the Company. Inclusion of councillors as the main non-executives on RHE's board mitigated against the healthy levels of separation which are normally seen between authorities and their companies. In turn, the lack of separation meant that more consistent strategic performance management arrangements were not put in place. This lack of an overall framework was a key omission in the Council's governance arrangements for the Company, and the delays in putting the framework in place reflect the low priority given to achieving healthy governance arrangements at that time.

During 2019, the performance of RHE in any case meant that more direct Council involvement was justified. This was achieved to an extent through the Chief Executive's Steering Group, supported by an increased number of ad hoc meetings. Some efforts were made to 'reset' the relationship between the Council and the Company but these were not sustained, partly because of delays in RHE providing information on its financial performance, tension around the 'letter of comfort' and the very significant urgent additional funding requirements in October and November 2019.

Overall, many aspects of the governance arrangements which the Council put in place were not dissimilar to those put in place for many local-authority controlled companies both in Nottingham and elsewhere, but there were crucial differences:

- the number of councillors on RHE's board (all from the ruling group)
- the lack of an established overall monitoring framework

- the limited clarity and robustness of the shareholder role.

The key point in relation to RHE, though, is that its complex nature meant that it needed much stronger governance arrangements. Many local authority companies are set up simply to do through a different vehicle things which the Council already does – for example grounds maintenance or, in Nottingham’s case, processing benefits claims. The skills to provide such services already exist in house and the markets for the services are, generally, far less complex and less competitive. It is not difficult for such companies to co-exist alongside a local authority with its public accountability and arrangements for safeguarding public money.

This cannot, however, be said for an energy company with a turnover of £100m. The next section of this report considers the risks that were inherent in the operation of RHE and the Council’s arrangements for managing them.

Management of risk

From a Council perspective, there have always existed a wide range of risks in relation to RHE, from the point of view of both achievement of its policy aims and also protection of the Council’s stake in the Company. It was always a high-risk project, in that it:

- sought to compete against established suppliers in a highly competitive market which was also susceptible to significant impacts arising from global economic and political events
- was conceived as offering low prices, thus requiring very tight control of costs and highly-effective purchasing of energy, in a complex market involving significant hedging, if it was ever to break even
- again because of its policy aims, had an inbuilt tension in relation to debt collection, with the normal debt collection policies of energy companies being seen as inappropriate as a means of tackling fuel poverty – but thus putting RHE at a competitive disadvantage. Similar competitive disadvantages arose because of the policy decision to implement the Warm Homes discount early.
- its target customer group were typically people who may need telephone support rather than web, and who were also more likely to be pre-payment meters or paying on receipt of a bill (rather than through regular direct debit), so that the ‘costs to serve’ were harder to keep low, and debt harder to control.
- was operating in a highly regulated market, where the energy regulator Ofgem has significant powers to revoke licences, set price caps and administer fines for breaches
- was set up as an ‘offshoot’ of the Council, using some key former Council staff, which meant it was culturally different to its competitors – perhaps an advantage in terms of its policy aims but a disadvantage in terms of effective competition. There were also related issues regarding the grading of posts within the Company.
- continued, as a local authority controlled company, to be bound by the additional governance and accountability requirements which rightly apply where public money is used, which may again have placed it at a disadvantage against its competitors.

Given these risks, it was vital that RHE had effective risk management arrangements in place and that, in turn, the Council had assurance that risks were being managed and that it managed the risks it faced itself as a result of owning the Company. Managing these risks was in itself made more difficult by the fact that RHE was operating in an environment of which local government officers had little knowledge and could not be expected to have such knowledge and experience. The level of the risks faced by the Council only increased as RHE expanded and the Council’s stake in it increased. A key additional factor in managing these risks is that the financial risks ultimately fall on the people of the City of Nottingham, but RHE’s customer base was national, albeit with preferential tariffs or discounts for Nottingham residents.

Overall, it appears that these risks have not been widely understood and managed within the Council as a whole, so that it did not perceive any prior warning of the significant deterioration in RHE’s financial performance in 2019. Some of this deterioration was due to external factors, such as changes to the price cap regime and fluctuations in wholesale energy markets, but such risks should always have been identified and mitigated or planned for as far as reasonably possible. Other factors, such as the deteriorating debt position, and hence cashflow, should also have been a major focus of attention for

those holding RHE to account, as well as to its management. While such issues have been discussed by RHE's Board, it is not clear that the Company's management were adequately challenged and held to account in that forum.

One specific opportunity which occurred for the Council to understand better, and mitigate, the risks it was taking occurred in the summer of 2018. Consultants, with significant energy sector experience, were commissioned by the Corporate Director Commercial and Operations on behalf of RHE, Bristol Energy, Nottingham City Council and Bristol City Council. This work was to assess the benefits which could be gained from closer working, and possible merger, between RHE and Bristol Energy, another local-authority owned energy supplier operating on a smaller scale than RHE. The report was considered largely by the shareholder representative and officers from Bristol City Council. However, other senior council officers were completely unaware of the report or indeed of the possible merger, and none of the messages within the report were shared among other Council officers, including with the Strategic Director of Finance.

This is significant because the report, produced by industry specialists, included findings which echo our views. Overall, it concluded that 'RHE's business model leaves it exposed to high costs and bad debt. Although the costs are being well managed and service levels are typical for the industry, the bad debt provision should be regularly reviewed, and the company needs to be confident around its appraisal of the risk related to its debt position.' It went on to suggest that RHE needed to:

- review its debt position and reassess the adequacy of the related provision
- tighten up financial reporting, including recognition of revenue
- increase the amount of energy expertise within RHE

In relation to RHE's future prospects, the report noted that:

'RHE has developed expertise in the low income and Social Housing Market. There are 5 million homes in social housing in Britain so there is plenty of market to win yet. This Business Model does have higher costs and although RHE have successfully broken even quite quickly, increased regulatory burdens from Smart, Price Caps, WHD (Warm Homes Discount) and ECO (Energy Company Obligation) will all add pressures to the business'.

It did also comment that RHE's basic operating model can be profitable and can deliver its objectives.

While the report resulted from an initial exploratory assignment and its conclusions should not be overplayed, we remain of the view, shared with current senior management of the Council, that this report was one of a number of missed opportunities to highlight risks identified in relation to RHE which subsequently had significant consequences.

R7. The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.

Financial information

It has been a persistent concern for the Council's Strategic Director of Finance that the Council has not been provided with adequate financial information, and the information it has had has not been prompt. This was in part because the information, in the form of management accounts, was not being produced within the Company either, we understand due to staffing issues. We are aware that the Strategic Director of Finance raised her concerns over the lack of financial information persistently, but did not feel supported by the shareholder representative.

The low quality of financial information was also highlighted to the Council in at least two consultancy reports:

- As noted above, in the summer of 2018, one energy specialist consultancy reported as part of their report on a possible merger between RHE and Bristol Energy (another local authority owned energy company) that financial reporting needed to be improved, alongside a series of other improvements to RHE.
- In the autumns of 2018 and 2019, PwC reported as part of their assignments commissioned by the Strategic Director of Finance that the current quality of financial planning and reporting and control at RHE was not giving the Council adequate foresight of underperformance in relation to financial results.

This reflects the views of the Strategic Director of Finance and our experience of observing the unreliability and apparent 'optimism bias' within RHE's financial reporting and forecasts. While we recognise that recent years, and particularly 2018/19, have been difficult for all energy companies, the rapid deterioration in RHE's profit and loss and cashflow positions and the huge differences between predictions and outturn have been notable. Examples include:

- Within three weeks of being granted the additional £9.5m loan, RHE had to approach the Council again to request a further loan, despite having provided assurance that no further lending would be needed.
- The expected £3m profit for 2019/20 which RHE included in its presentation to the Council in October 2019 had become an expected £10.5m loss by late January 2020 (with the interim management in place)
- The cashflow forecast from October 2019 which predicted that the £9.5m loan could be repaid in full by 31 March 2020 was overoptimistic, as no principle repayments could actually be afforded within that timescale, although we note that the latter was foreseen in the 'worst case'.
- The Company said in November 2019 that it would not need any additional loans for the foreseeable future if the extended PCG coverage was agreed, yet the £2.7m loan which was approved at the time as a contingency (in effect without being requested by the Company) did have to be drawn down in February 2020 as the cash position deteriorated.

While the production of financial forecasts is a matter for the company and not the Council, it is vital for the Council's management of risks that the Council is presented with forecasts which it can understand and can rely on in order to advise members on appropriate action. This is the point which PwC were making in their report. The Council's governance arrangements, with their lack of clarity about roles and responsibilities and reporting lines, did not ensure that financial forecasts were appropriately challenged and understood. Such challenge appears to have been seen as a challenge of the legitimate policy objectives behind the company, rather than part of a healthy culture and governance systems in which challenge is welcomed and due regard is given the safeguarding public money, in this case that of Nottingham taxpayers.

The new arrangements being implemented by the Companies Governance Sub-Committee require the routine provision of financial information by all the Council's companies and are a positive development. What matters is not only that this information is provided, but that it is of an appropriate quality and is properly understood by Sub-Committee members and others charged with holding them to account, and that where information is not provided or is not understandable, robust action is taken to remedy the situation. We understand that this is starting to happen.

R8. As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Sub-Committee, the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action is taken, with the oversight of the s151 officer, if suitable information is not provided.

The council's governance arrangements for its other companies

In addition to RHE, the Council has controlling interests in a number of other companies and other organisations, giving it a much more complex group structure than most local authorities. The reasons for holding these companies vary, as does their lifespan. Nottingham City Transport has, for example, been a Council-controlled company for many years, having previously been part of the Council. Others have been set up more recently for specific purposes, including, in some cases, income-generation as part of the Council's 'commercialisation' agenda. The Council acquired an additional group company, Thomas Bow City Asphalt, in December 2019, and is considering setting up more.

Some of these companies are successful and appear well run, but this does not remove the need to the Council to have effective governance arrangements in place for them or to ensure that the lessons from RHE are applied more widely.

In July 2017, the Audit Committee recognised that improvement was needed in the Council's overall governance arrangements for its companies, and requested that officers should to identify best practice in local authority company governance with a view to proposing a framework for City Council owned companies. The scope of this work was confirmed in September 2017 and the outcome was reported in April 2018. It highlighted areas of good practice which were absent in Nottingham's arrangements. The Council recognised that it needed to strengthen the governance arrangements in place across its companies and further work was then undertaken and reported in February 2019. As a result:

- **A set of Company Governance Principles were agreed.**
- The principles set out that the companies would be provided with the necessary freedoms to achieve their commercial and operational objectives, while the Council would retain controls to enable it to protect its investment and ensure that objectives were met. It included expectations on information flow between the bodies and the need to enforce protocols so that decisions taken were for the benefit of the company and the Council group.
- **A new committee was proposed to provide member oversight**
- The Executive Board Companies and Commercial Committee was proposed. The board would have the following functions.
 - o To give direction to the Shareholder Board on the vision and ambition of the Council with reference to its commercial activities
 - o To review the implementation of the Council's commercial approach including its group companies in relation to development of the companies and the group
 - o To evaluate the impact of group companies and commercial activities on the achievement of the Council's strategic objectives
 - o To approve the Shareholder Board work programme
 - o To approve group company structure proposals and other formal structures to protect the legal and commercial interests of the Council as shareholder
 - o To review, by exception, outcomes achieved and delivered against the company governance principles and approve measures taken by the Shareholder Board to enable any deficiencies identified to be remedied.
- **A new officer board was also proposed**
- The Shareholder Board would include the Chief Executive, the Strategic Director of Finance, the Monitoring Officer and the Corporate Director of Commercial and Operations. The role of this board is to ensure that the Council's strategic objectives are met across the group and support the development of the group in line with the Council's regulations and ambitions.

However, progress in implementing the new arrangements has been mixed, with a significant delay in particular to the setting up of the new member forum.

The first meeting of the new officer Shareholder Board occurred in May 2019 and this has continued to meet on a monthly basis. The anticipated Companies and Commercial Committee has been replaced by a sub-Committee of Executive Board, the Companies Governance Executive Sub-Committee, which eventually had its first scene-setting meeting in January 2020 and its second meeting in May 2020 (with the delay being mainly due to Covid-19). The terms of reference of this sub-Committee, while focussing on the achievement of the Council's strategic objectives for its group, include responsibility:

- *'To approve group company structure proposals and other formal structures to protect the legal and commercial interests of the Council as shareholder....*
- *'To review, by exception, outcomes achieved and delivery against the Nottingham City council company governance principles and approve measures taken to enable any deficiencies identified to be remedied.'*

While it is early days in the operation of the Sub-Committee, and we see it as a positive step, we are concerned that, like other aspects of the governance arrangements, its effectiveness may suffer as a result of playing a dual role – as an executive function driving forward policy initiatives through the companies and as a scrutiny or monitoring function in safeguarding the Council's interests. It is vital that this latter part of the role receives due emphasis.

We understand that the original proposals for the sub-Committee envisaged the inclusion of a suitably experienced and skilled independent member but no-one was appointed. Such an appointment could have greatly strengthened to operation of the Sub-Committee by bringing in particular skills and experience.

The review of the Council's company governance arrangements proposed (in April 2019) for the first time a definition of the shareholder role:

'Their role will be to engage monthly (or more frequently as required) with the Company to ensure that it meets the Council's strategic objectives and

- receives from the group and
- provides to the group support towards development in line with the Council's policies and ambitions.'

It is noticeable that this definition does not include any element of safeguarding the Council's interests, but in other authorities with subsidiary companies this is a key element of the shareholder role. Given the example of RHE, where arrangements clearly did not ensure the Council's interests were adequately protected, the Council needs to consider whether the shareholder role should, going forward, be clearly seen to encompass first-line protection of the Council's investment in the relevant Company.

We have not assessed the governance arrangements for all of the Council's companies as part of our work, although we did assess them for a sample of organisations as part of our 2018/19 'value for money' work. For those we considered, we found that the governance arrangements were loose, with key information apparently not held by the Council and lack of evidence of effective monitoring of the companies. Recent proposals to the Executive Sub-Committee however, suggest that much more rigorous monitoring is starting to emerge, and this needs driving through.

We also noted that, of the seven group companies, only two posted an operating profit during 2018/19, and these were small, and more companies have been given significant additional loans by the Council, the ones other than RHE being:

- Nottingham City Homes £19.8m in 2018/19 – also £6.6m in 2019/20
- Enviroenergy £12m in 2018/19, nil in 2019/20
- Nottingham Ice Centre nil in 2018/19, £4.5m in 2019/20

In the light of our findings in respect of RHE, and the financial pressures which the Council is currently experiencing which mean it cannot afford any repetition of the RHE scenario, and recognising our view that some of the circumstances around RHE are unique, the Council needs to re-review its overall company governance arrangements robustly, ensure that the improved monitoring proposed to the sub-Committee is implemented and embedded and that other aspects of the arrangements are strengthened where appropriate.

R9 Within the new arrangements involving the Companies Governance Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.

R10. In addition to those referred to in recommendations above, the Council should formally establish the lessons from its involvement with RHE and ensure these are addressed in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.

R11. As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.

Wider governance issues

The Council's overall governance arrangements have not been within the scope of our work. Based on the situation we have described in relation to RHE, however, we would suggest that the Council needs to reflect on its overall governance arrangements, which are based on the 'strong leader and cabinet' model set out in the Local Government Act 2000, as amended, and associated guidance. The period during which RHE has existed has been characterised by very strong (in its general sense) and ambitious leadership within the Council, and this has enabled many successful policy initiatives to be driven through. However, in such a leadership model, it is vital that there are also sufficient checks and balances in place and in particular that risks are appropriately recognised and managed, that there is an effective scrutiny function and that challenge of political priorities by both members and officers is seen as a positive. This has not been the case in relation to RHE. We suggest therefore that the Council uses this opportunity to consider whether its overall governance arrangements continue to serve it well.

R12: The Council should use the experience of owning RHE to consider whether there are any lessons for its wider governance, particularly in relation to the 'checks and balances' which need to be in place, including the need for a stronger monitoring and scrutiny function and moving to a culture where challenge of policy priorities and how they are being implemented is seen as a positive.

Impact on the Council's financial position

RHE has impacted on the Council's financial position in two ways:

- Through lending large and increasing amounts of cash to RHE, the Council has had less cash available to it for other purposes, or alternatively has had to borrow more – although this has had only limited impact as the Council has ready access to additional PWLB borrowing where prudent
- Much more significantly, the impairments which the Council has now had to make to the values in its balance sheet relating to its equity investment, loans and other interests in RHE mean that it has significantly depleted its useable reserves, which means that those reserves are no longer available to be used to support Council services. The need to make significant savings in the running of services, either through service cuts or increased efficiencies, has thus been significantly increased directly as a result of the financial performance of RHE.

Accounting standards, which the Council is legally obliged to follow, require that the Council values assets such as loans made and equity investments taking into account not the original costs of the assets but the likelihood of them being repaid. Following the finalisation of the audit of RHE's 2018/19 accounts, which disclosed a loss of £23.1m for the year, almost 25% of turnover, and taking into account RHE's updated forecasts for 2019/20, the Council has reassessed the likelihood of repayment in accordance with appropriate accounting guidance and as a result its own revised accounts now include impairments of £10.5m on the £20.2m of loans and £7.5m on the £7.5m equity. This has effectively reduced the Council's reserves by £18m. At the same time, the Council has increased the liability value in respect of the Parent Company Guarantees which it has provided in respect of RHE, because there is an increasing likelihood of these being 'called in' by suppliers, and this has reduced the Council's reserves by a further £6.4m.

A further impairment of £7.9m has been required in 2019/20 to reflect the continuing deterioration in RHE's finances. It is also likely that there will be a further cost in 2020/21 once the future direction of the Company has been determined.

This has occurred at a time when the Council's finances are already under pressure as a result of the additional costs and lost income due to Covid-19. The Council has some hard choices to make and cannot afford to become involved in further risky initiatives without very robust risk management arrangements in place.

R13: The Council should ensure that it reflects the financial pressures arising from RHE alongside those from covid-19, demand-led services and other areas to produce balanced and achievable financial plans for the current year and for the medium-term, without disproportionate, unsustainable reliance on one-off measures.

Annex - Previous audit action

We were appointed as the Council's auditors with effect from April 2018. Towards the end of 2018 and throughout 2019, we had a range of concerns about the arrangements the Council had put in place in relation to its interests in RHE and, specifically, in the arrangements for managing the significant financial risks which the Council was taking through that involvement. As noted above, our audit of the Council's 2018/19 accounts was significantly delayed because RHE's own auditors, BDO, were unable to give their opinion on the Company's accounts, which are consolidated into the Council's accounts and therefore impact on our audit responsibilities.

We expressed our concerns in the latter half of 2019 to senior officers and to the Council's Audit Committee, but these discussions were not in public because we were concerned that any public discussion of our views on the levels of risk that the Council was taking, linked to the Company's financial position, could in itself lead to a rapid deterioration of the Company's position (eg through trade credit facilities being withdrawn, loss of customers and even possible regulator action), which could have led to an uncontrolled collapse of the company and rapid crystallisation of the Council's financial risks.

Following the provision of the urgent additional financing to RHE in October to enable it to make its Renewable Energy Commitments payment to Ofgem, we decided that it was appropriate for us to make formal recommendations to the Council to draw attention to the level of risk faced and encourage it to take further action to manage those risks. Ordinarily, we would have made Statutory Recommendations under Section 24 (check) and Schedule 7 of the Local Audit and Accountability Act 2014, which have to be considered by the Council in a public meeting and to which a public response is required from the Council. We determined, however, that it was not in the public interest at that time for such consideration to be made public, and we therefore agreed with the Council that it would treat our recommendations as if they were Statutory Recommendations with the exception of meeting the publicity requirements.

In a letter to the Leader of the Council dated 2 December 2019, we stated that:

As your external auditors, we have become increasingly concerned about the overall increase in the level of risk to which the Council is exposed and the rationality, and therefore lawfulness, of decisions to provide additional financial support. These decisions have had to be made in short timescales and in the absence of a sound understanding of the Company's financial performance and forecasts. This has meant that the only justification for providing the additional support has been in order to prevent an uncontrolled failure of the Company and hence to protect the Council's existing loans and guarantees. If the Council is to provide any further support to the Company, it needs to do so not just to protect the existing investment but also in the light of a rounded assessment of the Council's policy objectives for the Company, the prospects for the Company and the level of risk which the Council believes is appropriate to take in the light of the policy objectives. Continuing with the sole aim of protecting the Council's existing loans and guarantees is not a rational position other than in the very short term.

And made the following recommendation:

The Council should, taking account of all relevant information including the analysis provided by PwC, determine a clear direction for its future relationship with Robin Hood Energy, including:

- *reconsidering or reaffirming the Council's policy objectives in relation to its interests in RHE*
- *ensuring that the level of financial risk the Council is carrying is consistent with the policy objectives and with the Council's fiduciary duty to local taxpayers*
- *implementing, in the light of these decisions on policy and risk, measures to reduce the level of risk to the Council, which could range from retaining the current level of financial involvement with the company but with much stronger monitoring and governance arrangements through to full disposal of the Council's interests or a controlled winding up of the Company.*

The Council considered the recommendation at the private meeting of Executive Board on 17 December 2019. We were not provided with a formal written response to the recommendations, but the minutes of the meeting record that it was resolved to:

(1) Note the recommendations made by the NCC external auditor.

(2) Note the position of RHE's external auditor

(7) To approve the necessary actions to respond to NCC's External Auditor recommendation;

(8) To approve a full options appraisal regarding the future structure of the Company;

Public Document Pack

MINUTES OF THE MEETING OF THE CITY COUNCIL (EXTRAORDINARY)

held remotely via Zoom and livestreamed at
<https://www.youtube.com/user/NottCityCouncil>

on 27 August 2020 from 2.00 pm - 3.20 pm

ATTENDANCES:

✓ Councillor Rosemary Healy (Lord Mayor)	
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✓ Councillor Hassan Ahmed	Councillor Chantal Lee
✓ Councillor Leslie Ayoola	✓ Councillor Dave Liversidge
✓ Councillor Cheryl Barnard	✓ Councillor Sally Longford
✓ Councillor Steve Battlemuch	Councillor AJ Matsiko
✓ Councillor Merlita Bryan	✓ Councillor Carole McCulloch
✓ Councillor Eunice Campbell-Clark	✓ Councillor David Mellen
✓ Councillor Graham Chapman	✓ Councillor Sajid Mohammed
✓ Councillor Azad Choudhry	✓ Councillor Salma Mumtaz
✓ Councillor Kevin Clarke	✓ Councillor Toby Neal
Councillor Audrey Dinnall	✓ Councillor Lauren O`Grady
✓ Councillor Michael Edwards	✓ Councillor Anne Peach
✓ Councillor Samuel Gardiner	✓ Councillor Georgia Power
✓ Councillor Jay Hayes	✓ Councillor Shuguftah Quddoos
✓ Councillor Nicola Heaton	✓ Councillor Ethan Radford
✓ Councillor Patience Uloma Ifediora	✓ Councillor Nick Raine
Councillor Phil Jackson	✓ Councillor Angharad Roberts
✓ Councillor Maria Joannou	✓ Councillor Andrew Rule
✓ Councillor Sue Johnson	✓ Councillor Mohammed Saghir
✓ Councillor Kirsty Jones	✓ Councillor Wendy Smith
✓ Councillor Angela Kandola	✓ Councillor Roger Steel
✓ Councillor Jawaid Khalil	✓ Councillor Dave Trimble
✓ Councillor Gul Nawaz Khan	Councillor Maria Watson
✓ Councillor Neghat Khan	✓ Councillor Sam Webster
✓ Councillor Zafran Nawaz Khan	Councillor Adele Williams
✓ Councillor Pavlos Kotsonis	✓ Councillor Linda Woodings
✓ Councillor Rebecca Langton	✓ Councillor Cate Woodward
Councillor Jane Lakey	✓ Councillor Audra Wynter

✓ Indicates present at meeting

1 APOLOGIES FOR ABSENCE

Councillor Audrey Dinnall – personal
Councillor Phil Jackson – personal
Councillor Jane Lakey – personal
Councillor Chantal Lee – leave
Councillor Maria Watson – leave
Councillor Adele Williams – leave

2 DECLARATIONS OF INTERESTS

Councillor Angharad Roberts declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Nottingham City Transport, in an unpaid capacity.

Councillor Rebecca Langton declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Nottingham City Home and Nottingham Futures, in an unpaid capacity.

Councillor Georgia Power declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Nottingham City Homes, in an unpaid capacity.

Councillor Ethan Radford declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Nottingham City Homes, in an unpaid capacity.

Councillor Anne Peach declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of National Ice Centre, in an unpaid capacity.

Councillor Graham Chapman declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director and Chair of the Board of Nottingham City Transport, in an unpaid capacity.

Councillor Sally Longford declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director and Chair of the Board of EnviroEnergy, in an unpaid capacity.

Councillor Cheryl Barnard declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Robin Hood Energy, in an unpaid capacity.

Councillor Neghat Khan declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director and Chair of the Board of Robin Hood Energy, and a Council nominated Director on the Board of Nottingham Futures, in an unpaid capacity.

Councillor Pavlos Kotsonis declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director and Vice-Chair of the Board of Robin Hood Energy, in an unpaid capacity.

Councillor Linda Woodings declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as the Council nominated shareholder of Nottingham City Homes, in an unpaid capacity.

Councillor Lauren O’Grady declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Robin Hood Energy, in an unpaid capacity.

Councillor Audra Wynter declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Boards of Nottingham City Homes, Nottingham City Transport and Robin Hood Energy, in an unpaid capacity.

Councillor Dave Trimble declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of the National Ice Centre, in an unpaid capacity.

Councillor Zafran Khan declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of EnviroEnergy, in an unpaid capacity.

Councillor Steve Battlemuch declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Robin Hood Energy, in an unpaid capacity.

Councillor Sam Webster declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Boards of the Scape Group, the Creative Quarter, and Nottingham Revenue and Benefits, in an unpaid capacity.

Councillor Michael Edwards declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of EnviroEnergy, in an unpaid capacity.

Councillor Leslie Ayoola declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Boards of the Creative Quarter, and Blueprint, in an unpaid capacity.

Councillor Cate Woodward declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of EnviroEnergy, in an unpaid capacity.

Councillor David Mellen declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Blueprint, in an unpaid capacity.

Councillor Sam Gardiner declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a an employee of Eon.

Councillor Eunice Campbell-Clark declared an Other Interest in agenda item 3 (minute 3) – Report in the Public Interest on Nottingham City Council’s governance arrangements for Robin Hood Energy and Action Plan in response, as a Council nominated Director on the Board of Nottingham Revenue and Benefits, in an unpaid capacity.

3 REPORT IN THE PUBLIC INTEREST ON NOTTINGHAM CITY COUNCIL'S GOVERNANCE ARRANGEMENTS FOR ROBIN HOOD ENERGY AND ACTION PLAN IN RESPONSE

Councillor David Mellen, the Leader of the Council, presented the report detailing the Report in the Public Interest on the Council’s governance arrangements for Robin Hood Energy, and the Action Plan in response to it for Council to approve.

The report was seconded by Councillor Sally Longford.

Councillor Andrew Rule, seconded by Councillor Roger Steel, proposed an amendment to the Action Plan, as detailed in the attached appendices.

The meeting was adjourned at 2.32pm to allow councillors to consider the amendment, and reconvened at 2.52 pm.

The Leader of the Council offered to meet with Councillor Andrew Rule, Leader of the Conservative Group, and Councillor Kevin Clarke, Leader of the Nottingham Independents, to discuss their views on the Action Plan in more detail.

Councillors voted on the proposed amendment.

Resolved to reject the proposed amendment.

After a debate, Councillors then voted on the original report.

Resolved to

- (1) accept the Report in the Public Interest and all of its recommendations from R1 to R13;**

- (2) agree the Action Plan, noting that the Action Plan includes a response to each of the External Auditor's recommendations, as well as a number of additional recommendations. It also sets out both indicative timelines and accountabilities;**
- (3) note the commitments in the Action Plan to learn from best practice from its partners, from its successful other companies, and from national bodies such as the Local Government Association, to support its implementation of the recommendations;**
- (4) request that the Overview and Scrutiny Committee and the Audit Committee considers and reviews the Action Plan from their differing constitutional positions, and give their feedback in a report to the Executive Board at its October meeting;**
- (5) request that the Executive Board receive a report at its October meeting on the Action Plan. This report will consider the feedback from the Overview and Scrutiny Committee and the Audit Committee. The report will also provide more detail on the recommendations and accountabilities. It will review the initial deadlines suggested in the Action Plan. It will outline the work with suitable external bodies, such as the Local Government Association, to support the Council in its endeavours. Any costs associated with implementing the recommendations and the delivery mechanism to support this work will also be reported to that meeting;**
- (6) note that a report will be brought back to Council in September 2021 updating members on the progress of implementing the Action Plan. During that period the Executive will receive quarterly updates on progress. These updates will also be regularly scrutinised by the Overview and Scrutiny Committee and the Audit Committee (having regard to their respective terms of reference);**
- (7) commit to a regular and open dialogue with the External Auditor and the Ministry of Housing, Communities and Local Government to keep them appraised of the Council's progress in implementing its Action Plan.**

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The Conservative Group wish to make amendments to the action plan as indicated with tracked changes below. A final version showing the changes highlighted is attached:

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Appendix 1

Action Plan in response to the Report in the Public Interest

- Page 717
- All recommendations are accepted
 - Recommendations R1 – R13 are recommendations from *The Report in the Public Interest*
 - Recommendations NCC1 - NCC 3 are additional recommendations

The overall accountability for the action plan rests with the Leader of the Council and the Chief Executive designate

Recommendation 1

Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of Robin Hood Energy, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
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<ul style="list-style-type: none"> At the June 2020 Executive Board Nottingham City Council agreed its full support for the strategic review launched by the Robin Hood Energy Board. The Strategic Review will report to the Robin Hood Energy Board and will be concluded shortly. Any consequences of the review for the Council's 2020/21 budget and its medium term financial outlook and plan will be reported to full Council as part of the October 5th interim budget report. 	31/10/20	Corporate Director Development & Growth
	05/10/20	Corporate Director Development & Growth
	05/10/20	Strategic Director Finance

Recommendation 2

The Council should review its overall approach to using Councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none"> An audit and review of NCC's approach to councillor membership of each subsidiary company board and any other similar organisations NCC Councillors are appointed to, will be undertaken. This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards and other subsidiary organisations. <u>The report to be presented for recommendations and comment to the next Audit Committee meeting before the Report's formal implementation.</u> 	31/10/20	Director of Legal & Governance
<ul style="list-style-type: none"> As part of this review, the membership balance of the boards will be considered in aggregate in regard to best practice for achieving diversity, skill set, sectoral knowledge and NCC representation. 	31/10/20	Director of Legal & Governance
<ul style="list-style-type: none"> <u>Those companies whose directors comprise entirely of, or a majority of councillors, will be reviewed as a priority.</u> 	30/09/20	Director of Legal & Governance

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<ul style="list-style-type: none"> Where the authority appoints councilors to the Boards of its companies it should be clear that councilors hold a non-executive position and they should be provided with training and guidance as how this role differs from an executive director. 	30/09/20	Director of Legal & Governance
<ul style="list-style-type: none"> External guidance on best practice in regard to Councillor appointments on local authority companies will be sought 	30/09/20	Director of Legal & Governance
<ul style="list-style-type: none"> External guidance on best practice in regard to Councillor appointments on local authority companies will be sought. 		
<ul style="list-style-type: none"> External guidance on defining the role and legal requirements for local authority company directors and guidance on skill set required will be sought. <u>This should include ensuring that professional executive directors responsible for the day-to-day running are aware that running a company funded by public money carries with it a requirement to demonstrate value for money for the council tax payer is being achieved.</u> 	30/9/2020	Director of Legal & Governance

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Recommendation 3

Where it continues to use Councillors in such roles, it should ensure that the non-executives (including Councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of Councillors.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The review of NCC councillor directors of boards in R2 will also establish the sectoral knowledge required to effectively hold the management of the different companies to account and assess the knowledge and skill set of the existing membership of the boards in relation to that sector or business area. This review will fully involve the chief executives or chief officers of the Council's companies, as well as the Chairs and members of Company Boards.	31/10/20	Director of Legal & Governance
<ul style="list-style-type: none">Proposals for remedying any identified gaps in knowledge and/or experience will be brought forward which will include a consideration of training and if necessary using interim additional expertise to ensure effective governance.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">Training will be devised to enable members to understand and practice effective director / board member interventions so as to appropriately challenge the management of the Council's companies and improve the robustness of Company accountability to the Council.	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">Specialised mandatory training packages will be devised to ensure councillors appointed as chairs of council company boards are able to understand and effectively fulfil their roles. As a matter of best practice where Councillors appointed to chair the boards of council owned companies do not have any sectoral or technical experience in the company's area of activity they should as a minimal hold formal accountancy or legal qualifications to enable to them to discharge the extra duties expected of the reasonable company chair person.	With immediate effect 30/01/21	Director of Legal & Governance Director of Legal & Governance
<ul style="list-style-type: none">Essential training will be mandatory and retention of the director role for each councillor will rely on completion of the training on this recommendation. <u>The training should include the duties placed on non-executive directors, the directors to duty to protect the</u>	With immediate effect	Director of Legal & Governance

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<p><u>financial interests of the companies' shareholder(s) and the duties placed on a director when the company is financially insolvent and the personal financial consequences for failing to take appropriate action to safeguard the interests of creditors in an insolvent situation.</u></p>	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none"> <u>In addition to the above refresher training will be required on a yearly basis; or more frequently should there be any applicable regulatory or legal changes to the legal duties placed on directors. Members who fail to complete this training, within three months of it becoming due, will be formally removed from holding the office of director.</u> 	Ongoing	Director of Legal & Governance
<ul style="list-style-type: none"> The relevant NCC officials will continue to be available to offer advice to members on all aspects of their role on Council company boards. 	<u>With immediate effect</u>	<u>Director of Legal & Governance</u>
<ul style="list-style-type: none"> Advice will also be sought on the best way to assess the competence of Councillors fulfilling their roles as directors as part of effective company governance. The group whip for each political party or recognised group will have a role in this assessment process. 	<u>30/01/2021</u>	<u>Director of Legal & Governance</u>
<ul style="list-style-type: none"> The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting. 	May 2021	<u>Director of Legal & Governance</u>

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Recommendation 4

Where Councillors are used in such roles, the Council should ensure that the Councillors are provided with sufficient and appropriate training, which is updated periodically.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none"> • A review of the current training package offered to Councillors as directors on company boards and other similar organisations will be undertaken. 	30/10/20	Director of Legal & Governance
<ul style="list-style-type: none"> • External best practice and advice will be sought from both the Local Government Association and bodies in the private sector who advise on company governance and training for directors. 	30/10/20	Director of Legal & Governance
<ul style="list-style-type: none"> • This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards. 	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none"> • New training packages will be devised and delivered on a mandatory basis for: <ul style="list-style-type: none"> > Initial training > Refresher training > Specialist training where required to understand a particular subject/field. • External sources will provide the specialist training and this training will be reviewed every two years to ensure it remains relevant and effective. • Funding for the new training courses will need to be identified • Only Councillors who have completed the requisite training will be able to remain as Council appointed directors. 		
<ul style="list-style-type: none"> • The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting. 	May 2021	Director of Legal & Governance

Recommendation 5

The Council should ensure that all elements of its governance structure, including the shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<ul style="list-style-type: none"> The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> As part of that review, the specific corporate role, definition and resources for the shareholder representative function will be examined. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies. 	30/01/21	Director of HR and Customer
<ul style="list-style-type: none"> This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards. 		
<ul style="list-style-type: none"> Once the role and resources have been determined, costings to implement the new function and an appropriate role description (s) will be produced and submitted for decision. 	31/10/20	Director of HR and Customer
<ul style="list-style-type: none"> Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and interim new role definitions will be drawn up as well as appropriate training provided. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> In addition to individual roles being identified and re-defined from the review of the constitution, there are also Council bodies that perform a vital function for the Council's effective governance. The role of the Executive Board, Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee and the Audit Committee's terms of reference will also be reviewed to ensure clarity on role and 	20/12/20	Director of Legal & Governance

accountability for Council companies' governance across the Council. The Chairs of Overview and Scrutiny and the Audit Committee will be fully involved in this review.

- Training will be offered to all members and chief officers on the roles of these bodies.

30/01/21

Director of Legal & Governance

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Recommendation 6

When allocating roles on Council-owned organisations to individual Councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The Council's constitution and the appointments process of Councillors onto Council company boards will be reviewed. A councillor may not be appointed as chair of to a council company board whose main activity lies within any executive portfolio they hold.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">The length of appointment tenure beyond a 12-month appointment period will be reviewed to enable consistency of membership of the board and to develop knowledge and experience	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">An amendment to the Constitution will be developed for formal consideration, so if a Councillor is appointed chair or vice-chair of a company to the board of a council owned company, they are unable to also be the chair or vice-chair be a member of of the Audit Committee, or the Overview and Scrutiny Committee <u>or the Company Governance Executive Sub-Committee</u> thus avoiding any conflict of interest in these essential roles.	31 30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">In addition, the Council will take steps to minimise any other possible conflicts of interest for directors on Council company boards by ensuring the improved training offer to be developed for members includes how to recognize and avoid any conflicts of interest for chairs and Councillor directors.	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">The access to formal advice from the Council's legal and democratic service for all councillors appointed to council company boards on conflicts of interest or any other matter will continue to be made available.	With immediate effect	Director of Legal & Governance

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Recommendation 7

The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadline	Accountability
<ul style="list-style-type: none"> The Council's high level risk register was created in May 2020 and was reviewed by the July 2020 Audit Committee. A number of Council company risks were included in that new risk register. This will continue to be developed and refined. 	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none"> The Council's risk management framework has been reviewed to ensure the full incorporation of council company risks across all risk registers within departments and also in the new financial risk register. Council companies' risks will be separately considered and reported in such a way that explicitly draws out the risks to the Council that may arise from the financial (and other) performance of the various companies. This review will fully involve the chief executives/ chief officers of the Council's companies, as well as the Chairs and members of the Company Boards. 	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none"> The reporting of risks to Council company boards will also be implemented as part of this action. 	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none"> The regularity of the reporting of the high level risk register to the Audit Committee and the Executive Board and Overview & Scrutiny Committee will be reviewed as part of this action. The Chairs and members of these bodies will be fully involved in this action. 	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none"> The reporting of companies' related risks will form part of the suite of reporting information presented to the Companies Governance Executive Sub-committee 	<u>With immediate effect</u>	<u>Strategic Director of Finance</u>

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Recommendation 8

As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Executive Sub-Committee (CGESC), the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action, with the oversight of the s151 officer, is taken if suitable information is not provided.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadline	Accountability
<ul style="list-style-type: none"> The Companies Governance Executive Sub-Committee (CGESC) has been meeting since 2019 and has established reporting requirements for all Council companies. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> A dedicated senior finance post provides additional capacity and capability to managing the financial reporting requirements on the Council's group of companies. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> The current role and remit of the CGESC will be reviewed as to how it can deliver the most effective governance in the light of The Report in the Public Interest amended to make it a stand alone Committee. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> No member of the sub committee shall be a director of a council owned company. 	30/11/20	Director of Legal & Governance Strategic Director of Finance
<ul style="list-style-type: none"> Officer support is to be provided to offer full advice and analysis for members on CGECS, Audit Committee and Overview & Scrutiny Committee in relation to risks; annual reviews of & updates on business cases and plans; scheme of delegation; financial matters and overall delivery. 	With immediate effect	Strategic Director of Finance
<ul style="list-style-type: none"> The dedicated senior finance role will also be continually reviewed in the light of The Report in the Public Interest to ensure it is fulfilling the corporate function needed and that departments and Council companies understand their relationship and new ways of working on this matter. 	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none"> The s151 Officer will make recommendations to CGESC regarding action to be taken in the event that Companies do not comply with the required reporting requirements. <u>This should include the options and sanctions available to the Council as shareholder under</u> 	30/11/20	Strategic Director of Finance

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the Companies Act 2006 to compel co-operation from the directors of council owned companies.

- Council company financial information reporting will be reviewed to see how more explicitly it can be referenced in the regular Council budget monitoring reports provided to the Executive Board on a quarterly basis
- This review will need to consider how to balance the transparency in the Council's budget reporting with the need to retain commercially sensitive information in the private part of any public meeting.

With immediate effect

With immediate effect

Recommendation 9

Within the new arrangements involving the Companies Governance Executive Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none"> The Council will review the terms of reference for Companies Governance Executive Sub Committee (CGESC), Overview and Scrutiny Committee and the Audit Committee to ensure that roles and responsibilities are explicitly clear. The Chairs of all these bodies will be fully involved in this action. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> <u>The Corporate Governance Committee be re-established as a stand alone committee. To remove the risk of conflict of interest its membership should not hold directorships of any council owned companies and be comprised of membership on a cross party basis including representatives from all opposition parties.</u> 	30/11/20 30/10/2020	<u>Director of Legal & Governance</u> <u>Director of Legal & Governance</u>
<ul style="list-style-type: none"> External advice will be sought on best practice in defining the roles between these bodies and on effective training for members to understand and work in these new defined roles and to achieve the prominence in practice. 	30/11/2020	<u>Director of Legal & Governance</u>
<ul style="list-style-type: none"> The training packages that will be offered will carry the same mandatory requirements for membership off these bodies to continue. Specific training modules will be drawn up to explicitly support the chairs of these bodies in carrying out their new roles. 	30/01/21	Director of Legal & Governance

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Recommendation 10

In addition to those referred to in recommendations above, the Council should apply the lessons from Robin Hood Energy in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<p>Flagged</p> <ul style="list-style-type: none"> The Council will draw together all the varying reviews and activity as outlined above into an overall picture of its governance arrangements and from that produce a unified report on the lessons to be learnt from Robin Hood Energy Ltd. This learning lessons report will draw upon the effective practice of some of the other Council company boards to share those positive lessons across the group of council companies as well. External support and advice will be sought on how best to draw together all the learning from the reviews. This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards. <u>This review will be made available to the Audit Committee for discussion and recommendations before final implementation.</u> 	20/12/20	Director of Legal & Governance

Recommendation 11

As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action – N.B. the actions below must be read alongside the actions for Recommendation 5	Deadline	Accountability
<ul style="list-style-type: none"> The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> As part of that review, the specific corporate role and resources for the shareholder representative duty will be examined and in particular how it safeguards the Council's financial interests <u>and how concerns about financial risks by the Council's S.151 officer are communicated to the Council's shareholder representative.</u> 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies. 	30/01/21	Director of HR and Customer
<ul style="list-style-type: none"> Once the role and resources for this function have been determined, costings to implement the new function and an appropriate role description will be produced and submitted for decision. 	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and an interim new role definition be drawn up and training provided. 	31/10/20	Director of HR and Customer

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Recommendation 13

The Council should ensure that it reflects the financial pressures arising from RHE alongside those from covid-19, demand-led services and other areas to produce balanced and achievable financial plans for the current year and for the medium-term, without disproportionate, unsustainable reliance on one-off measures.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadlines	Accountability
<ul style="list-style-type: none">• The construction of a refreshed Medium Term Financial Strategy (MTFS) is underway and due to be reported to Full Council in October 2020.• This will set out at a high level how the Council will balance its budget over the medium term and incorporates the financial implications for Council own companies for the overall Council budget.	05/10/20	Strategic Director of Finance
<ul style="list-style-type: none">• More detailed plans will be brought to Full Council in December 2020.	December 2020	Strategic Director of Finance

To further support the work necessary to fully respond to the findings in *The Report in the Public Interest*, there are some further actions for full Council to consider.

<p>NCC 1. Review of Council's approach to the ownership of companies. The Council has a range of companies totally in its ownership and some owned jointly with others. These companies have developed over time and further are planned to be created during this period of office as outlined in the Council Plan. In the light of the findings of this report the overall approach of the Council to its relationship with its companies could benefit from a review.</p>		
<p>Portfolio Holder accountability: Councillor David Mellen – Leader</p>		
<p>Action</p>	<p>Deadlines</p>	<p>Accountability</p>
<p> <ul style="list-style-type: none"> Establish the basis of ownership of the Council's companies and the differing frameworks and legislative basis upon which they were created. Seek out external advice on the best practice model of council ownership of local authority controlled companies and managing the risks and benefits they present. Following that advice and review, construct a council framework of NCC's company ownership with particular regard to risk management and accountability to the Council. Review all existing companies against that framework and where there is divergence establish whether a business need exists to maintain the difference or agree changes to comply with the framework. Any proposed additional council companies should be established using this new framework. </p>	<p> 31/03/2021 June-March 2021 June-April 2021 With immediate effect </p>	<p> Director of Legal and Governance Director of Legal and Governance Director of Legal and Governance </p>

NCC 2. Review of effective governance practice in NCC companies

The Council has a number of companies which have had effective governance over a number of years and which have involved elected members on the boards. As part of this improvement work it is important to understand what has made those council companies and Boards effective and how any learning can be applied to other council companies and the other recommendations in this Action Plan.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadlines	Accountability
<ul style="list-style-type: none"> Seek out external guidance on independently assessing effective company governance and use this to assess the governance practice of all Council owned companies. 	31/03/21	Director of Legal and Governance
<ul style="list-style-type: none"> Following that assessment, draw out any lessons or good practice that can be shared across all council companies. 	June 2021 <u>May 2021</u>	Director of Legal and Governance
<ul style="list-style-type: none"> Work with the chairs and chief executives / chief officers of Council companies to understand any self-assessment models they may use. 	June 2021	Director of Legal and Governance
<ul style="list-style-type: none"> Companies Governance Executive Sub Committee, Executive Board and the Audit Committee to consider the findings of this review and its recommendations. 	June 2021	Director of Legal and Governance

NCC 3. Review of membership of the Audit Committee

As a solution to the pressures from the reduction in public funding of services, the Council either owns or has a major interest in a considerable number of companies. It has also pursued a policy of in-house commercialisation of some services. As such the company and commercial trading risks it carries are more that would normally be expected for a local authority.

As such, the role that the Audit Committee plays in giving assurance to the Council on these commercial risks and trading outcomes is vital. In the light of the findings of the Report in the Public Interest, it is proposed that a review of the membership of the Audit Committee is undertaken to consider whether it is necessary to bring in additional expertise in a relevant capacity to further support the Committee.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadlines	Accountability
<ul style="list-style-type: none">Review of the current membership of the Audit Committee.Seek out external advice of best practice models of Audit Committees in local government that could bring additional support to how the council is dealing with the risks it is facing	30/01/21	Strategic Director of Finance

Appendix 1

Action Plan in response to the Report in the Public Interest

- All recommendations are accepted
- Recommendations R1 – R13 are recommendations from *The Report in the Public Interest*
- Recommendations NCC1 - NCC 3 are additional recommendations

The overall accountability for the action plan rests with the Leader of the Council and the Chief Executive designate

Recommendation 1

Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of Robin Hood Energy, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<ul style="list-style-type: none">• At the June 2020 Executive Board Nottingham City Council agreed its full support for the strategic review launched by the Robin Hood Energy Board.	31/10/20	Corporate Director Development & Growth
<ul style="list-style-type: none">• The Strategic Review will report to the Robin Hood Energy Board and will be concluded shortly.	05/10/20	Corporate Director Development & Growth
<ul style="list-style-type: none">• Any consequences of the review for the Council's 2020/21 budget and its medium term financial outlook and plan will be reported to full Council as part of the October 5th interim budget report.	05/10/20	Strategic Director Finance

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Recommendation 2
 The Council should review its overall approach to using Councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
Page 138 <ul style="list-style-type: none"> An audit and review of NCC’s approach to councillor membership of each subsidiary company board and any other similar organisations NCC Councillors are appointed to, will be undertaken. This review will fully involve the chief executives/chief officers of the Council’s companies, as well as the Chairs and members of the Company Boards and other subsidiary organisations. The report to be presented for recommendations and comment to the next Audit Committee meeting before the Report’s formal implementation. 	31/10/20	Director of Legal & Governance
<ul style="list-style-type: none"> As part of this review, the membership balance of the boards will be considered in aggregate in regard to best practice for achieving diversity, skill set, sectoral knowledge and NCC representation. 	31/10/20	Director of Legal & Governance
<ul style="list-style-type: none"> Those companies whose directors comprise entirely of, or a majority of councilors, will be reviewed as a priority. 	30/09/20	Director of Legal & Governance
<ul style="list-style-type: none"> Where the authority appoints councilors to the Boards of its companies it should be clear that councilors hold a non-executive position and they should be provided with training and guidance as how this role differs from an executive director. 	30/09/20	Director of Legal & Governance
	30/09/20	Director of Legal & Governance

Andrew Rule

<ul style="list-style-type: none">• External guidance on best practice in regard to Councillor appointments on local authority companies will be sought• External guidance on defining the role and legal requirements for local authority company directors and guidance on skill set required will be sought. This should include ensuring that professional executive directors responsible for the day-to-day running are aware that running a company funded by public money carries with it a requirement to demonstrate value for money for the council tax payer is being achieved.	30/9/2020	Director of Legal & Governance
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Recommendation 3

Where it continues to use Councillors in such roles, it should ensure that the non-executives (including Councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of Councillors.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The review of NCC councillor directors of boards in R2 will also establish the sectoral knowledge required to effectively hold the management of the different companies to account and assess the knowledge and skill set of the existing membership of the boards in relation to that sector or business area. This review will fully involve the chief executives or chief officers of the Council's companies, as well as the Chairs and members of Company Boards.	31/10/20	Director of Legal & Governance
<p>Proposals for remedying any identified gaps in knowledge and/or experience will be brought forward which will include a consideration of training and if necessary using interim additional expertise to ensure effective governance.</p>	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">Training will be devised to enable members to understand and practice effective director / board member interventions so as to appropriately challenge the management of the Council's companies and improve the robustness of Company accountability to the Council.	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">As a matter of best practice where Councillors appointed to chair the boards of council owned companies do not have any sectoral or technical experience in the company's area of activity they should as a minimal hold formal accountancy or legal qualifications to enable to them to discharge the extra duties expected of the reasonable company chair person.	With immediate effect	Director of Legal & Governance
<ul style="list-style-type: none">Essential training will be mandatory and retention of the director role for each councillor will rely on completion of the training on this recommendation. The training should		

Andrew Rule

<p>include the duties placed on non-executive directors, the directors to duty to protect the financial interests of the companies' shareholder(s) and the duties placed on a director when the company is financially insolvent and the personal financial consequences for failing to take appropriate action to safeguard the interests of creditors in an insolvent situation.</p> <ul style="list-style-type: none"> In addition to the above refresher training will be required on a yearly basis; or more frequently should there be any applicable regulatory or legal changes to the legal duties placed on directors. Members who fail to complete this training, within three months of it becoming due, will be formally removed from holding the office of director. The relevant NCC officials will continue to be available to offer advice to members on all aspects of their role on Council company boards. Advice will also be sought on the best way to assess the competence of Councillors fulfilling their roles as directors as part of effective company governance. The group whip for each political party or recognised group will have a role in this assessment process. <p>The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting.</p>	<p>30/01/21</p> <p>Ongoing</p> <p>May 2021</p>	<p>Director of Legal & Governance</p> <p>Director of Legal & Governance</p> <p>Director of Legal & Governance</p>
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Recommendation 4

Where Councillors are used in such roles, the Council should ensure that the Councillors are provided with sufficient and appropriate training, which is updated periodically.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<p>Page 32</p> <ul style="list-style-type: none">• A review of the current training package offered to Councillors as directors on company boards and other similar organisations will be undertaken.• External best practice and advice will be sought from both the Local Government Association and bodies in the private sector who advise on company governance and training for directors. <p>This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards.</p> <ul style="list-style-type: none">• New training packages will be devised and delivered on a mandatory basis for:<ul style="list-style-type: none">> Initial training> Refresher training> Specialist training where required to understand a particular subject/field.• External sources will provide the specialist training and this training will be reviewed every two years to ensure it remains relevant and effective.• Funding for the new training courses will need to be identified• Only Councillors who have completed the requisite training will be able to remain as Council appointed directors.	30/10/20	Director of Legal & Governance
	30/10/20	Director of Legal & Governance
	30/01/21	Director of Legal & Governance
	May 2021	Director of Legal & Governance

Andrew Rule

<ul style="list-style-type: none"> The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting. 		
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Recommendation 5
The Council should ensure that all elements of its governance structure, including the shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
Page 383 <p>The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure.</p>	30/11/20	Director of Legal & Governance
<p>As part of that review, the specific corporate role, definition and resources for the shareholder representative function will be examined.</p>	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none"> External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies. 	30/01/21	Director of HR and Customer
<ul style="list-style-type: none"> This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards. 		
<ul style="list-style-type: none"> Once the role and resources have been determined, costings to implement the new function and an appropriate role description (s) will be produced and submitted for decision. 	31/10/20	Director of HR and Customer
	30/11/20	Director of Legal & Governance

Andrew Rule

<ul style="list-style-type: none"> • Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and interim new role definitions will be drawn up as well as appropriate training provided. • In addition to individual roles being identified and re-defined from the review of the constitution, there are also Council bodies that perform a vital function for the Council's effective governance. The role of the Executive Board, Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee and the Audit Committee's terms of reference will also be reviewed to ensure clarity on role and accountability for Council companies' governance across the Council. The Chairs of Overview and Scrutiny and the Audit Committee will be fully involved in this review. • Training will be offered to all members and chief officers on the roles of these bodies. 	<p>20/12/20</p> <p>30/01/21</p>	<p>Director of Legal & Governance</p> <p>Director of Legal & Governance</p>
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Recommendation 6

When allocating roles on Council-owned organisations to individual Councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The Council's constitution and the appointments process of Councillors onto Council company boards will be reviewed. A councillor may not be appointed to a council company board whose main activity lies within any executive portfolio they hold.	30/11/20	Director of Legal & Governance
<ul style="list-style-type: none">The length of appointment tenure beyond a 12-month appointment period will be reviewed to enable consistency of membership of the board and to develop knowledge and experience	30/11/20	Director of Legal & Governance
<p>An amendment to the Constitution will be developed for formal consideration, so if a Councillor is appointed to the board of a council owned company, they are unable to be a member of the Audit Committee, the Overview and Scrutiny Committee or Company Governance Executive Sub-Committee thus avoiding any conflict of interest in these essential roles.</p>	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">In addition, the Council will take steps to minimise any other possible conflicts of interest for directors on Council company boards by ensuring the improved training offer to be developed for members includes how to recognize and avoid any conflicts of interest for chairs and Councillor directors.	30/01/21	Director of Legal & Governance
<ul style="list-style-type: none">The access to formal advice from the Council's legal and democratic service for all councillors appointed to council company boards on conflicts of interest or any other matter will continue to be made available.	With immediate effect	Director of Legal & Governance

Recommendation 7

The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadline	Accountability
<ul style="list-style-type: none">The Council's high level risk register was created in May 2020 and was reviewed by the July 2020 Audit Committee. A number of Council company risks were included in that new risk register. This will continue to be developed and refined.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">The Council's risk management framework has been reviewed to ensure the full incorporation of council company risks across all risk registers within departments and also in the new financial risk register. Council companies' risks will be separately considered and reported in such a way that explicitly draws out the risks to the Council that may arise from the financial (and other) performance of the various companies. This review will fully involve the chief executives/ chief officers of the Council's companies, as well as the Chairs and members of the Company Boards.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">The reporting of risks to Council company boards will also be implemented as part of this action.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">The regularity of the reporting of the high level risk register to the Audit Committee and the Executive Board and Overview & Scrutiny Committee will be reviewed as part of this action. The Chairs and members of these bodies will be fully involved in this action.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">The reporting of companies' related risks will form part of the suite of reporting information presented to the Companies Governance Executive Sub-committee	With immediate effect	Strategic Director of Finance

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Recommendation 8

As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Executive Sub-Committee (CGESC), the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action, with the oversight of the s151 officer, is taken if suitable information is not provided.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadline	Accountability
<ul style="list-style-type: none">The Companies Governance Executive Sub-Committee (CGESC) has been meeting since 2019 and has established reporting requirements for all Council companies.A dedicated senior finance post provides additional capacity and capability to managing the financial reporting requirements on the Council's group of companies.	30/11/20	Director of Legal & Governance
The current role and remit of the CGESC will be amended to make it a stand alone Committee.	30/10/20	Director of Legal & Governance
No member of the sub committee shall be a director of a council owned company.	30/10/20	Director of Legal & Governance
<ul style="list-style-type: none">Officer support is to be provided to offer full advice and analysis for members on CGECS, Audit Committee and Overview & Scrutiny Committee in relation to risks; annual reviews of & updates on business cases and plans; scheme of delegation; financial matters and overall delivery.	With immediate effect	Strategic Director of Finance
<ul style="list-style-type: none">The dedicated senior finance role will also be continually reviewed in the light of The Report in the Public Interest to ensure it is fulfilling the corporate function needed and that departments and Council companies understand their relationship and new ways of working on this matter.	30/11/20	Strategic Director of Finance
<ul style="list-style-type: none">The s151 Officer will make recommendations to CGESC regarding action to be taken in the event that Companies do not comply with the required reporting requirements. This should include the options and sanctions available to the Council as shareholder under	30/11/20	Strategic Director of Finance

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Andrew Rule

the Companies Act 2006 to compel co-operation from the directors of council owned companies.

- Council company financial information reporting will be reviewed to see how more explicitly it can be referenced in the regular Council budget monitoring reports provided to the Executive Board on a quarterly basis
- This review will need to consider how to balance the transparency in the Council's budget reporting with the need to retain commercially sensitive information in the private part of any public meeting.

With immediate effect

With immediate effect

Recommendation 9

Within the new arrangements involving the Companies Governance Executive Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.

Portfolio Holder accountability- Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadline	Accountability
<ul style="list-style-type: none">The Council will review the terms of reference for Companies Governance Executive Sub Committee (CGESC), Overview and Scrutiny Committee and the Audit Committee to ensure that roles and responsibilities are explicitly clear. The Chairs of all these bodies will be fully involved in this action.	30/11/20	Director of Legal & Governance
<p>Page 309</p> <p>The Corporate Governance Committee be re-established as a stand alone committee. To remove the risk of conflict of interest its membership should not hold directorships of any council owned companies and be comprised of membership on a cross party basis; including representatives from all opposition parties.</p>	30/10/2020	Director of Legal & Governance
<ul style="list-style-type: none">External advice will be sought on best practice in defining the roles between these bodies and on effective training for members to understand and work in these new defined roles and to achieve the prominence in practice.	30/11/2020	Director of Legal & Governance
<ul style="list-style-type: none">The training packages that will be offered will carry the same mandatory requirements for membership off these bodies to continue.		
<ul style="list-style-type: none">Specific training modules will be drawn up to explicitly support the chairs of these bodies in carrying out their new roles.	30/01/21	Director of Legal & Governance

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Recommendation 10

In addition to those referred to in recommendations above, the Council should apply the lessons from Robin Hood Energy in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadline	Accountability
<p data-bbox="94 718 134 861">Page 6 of 10</p> <ul style="list-style-type: none"><li data-bbox="152 582 1283 683">• The Council will draw together all the varying reviews and activity as outlined above into an overall picture of its governance arrangements and from that produce a unified report on the lessons to be learnt from Robin Hood Energy Ltd.<li data-bbox="152 710 1267 810">• This learning lessons report will draw upon the effective practice of some of the other Council company boards to share those positive lessons across the group of council companies as well.<li data-bbox="152 837 1223 906">• External support and advice will be sought on how best to draw together all the learning from the reviews.<li data-bbox="152 933 1205 1002">• This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards.<li data-bbox="152 1029 1193 1098">• This review will be made available to the Audit Committee for discussion and recommendations before final implementation.	20/12/20	Director of Legal & Governance

Andrew Rule

Recommendation 11

As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action – N.B. the actions below must be read alongside the actions for Recommendation 5

Deadline

Accountability

- The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure.
- As part of that review, the specific corporate role and resources for the shareholder representative duty will be examined and in particular how it safeguards the Council's financial interests and how concerns about financial risks by the Council's S.151 officer are communicated to the Council's shareholder representative.
- External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies.
- Once the role and resources for this function have been determined, costings to implement the new function and an appropriate role description will be produced and submitted for decision.
- Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and an interim new role definition be drawn up and training provided.

30/11/20

Director of Legal & Governance

30/11/20

Director of Legal & Governance

30/01/21

Director of HR and Customer

30/11/20

Director of Legal & Governance

31/10/20

Director of HR and Customer

Recommendation 13

The Council should ensure that it reflects the financial pressures arising from RHE alongside those from covid-19, demand-led services and other areas to produce balanced and achievable financial plans for the current year and for the medium-term, without disproportionate, unsustainable reliance on one-off measures.

Portfolio Holder accountability: Councillor Sam Webster Finance, Growth & the City Centre

Action	Deadlines	Accountability
<ul style="list-style-type: none">The construction of a refreshed Medium Term Financial Strategy (MTFS) is underway and due to be reported to Full Council in October 2020.This will set out at a high level how the Council will balance its budget over the medium term and incorporates the financial implications for Council own companies for the overall Council budget.	05/10/20	Strategic Director of Finance
More detailed plans will be brought to Full Council in December 2020.	December 2020	Strategic Director of Finance

To further support the work necessary to fully respond to the findings in *The Report in the Public Interest*, there are some further actions for full Council to consider.

NCC 1. Review of Council’s approach to the ownership of companies.

The Council has a range of companies totally in its ownership and some owned jointly with others. These companies have developed over time and further are planned to be created during this period of office as outlined in the Council Plan. In the light of the findings of this report the overall approach of the Council to its relationship with its companies could benefit from a review.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadlines	Accountability
<p>Page 64</p> <ul style="list-style-type: none"> Establish the basis of ownership of the Council’s companies and the differing frameworks and legislative basis upon which they were created. Seek out external advice on the best practice model of council ownership of local authority controlled companies and managing the risks and benefits they present. Following that advice and review, construct a council framework of NCC’s company ownership with particular regard to risk management and accountability to the Council. Review all existing companies against that framework and where there is divergence establish whether a business need exists to maintain the difference or agree changes to comply with the framework. Any proposed additional council companies should be established using this new framework. 	<p>31/12/20</p> <p>March 2021</p> <p>April 2021</p> <p>With immediate effect</p>	<p>Director of Legal and Governance</p> <p>Director of Legal and Governance</p> <p>Director of Legal and Governance</p>

Andrew Rule

NCC 2. Review of effective governance practice in NCC companies

The Council has a number of companies which have had effective governance over a number of years and which have involved elected members on the boards. As part of this improvement work it is important to understand what has made those council companies and Boards effective and how any learning can be applied to other council companies and the other recommendations in this Action Plan.

Portfolio Holder accountability: Councillor Sally Longford – Energy, Environment & Democratic Services

Action	Deadlines	Accountability
<ul style="list-style-type: none">Seek out external guidance on independently assessing effective company governance and use this to assess the governance practice of all Council owned companies.Following that assessment, draw out any lessons or good practice that can be shared across all council companies.	31/03/21 May 2021	Director of Legal and Governance Director of Legal and Governance
Work with the chairs and chief executives / chief officers of Council companies to understand any self-assessment models they may use.	June 2021	Director of Legal and Governance
Companies Governance Executive Sub Committee, Executive Board and the Audit Committee to consider the findings of this review and its recommendations.	June 2021	Director of Legal and Governance

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Andrew Rule

NCC 3. Review of membership of the Audit Committee

As a solution to the pressures from the reduction in public funding of services, the Council either owns or has a major interest in a considerable number of companies. It has also pursued a policy of in-house commercialisation of some services. As such the company and commercial trading risks it carries are more that would normally be expected for a local authority.

As such, the role that the Audit Committee plays in giving assurance to the Council on these commercial risks and trading outcomes is vital. In the light of the findings of the Report in the Public Interest, it is proposed that a review of the membership of the Audit Committee is undertaken to consider whether it is necessary to bring in additional expertise in a relevant capacity to further support the Committee.

Portfolio Holder accountability: Councillor David Mellen – Leader

Action	Deadlines	Accountability
<ul style="list-style-type: none">Review of the current membership of the Audit Committee. <p>Seek out external advice of best practice models of Audit Committees in local government that could bring additional support to how the council is dealing with the risks it is facing</p>	30/01/21	Strategic Director of Finance

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Andrew Rule

Audit Committee – 25 September 2020

Title of paper:	Audit Committee Annual Report 2019/20	
Director(s)/ Corporate Director(s):	Councillor Audra Wynter Vice Chair of the Audit Committee	Wards affected: All
Report author(s) and contact details:	Councillor Steve Battlemuch Chair of the Audit Committee 2019/20 Email: Steve.Battlemuch@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the work undertaken and approve the report at Appendix 1.	

1 Reasons for recommendations

- 1.1 This report outlines the work undertaken by the Audit Committee in 2019/20 and explains how the Committee has filled its designated role within the Constitution and how this work relates to its core responsibilities.

2 Background

- 2.1 The Committee is a key component of corporate governance. CIPFA guidance for audit committees states that :
- ‘The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.’
- Meaning that taking actions towards this purpose helps fulfil the statutory obligations of the Council under the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972
- 2.2 The overall aim of good governance is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities
 - there is sound and inclusive decision making
 - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.3 The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.
- 2.4 Whilst the Audit Committee exists partly to oversee proposed and actual changes to the council’s policies and procedures pertaining to governance, the executive and senior management have responsibility for implementing these arrangements. In order to support this the Committee has approved a strategy, clear frameworks and processes for managing risk.

- 2.5 Good governance maintains and increases public confidence in the objectivity and fairness of financial and other reporting, and service planning, delivery, and improvement. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.
- 2.6 An effective audit committee both supports and challenges, and in doing so helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council and should enhance public trust and confidence in the governance of the Council.
- 2.7 In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair has produced this annual report in respect of its activities in 2019/20. It aims to develop the Council's commitment to improving corporate governance.
- 2.8 The report at **Appendix 1** summarises the work undertaken by the Committee during 2019/20, shows the topics it discussed and uses its Terms of Reference to demonstrate how it met its objectives and responsibilities. The report recognises the positive contributions of councillors and colleagues in the deliberations of the Committee and the positive effect the Committee has had on the Council's governance arrangements. The report categorises the work under the broad themes below :
- Assurance Statements and Governance;
 - Risk Management;
 - Performance Management and Value for Money;
 - External Audit, Inspection and Assurance;
 - Internal Audit and Counter Fraud; and
 - Financial Reporting.

It also comments on the Committee's :

- Independence; and
- Training and Development.

- 2.9 The work undertaken is crosscutting, however, and the work covered in each theme is complimentary to that reported in the other themes.
- 2.10 CIPFA Guidance referred to in this paper and its Appendix is the guidance which was current in 2019/20 as shown below.

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

- Accounts and Audit Regulations 2015
- CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018
- CIPFA Delivering Good Governance In Local Government – Guidance Notes for English Authorities 2016 Edition

Appendix 1

Audit Committee Annual Report 2019-20

Foreword by the Chair

During 2019/20, I was the Vice Chair of this committee and Cllr Steve Battlemuch was the Chair. I wish to thank Cllr Battlemuch on behalf of the whole committee for chairing and leading the work of this committee last year.

The following report summarises the work performed over the year 2019-2020 and describes how the Committee has contributed to the effectiveness of the Council by the work it has done including:

- Assurance Statements and Governance
 - Scrutinising non-executive amendments to the Constitution
 - Monitoring and approving the Annual Governance Statement and associated activity
 - Monitoring and approving Partnerships governance arrangements
 - Receiving and making recommendations in respect of Annual Assurance Reports from key corporate specialisms
- Risk Management
 - Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks and considering key risks
 - Overseeing the Council's Treasury Management arrangements
- Performance Management, Quality Management and Value for Money
 - Reviewing assurances provided
- External Audit, Inspection and Assurance
 - Managing a good working relationship with the external auditor, ensuring appropriate action is taken on its recommendations
 - Receiving cross-cutting external inspections and assurance reports, ensuring appropriate action is taken on their recommendations
- Internal Audit and Counter Fraud
 - Approving arrangements and monitoring performance of Internal Audit and Counter Fraud
 - Ensuring internal audit independence and that findings are actioned by managers and consequently help to improve the Council's effectiveness and governance arrangements;
- Financial Reporting
 - Monitoring of, and contribution to, the development of the Council's Statement of Accounts

The Purpose of Audit Committees

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the

- risk management framework,
- internal control environment and
- integrity of the financial reporting and annual governance processes.

By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

Terms of Reference

The Council has delegated some of its non-executive functions to the Audit Committee as defined in the Committee's terms of reference. Further detailed functions within these terms have been identified to support compliance with the Public Sector Internal Audit Standards.

Good governance is ultimately the responsibility of those charged with governance, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, the Chief Financial Officer and the Monitoring Officer. The Audit Committee plays a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.

Corporate governance is a phrase used to describe the mechanisms underpinning how the Council directs and controls its operations, and relates to the people of Nottingham. Good corporate governance requires organisations to undertake their functions with integrity and in a way that is accountable, transparent, effective and inclusive. My role as the Chair of the Audit Committee was to drive forward improvements on corporate governance. This means I must:

- Consider the reports of external audit and inspection agencies;
- Support the Committee in reviewing the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to the issues raised by external audit;
- Support the Committee in reviewing the Council's integrated planning and performance framework;
- Support consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- Lead the Committee to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Lead approval (but not direct) Internal Audit's strategy, plan and monitor performance.
- Support Internal Audit and contribute to Peer Review
- Support the review of the summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted; and

- Lead the Audit Committee in procuring external audit if required.

Committee Aims

In summary, the Committee's role is to challenge, assess and gather assurance from within the Council and from external agencies, on the level and quality of the internal control and risk management processes in place to ensure that Council objectives are met. As part of this role it approves Audit Plans, the Statement of Accounts, and Annual Governance Statement and monitors the robustness of performance management systems. The benefits gained from operating an effective committee are that it:

- contributes to the development of an effective control environment including arrangements for management of risk;
- increases stakeholder confidence in the objectivity and fairness of financial and other reporting by promoting transparency and accountability;
- reinforces the importance and independence of internal and external audit and any other similar review process (e.g. providing a view on the AGS) and the implementation of audit recommendations;
- advises on the adequacy of the assurance framework and considers whether assurance is deployed efficiently and effectively to give assurance that business objectives are met;
- helps the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption

Membership

The Audit Committee was made up of 9 non-executive councillors appointed to reflect the political balance of the Council. The members of the Committee for 2019/2020 were:

Councillor Steve Battlemuch (Chair)

Councillor Audra Wynter (Vice Chair)

Councillor Leslie Ayoola

Councillor Graham Chapman

Councillor Michael Edwards

Councillor Jane Lakey

Councillor Lauren O'Grady

Councillor Anne Peach

Councillor Andrew Rule

Councillor Jay Hayes (as substitute for Councillor Leslie Ayoola – 22 February 2020)

Work Undertaken

The following summary of activity is categorised by the main topic or source of the assurance. The work is reflective of the Committee's terms of reference shown at **Appendix A** which is addressed via an annual work programme endorsed by the Committee and cross-referenced to the elements of the annual work programme. The analysis has been derived from the reports and presentations set before the Committee in the period, which are shown in **Appendix B**.

Assurance Statements and Governance

The Audit Committee Work Programme shown in **Appendix A** reflects the many subject areas and sources of information that the Committee considers in its deliberations about corporate governance. The information assimilated allows members of the Committee to understand governance issues and determine their opinion about the overall state of corporate governance in the Council.

Annual Governance Statement (AGS)

Rationale

Included in this Committee's terms of reference is the core function that it should be "satisfied that the authority's assurance statements, including the AGS, properly reflect the risk environment and any actions required to improve it."

The Accounts and Audit Regulations 2015 require the publication of an AGS following an (at least) annual review of the effectiveness of the Council's internal control. In order to produce the AGS an annual timetable is required to ensure key tasks are undertaken to deliver the Statement alongside the Council's Statement of Accounts (SOA). The Committee has delegated authority for the formal approval of the AGS.

The 2016 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This has been adopted as the Council's Local Code of Corporate Governance by the Audit Committee.

The Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with, and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.

Summary of work

The AGS reflects the governance framework operating within the Council and its significant partnerships, groups and trusts. The issues identified in the AGS and the consequent plans for their mitigation are used to direct corporate resources, including those of Internal Audit.

The Council's group accounts for 2018-19 were not fully audited until July 2020, a Report in the Public Interest was issued by the external auditor in August 2020, and a Value For Money conclusion is expected shortly. The interim 2018/19 AGS was signed by the Leader of the Council and the Chief Executive, was approved by the Committee at its 29th July 2019 meeting and was published alongside the interim SOA. The Committee approved the final AGS 2018/19, including changes resulting from the external audit and post balance sheet developments at its July 2020 meeting. Several Significant Issues were identified during the intervening year and were noted together with proposed actions. The Committee received reports on the

progress made in addressing the issues reported in the interim 2018/19 Statement, and the process and timetable for compiling the 2019/20 statement.

Partnership Governance Arrangements

Rationale

The Council has a long and successful history of working in partnership across the public, private, voluntary and third sector. The benefits and opportunities of working in partnership are well understood but risks can arise from collaborative working and the Council must ensure that its involvement in partnerships does not expose it to an unacceptable level of risk.

The Partnership Governance Framework includes an annual 'health check' of each partnership that is significant to the City Council in terms of strategic, reputational or financial importance. This health check is designed to identify any risks to the Council from its involvement in any of the partnerships. The results of these health checks are reported to Audit Committee along with remedial actions that are needed to protect the Council from an unacceptable level of risk. Partnerships that are deemed significant to the Council in terms of their strategic, reputational or financial importance are listed in the Register of Significant Partnerships. Any changes to the register are reported and explained to Audit Committee annually.

Summary of work

In February 2020 the Committee noted the findings of the Partnership Governance Annual Health Checks which followed work to verify governance documentation of 3 of the 10 partnerships and accepted a proposed change to the Register of Significant Partnerships in 2020-21.

The Committee was provided with an overview of the health checks. The proposed change to the register is the removal of the Green Partnership. Governance documentation has not been in place because the group has no formalised administrative function. Following discussion with colleagues it has been suggested that the partnership does not meet the threshold of a formal partnership and should be removed. The removal of the Green Partnership from the register will not affect its status as a themed partnership with One Nottingham and so oversight of the work will still be in place.

Any new and emerging partnerships will be considered for inclusion on the Register of Significant Partnerships and the validity of partnerships currently on the register will be evaluated on an annual basis.

Information Technology and Information Governance (IT)

Rationale

The City Council is reliant on the various forms of IT to perform its everyday business, whether this is collecting income, recording financial transactions, producing committee reports or keeping case notes of vulnerable citizens in order that they receive the appropriate level of care. Consequently, the City Council must have an appropriate infrastructure available to provide the appropriate service and to

maintain controls that ensure that citizen and colleague data is properly obtained, protected and accurate at all times.

Summary of work

Audit Committee was kept advised of Information Technology and Information Governance risks through updates as part of AGS reports and the annual Information Governance and Compliance Assurance Report. This assurance report provided information on the mechanisms by which responsible officers obtain assurances as to the Council's ICT estate and information governance, together with measures of competence. The committee noted the assurance report which helps NCC in upholding its statutory responsibilities and resilience. Internal Audit continue to follow a robust programme of audits across corporate ICT designed to identify ICT assurances that are essential to a well-governed and well-functioning City Council.

Governance of Group Companies

Rationale

Good governance of those companies in which the Council has an interest is an integral part of the governance arrangements of the Council as these ventures involve the expenditure of public money and the stewardship of public resources.

Summary of Work

In 2019-20 the Audit Committee has been kept updated by the external auditor and senior officers, on progress regarding the group accounts and specifically issues connected to the Council's governance of Robin Hood Energy. The external auditor has recently issued a Report in the Public Interest in respect of this issue. This marks a very serious position for the Council's governance role in respect of its companies and indicates significant deficiencies in overall Council governance. The Council has agreed and published an [Action Plan](#) to respond to the external auditor's recommendations and included three further areas which it considers needs improvement. The Audit Committee will be involved in reviewing progress on the Council's action plan, and taking any actions indicated for the Audit Committee itself.

Grant Thornton our external auditor has recently issued a Report in the Public Interest which the Council has agreed and published an action plan.

Counter Fraud Strategy and Whistleblowing Policy

Rationale

The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity. As part of its purpose to oversee proposed and actual changes to the Council's policies and procedures pertaining to governance, the committee has a responsibility to monitor the counter-fraud strategy, actions and resources.

Summary of Work

The committee received an update on counter fraud and whistleblowing arrangements within the Annual Internal Audit Report.

Risk Management

A purpose of the Audit Committee is to provide independent review of the Council's governance, risk management and control frameworks.

Risk Management

Rationale

The Committee's key risk management role is to provide assurance on the adequacy of the Council's Risk Management Framework (RMF) and the associated control environment by reviewing the mechanisms for assessing and managing risk.

Summary of Work

In January 2020 the Committee received an update on the RMF and Corporate Risk Register. The committee has considered risk and linked assurances around Treasury Management as part of training in September 2019, Health & Safety and Information Technology & Information Governance in January 2020, and received presentations on IICSA in September 2019 and on Governance of Major Projects in February 2020.

IICSA was an inquiry into a significant number of allegations (including physical and sexual abuse) of historical abuse, dating back as far as the 1940's, in children's homes previously operated by Nottinghamshire County and Nottingham City councils and other organisations. The presentation covered the Council's response to the inquiry's report and recommendations including progress against the Council's initial action plan. The Committee was assured that the care that children receive now is unrecognisable from that historically. Many additional measures had been put in place to minimise the risk of abuse. The inquiry was being used to help shape today's practice, and the Council was in the process of procuring an independent external evaluation from the NSPCC to ensure that a comprehensive action plan was developed in partnership. The committee received an update on the comprehensive action plans for IICSA and an Ofsted focussed visit report in its first meeting in 2020-21.

Treasury Management

Rationale

Treasury management is the management of an organisation's borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.

The Council's treasury management function operates in accordance with the CIPFA Treasury Management Code of Practice (the TM Code) and Prudential Code. The TM Code requires authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. At Nottingham City Council

this role is performed by the Audit Committee, and how this role was executed is detailed in the following paragraphs.

Under this code the annual Treasury Management Strategy, including the Investment Strategy, is considered and approved by a meeting of Full Council before the beginning of the financial year to which it applies.

In undertaking this function, the Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices, and to deliver this in advance of the associated strategies being formally approved by Council. This provides an opportunity for detailed scrutiny and analysis of the Treasury Management Strategy and Investment Strategy by those charged with governance.

Summary of Work

The Committee took part in training in Treasury Management in September 2019. It scrutinised and gained assurance from the regular reports it received in the period regarding City Council's Treasury Management Strategy and performance reports including the Treasury Management Annual Report. The Committee reviewed the Treasury Management Annual Report and Half Yearly Update.

The Committee requested that in future the report includes

- original forecast and current forecast columns to allow better scrutiny of schemes subject to slippage;
- a list of schemes contributing to increase in operational borrowing boundary

In February 2020 the committee considered the Treasury Management Strategy for 2020/21 in particular:

- the Strategy for Debt Repayment (Minimum Revenue Provision) in 2020/21
- the Treasury Management Investment Strategy for 2020/21;
- the Prudential Indicators and limits for 2020/21 to 2022/23;
- the Treasury Management Policy Statement

Alongside this the Capital Investment Strategy was considered.

The committee has therefore met its scrutiny obligations in respect of Treasury Management.

Performance Management

Rationale

The Committee receives annual reports in respect of how the Council's Performance Management Framework (PMF) is being implemented across the Council, which guides its management of non-financial, strategic and operational performance. This gives the Committee an insight into how strategic and operational performance is being managed and how the use of the PMF affects the Council's exposure to risk and the control environment.

The Council Plan stresses the importance of having effective performance management in place which effectively measures and reports success in delivering its key priorities. It is also enshrined in The Nottingham Plan to 2020, which forms

the key overarching strategic plan for the public service agencies to deliver the priorities for the city by 2020.

Summary of Work

The Committee received a report in February 2020 noting the corporate performance framework used and including

- how the Council Plan 2019-2023 had been formed
- Council Plan Performance Reporting
- performance management software
- the Corporate Performance Management Framework (PMF)
- progress update on internal audit recommendations made in 2019

External Audit, Inspection and Assurance

This area of work covers external providers of assurance including external audit, which is the key external provider of assurance for financial stewardship and accountability.

External Audit

Rationale

The Committee has a duty to scrutinise the Council's financial and non-financial performance, to the extent that it affects the Council's exposure to risk and the control environment, and to oversee the financial reporting process. It also has the responsibility to approve the Council's Statement of Accounts (SOA) and to consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

External audit gives an independent view of the stewardship and accountability roles of the Council. The duties and powers of the external auditor are set out in statute and in the Audit Commission's statutory code of practice.

Summary of work

Throughout the year the Committee received reports from the Council's external auditors, detailing their work plans and the progress they had made. The audit plan followed the approach of previous years and the external auditors discussed key audit risks with the committee, and identified where problems had occurred and advised on the likely impacts and potential courses of action.

The external auditor prepared and presented a draft findings report in July 2019. This allowed the Committee to obtain independent assurance in respect of the overall governance arrangements set in place by the Council. The draft report included assurance that

- NCC accounting practices were appropriate
- the complex set of accounts including working papers had been prepared to a good standard and conformed well to CIPFA standards
- other information to be published with the financial statements was consistent with the auditor's knowledge of the Council and the financial statements audited.

These observations were repeated when the report was revisited in July 2020. However at the completion of the audit the external auditor noted material movements in the financial accounts in relation to

- the financial performance of RHE, and the associated impairments necessary to loan balances and equity held by Nottingham City Council as the parent body.
- the national McCloud pension issue, the impact of which was to increase total expenditure in the Council and Group Comprehensive Income and Expenditure Statement by £15.3m and the net pension liability in the Balance Sheet by £30.3m.

“The disclosures in the notes to the group accounts were enhanced on audit. Subject to the above adjustment, we obtained sufficient audit assurance to conclude that:

** the Authority’s assessment of which entities should be consolidated within the group was reasonable;*

** The Authority’s consolidation process was appropriate.”*

“The Annual Governance Statement has had to be extensively updated to reflect events which have taken place since the original version was prepared in May 2019. We are satisfied that the latest version meets the disclosure requirements and is not misleading or inconsistent with other information.”

“Management need to update their forecasts in the light of the current circumstances, in particular:

** Financial plans and budgets for members to approve, which continue into the medium term,*

** The assessment of the level of balances and reserves held by the Council,*

** The monitoring of the cash position and how this has been estimated going forward to cover the 12 months from the date of approval to the financial statements..”*

– Grant Thornton UK LLP

External auditors identified delivery of budgets and group governance as significant value for money audit risks prior to audit. Work around value for money for 2018-19 was still continuing as at July 2020 and the Committee hopes to receive this assessment soon. In August 2020 the external auditor exercised his formal powers by issuing a Report in the Public Interest on work on the Council’s arrangements for governance of its companies. The Council has formally responded to this report.

Local Government and Social Care Ombudsman – Complaints Annual Assurance 2018-19

Rationale

Each year all local authorities are provided with a letter from the Ombudsman (LGO) and a report covering their performance with regard to dealing with complaints in the previous financial year.

Complaints need to be used to influence service improvement and therefore to increase customer satisfaction and to highlight areas where controls may be failing.

The Council is still the responsible body for complaints about housing provided by Nottingham City Homes and their figures are included in the Council's Annual Letter from the LGO.

Summary of work

The letter from the Ombudsman was noted, in particular that of the 98 complaints reviewed by the Ombudsman, 18 had been upheld, which was an increase on the previous year, and comparable to other core cities. In 2018/2019, 19 adult social care complaints were considered by the Ombudsman, compared with 3 in the previous year's reporting period. Of the 19 complaints, 10 were upheld, whilst no fault was found in the remaining 9 complaints.

Ombudsman reviewed 98 complaints, 18 were upheld

Comparable subjects to other core cities.

This substantial increase in Ombudsman's investigations was due, in part, to the number of complaints about transport decisions received after the revised transport policy took effect. The Ombudsman recommended a change to the policy and a review of a number of decisions. The Committee heard that due to the low numbers of complaints investigated for each core city, the variation year on year in upheld rate can be significant and a city can go from best to worst performing on this statistic or vice versa in successive years, without the underlying performance of the systems concerned being responsible.

In order to provide a better understanding of the assurance gained from management of complaints the assurance report set out complaints performance for the Council of which Ombudsman complaints form a very small part. The Committee was provided with information about performance of the Have Your Say process, the statutory social care complaints process and the schools admissions appeals process.

Internal Audit and Counter Fraud

Rationale

One of the Committee's key roles is to review and monitor the work of Internal Audit (IA). The Public Sector Internal Audit Standards (PSIAS) set out the requirements for Internal Audit, and the Audit Charter sets out the Council's terms of reference for the service. External and internal assessments of Internal Audit under the PSIAS and its Quality Assurance and Improvement Plan (QAIP) help the Committee assess the performance and effectiveness of the service.

The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The PSIAS require that the responsibility for the management of Internal Audit is set with the Board. In practical terms, at the City Council, this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City Council.

Summary of work

The service affects the achievement of corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework. I would like to thank the Head of Audit & Risk for his support and guidance to myself and the committee, and his performance has been exemplary. He has had unrestricted access and has met with me, and with other members, privately on a number of occasions as the need arose during the year.

The Audit Committee agreed

- the Internal Audit Charter.
- the Internal Audit Annual Workplan
- performance updates.

IA continue to coordinate Counterfraud activities in line with the Counterfraud Strategy as reported in IA quarterly and annual reports. Counterfraud activities had made significant contributions in 2018-19 by exceeding savings and income targets

The Audit Committee received

- the Internal Audit Annual Report containing a significant level of assurance from the HoIA that the internal control system was operating effectively within the Council and its significant partners and associated groups but noted that the financial and overall control framework was under stress. The HoIA's annual opinion regarding East Midlands Shared Services was noted as part of the Committee's deliberations regarding the organisation's annual report. This opinion of the position in 2018-19 has changed as a result of the 2018-19 external audit and other developments, as the committee heard in the Revised 2018-19 AGS.
- an overview of external assurances as part of the Internal Audit Annual Report

Financial Reporting

Statement of Accounts (SOA)

Rationale

The SOA is an annual publication that shows how the Council's resources have been utilised, it must be prepared in accordance with all legislative requirements and professional best practice, and approved by the Council within a defined timescale. The Committee's terms of reference include a duty to review and approve the Council's SOA on behalf of the Council.

Summary of Work

In January 2020 the Committee reviewed and agreed the accounting policies on which the 2019-20 annual accounts have been prepared. The 2018/19 SOA and AGS were received and discussed by the Committee in July 2019, and again in July 2020 following the delayed conclusion of the external audit. The Committee maintained a dialogue with the external auditor and noted the issues identified by him, whilst continuing to seek assurances from officers of the Council and group companies that these were being addressed. The Committee notes that more robust assurance is required in future years for timely completion of group company audits.

Role of the Audit Committee and Annual Work Programme

Rationale

An Audit Committee is central to the provision of effective corporate governance. It is important that local authorities have independent assurance about the mechanisms underpinning their governance arrangements. It is recognised that high performing councils develop effective financial and non-financial control mechanisms through the ongoing liaison and development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, with terms of reference focussed on the key audit, control and risk management areas critical to the Council's performance. The work of the Committee supports the Council's aim to improve its efficiency and effectiveness. In common with the requirement for Overview & Scrutiny Committees/Panels, and in accordance with CIPFA guidance, the Committee is politically balanced and does not have Executive membership.

Summary of work

The Committee has periodically considered and endorsed reports detailing its work programme. This work aims to improve the Committee's efficiency and effectiveness and ensure it addresses its terms of reference as approved by the City Council and has regard to relevant guidance. Coverage as contained in the programme is essential for the Committee to gain assurance regarding governance on behalf of the Council. In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair produces an annual report in respect of its activities. The last annual report outlined the work undertaken by the Committee and how that related to its core responsibilities to demonstrate how the committee had fulfilled its designated role and contributed to the Council's governance framework.

Looking Forward

The Audit Committee will amongst other activities

- respond to requirements resulting from the Report in the Public Interest including
 - full involvement of the Chair in the review of committees' Terms of Reference
 - receiving training on the roles of Executive Board, Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee and the Audit Committee and how to recognise conflicts of interest
 - supporting the continuing development and refinement of Council company risks included in the risk register, including receiving a report on the high level risk register regularly as determined by review
 - considering the findings of the reviews set out in the Council's action plan
- have oversight of the Corporate Risk Register and associated management assurance frameworks including examination of key risks as needed
- review the Council's response to the Covid-19 pandemic

Independence

The key criterion in assessing the independence of the Committee is that its members are non-executives and their conduct on the Committee is independent of

political allegiances. There have been a number of challenges in maintaining this independence throughout the year, and councillors have sought advice from legal and governance officers to achieve this requirement, and we have left the meeting where a conflict of interest was apparent. We accept the observations of the external auditor about the conflicts of interest that arise when councillors act as directors on council owned companies and the Council will make appropriate arrangements including for the Audit Committee once its governance review is concluded. The Redmond Review on Local Audit has reported this month and we will also take this report into consideration going forward. I thank members of the Committee for their contribution.

Training & Development

Members of the committee attended a training session in September 2019 facilitated by Link Asset Services (who advise the Council on Treasury Management), with the aim of providing members with an overview of Treasury Management , the challenges and key areas the committee should focus on. The programme for this event was:

- An overview of treasury management, risk and Members' role
- The economy and the risks this raises from a treasury management perspective
- Interest rate expectations
- The Council's Balance Sheet in simple terms and what this means for treasury management
- Internal borrowing – the risks and benefits
- Debt management
- Investment issues

Training sessions on the Statement of Accounts took place in July 2019. Further refresher training will take place prior to members' consideration of the 2019/20 Statement of Accounts. New member induction training took place as required and the role of members on the Audit Committee was outlined and discussed as part of its work programming (as set out above).

An annual training programme will be developed as part of the response to the Report in the Public Interest to ensure that members are able to fulfil their roles effectively.

Conclusion

Having considered the available guidance, the terms of reference and duties of the Audit Committee, and the work undertaken over the period since the last annual report, it is my assessment that the Committee has carried out its roles effectively during 2019/20. However, it should be noted that the Committee's roles and responsibilities are currently being reviewed as part of the response to the Report in the Public Interest.

Appendix A - Analysis of Audit Committee Work Programme

Description	Report	Meeting			
(a) Main Purposes:					
1. The Audit Committee is a key component of Nottingham City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.	Annual Audit Committee Report		29JUL		
2. Provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.	External Audit Report, Annual Audit Committee Report Annual Governance Statement (AGS) reports	5JUL	29JUL		
3. Provide independent review of the Council's governance, risk management and control frameworks.	AGS & Risk Management reports			JAN	FEB
4. Oversee the financial reporting and annual governance processes.	Statement of Accounts & AGS reports	5JUL	29JUL		
5. Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.	Annual IA Plan and updates & EA Updates		14OCT (2)		FEB
6. Scrutinise 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.	Statement of Accounts, EA Updates, IICSA, Performance & Corporate Risk reports and presentations	5JUL	29JUL		
7. Oversee proposed and actual changes to the Council's policies and procedures pertaining to governance.	Non-Executive Amendments to the Constitution, Interim AGS & Governance Framework Updates	5JUL	29JUL	JAN	FEB

Description	Report	Meeting			
(B) Main Functions:					
Governance, Risk & Control					
1. Review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	AGS reports		29JUL		FEB
2. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	AGS	5JUL	29JUL		
3. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	Annual Audit Letter		29JUL		
4. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	Assurance Reports (H&S ITG Complaints Partnerships)		29JUL	SEP	JAN FEB
5. Receive and consider the results of reports from external inspectors, Ombudsman and similar bodies and from statutory officers.	Annual summary of External Inspections, IICSA, Complaints & LG Ombudsman		29JUL	SEP	
6. Monitor the effective development and operation of risk management in the council.	Risk Management Updates & Strategic Risk Presentations			JAN	
7. Monitor progress in addressing risk-related issues reported to the committee.	Risk Management Updates, External Audit of Group & Major Projects Presentation		14OCT (2)	JAN	FEB
8. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	IA Progress Updates & Service presentations as required		29JUL		

Description	Report	Meeting			
9. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	Annual IA Report & Annual Audit Letter		29JUL		
10. Monitor the counter fraud strategy, actions and resources.	Annual IA Report		29JUL		
11. Review the governance and assurance arrangements for significant partnerships or collaborations, including the Partnership Governance Framework, annual health checks and the Register of Significant Partnerships.	Partnership Governance				
12. Commission work from internal and external audit.	[Audit Committee will commission any additional work it has determined that it requires to meet its terms of reference]	Not applicable in 2019/20			
13. Consider arrangements for and the merits of operating quality assurance and performance management processes.	Council Plan Corporate Performance				FEB
14. Consider the exercise of officers' statutory responsibilities and of functions delegated to officers.	e.g. S114A & S5A reports	Not applicable in 2019/20			
15. 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.	Treasury Management Strategy and TM Performance	5JUL		SEP	
16. Consider any appeals made by an employee against decisions made by the Appointments and Conditions of Service Committee relating to a grievance made against the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees.	[Audit Committee will be advised by officers if/when it is required to carry out this role]			JAN	
Financial Reporting					
17. 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.	Statement of Accounts		29JUL		
			14OCT (2)		

Description	Report	Meeting			
18. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	ISA 260 report (with Statement of Accounts)		29JUL		
19. Approve the Council's Statement of Accounts and associated governance and accounting policy documents	Accounting Policies, Statement of Accounts, ISA260 & Annual Governance reports		29JUL	SEP	
				JAN	
External Audit					
20. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	Annual Audit Letter		29JUL		
21. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	Annual Audit Letter		29JUL		
22. Consider specific reports as agreed with the external auditor.	e.g. public interest reports		14OCT (2)		
23. Comment on the scope and depth of external audit work and to ensure it gives value for money.	EA reports	5JUL	29JUL		
24. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	Annual Audit Committee Report		14OCT (2)		
			29JUL		
Internal Audit					
25. Undertake the duties of the Board mandated by PSIAS as identified in Appendix 2.	PSIAS duties are listed below		29JUL		
26. Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services.	IA Progress Reports		29JUL		FEB

Description	Report	Meeting			
27. Consider the head of internal audit's annual report.	Annual IA Report		29JUL		
28. Consider summaries of specific internal audit reports as requested.	IA Progress Reports		29JUL		FEB
Accountability Arrangements					
29. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.	Annual Audit Committee Report		29JUL		
30. Report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	Annual Audit Committee Report		29JUL		
31. Publish an annual report on the work of the committee.	Annual Audit Committee Report		29JUL		
PSIAS Duty of the Board					
1. Approve the Internal Audit Charter	Annual IA Report		29JUL		
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	Annual IA Report		29JUL		
3. Approve decisions relating to the appointment and removal of the Chief Audit Executive	[If required the S151 Officer will provide a report]	Not applicable in 2019/20			
4. Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Annual IA Report		29JUL		

Description	Report	Meeting			
5. Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Annual IA Report		29JUL		
6. The Chair to provide feedback for the Chief Audit Executive's performance appraisal	Annual Audit Committee Report		29JUL		
7. Provide free and unfettered access to the Audit Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.	Annual IA Report		29JUL		
8. Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.	Annual IA Report		29JUL		
9. Approve significant additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	IA Progress Reports		29JUL		FEB
10. Contribute to the QAIP and in particular, to oversee the external quality assessment of internal audit that takes place at least once every five years.	Annual IA Report		29JUL		
11. Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Annual IA Report		29JUL		
12. Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters	Annual IA Report		29JUL		
13. Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Annual IA Report		29JUL		

Description	Report	Meeting			
14. Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Annual IA Report		29JUL		

Appendix B – List of Reports to Audit Committee by Date

5 Jul 2019

DRAFT STATEMENT OF ACCOUNTS 2018-19
Report of the Strategic Director for Finance

EXTERNAL AUDIT UPDATE
Verbal Update of the External Auditors

TREASURY MANAGEMENT 2017/18 ANNUAL REPORT
Report of the Strategic Director of Finance

INTERIM ANNUAL GOVERNANCE STATEMENT 2018-19
Report of the Strategic Director of Finance

AUDIT COMMITTEE TERMS OF REFERENCE AND
ANNUAL WORK PROGRAMME
Report of the Director of Strategic Finance

EMSS ANNUAL REPORT 2017/2018
Report of the Strategic Director of Finance

29 Jul 2019

NON-EXECUTIVE AMENDMENTS TO THE CONSTITUTION
Report of the Director of Legal and Governance

EXTERNAL AUDIT REPORT
Report of the External Auditors

STATEMENT OF ACCOUNTS 2018-19
Report of the Strategic Director of Finance

ANNUAL GOVERNANCE STATEMENT 2018-19
Report of the Strategic Director of Finance

AUDIT COMMITTEE ANNUAL REPORT 2018-19
Report of the Chair of Audit Committee (2017/18)

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2018-19
Report of the Strategic Director of Finance

Sep 2019

INDEPENDENT INQUIRY INTO CHILD SEXUAL ABUSE (IICSA) REPORT
Presentation by Leader of the Council & Director for Children and Adults

TREASURY MANAGEMENT TRAINING SESSION
Verbal Presentation by Link Asset Services

COMPLAINTS ANNUAL ASSURANCE 2018-19 REPORT
Report of the Corporate Director for Strategy and Resources

STATEMENT OF ACCOUNTS UPDATE
Verbal Report - Draft Statement of Accounts

14 Oct 2019 (1)

AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK
PROGRAMME
Report of the Director of Strategic Finance

14 Oct 2019 (2)

EXTERNAL AUDIT OF NOTTINGHAM CITY COUNCIL GROUP
Verbal Update of the External Auditors

Jan 2020

NON-EXECUTIVE AMENDMENTS TO THE CONSTITUTION

Report of the Director of Legal and Governance

ANNUAL REPORT OF HEALTH AND SAFETY WITHIN THE COUNCIL

Report of the Director of Legal and Governance

TREASURY MANAGEMENT 2019-20 HALF YEARLY UPDATE

Report of the Strategic Director of Finance

REVIEW OF ACCOUNTING POLICIES 2018/19

Report of the Strategic Director of Finance

RISK MANAGEMENT FRAMEWORK AND CORPORATE RISK REGISTER UPDATE

Report of the Strategic Director for Finance

ANNUAL INFORMATION GOVERNANCE AND COMPLIANCE ASSURANCE

Report of the Director of Legal and Governance

Feb 2020

GOVERNANCE OF MAJOR PROJECTS

Presentation by the Head of Major Projects

PARTNERSHIP GOVERNANCE ANNUAL HEALTH CHECKS OF NOTTINGHAM CITY
COUNCIL'S SIGNIFICANT PARTNERSHIPS

Report of the Director of Strategy and Policy and the Head of Analysis and
Insight

COUNCIL PLAN CORPORATE PERFORMANCE REPORTING

Report of the Corporate Director for Strategy and Resources

TREASURY MANAGEMENT STRATEGY 2020/21 AND CAPITAL & INVESTMENT
STRATEGY 2020/21

Report of the Strategic Director of Finance and S151 Officer

ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES
REPORTED 2018/19 AND PROCESS FOR PRODUCING 2019/20 STATEMENT

Report of the Corporate Director for Strategy & Resources

INTERNAL AUDIT PROGRESS REPORT 2019/20

Report of the Strategic Director of Finance

AUDIT COMMITTEE WORK PROGRAMME

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Audit Committee – 25 September 2020

Title of paper:	Internal Audit Annual Report 2019/20	
Director(s)/ Corporate Director(s):	Laura Pattman Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Audit and Risk 0115 8764245 shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note the following as detailed in Appendix 1 <ul style="list-style-type: none"> • The audit work completed during the year, including the use of other sources of assurance and reliance upon those other sources. • The Head of Audit and Risk's Annual Opinion • Note the proposed Audit Plan for 2020/21 	
2	Approve the Internal Audit Charter in Appendix 2	
3	Note the Counter Fraud Strategy in Appendix 3	
4	Note the Whistleblowing Policy in Appendix 4	

1 Reasons for recommendations

- 1.1 This report outlines the work of the Internal Audit (IA) service to the end of the fourth quarter 2019/20. The report includes the Head of Audit & Risk's annual opinion on the effectiveness of the internal control systems operating within the City Council and its significant partnerships and the Audit Charter.
- 1.2 The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 1.3 The Audit Committee's Terms of Reference include the following Public Sector Internal Audit Standards (PSIAS) requirements for the "Board" (see 1.4):
- Approve the risk-based internal audit plan
 - Approve the Internal Audit Charter
 - Receive an annual confirmation from the Head of Audit and Risk with regard to the organisational independence of the internal audit activity
 - Making appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations
 - Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters

- Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan.
 - Receiving the results of the Quality Assurance and Improvement Programme from the Head of Audit and Risk
- 1.4 The PSIAS require the responsibility for the management of Internal Audit to be set with the Board. In practical terms, this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City Council.
- 1.5 The PSIAS require the Head of Audit & Risk to deliver an annual audit opinion and report that can be used to inform the Annual Governance Statement. The annual report should include a summary of the work supporting the opinion.
- 1.6 This report seeks endorsement of the City Council's updated Counter Fraud Strategy (CFS), the Counter Fraud Strategy for Schools (SCFS) and the City Council's Whistle Blowing Procedure.
- 1.7 The report supports the Audit Committee in fulfilling purpose and function elements of its terms of reference including Public Sector Internal Audit Standard (PSIAS) duties as follows:
- Purpose*
7. *Oversee proposed and actual changes to the council's policies and procedures pertaining to governance.*
- Functions*
10. *Monitor the counter-fraud strategy, actions and resources.*

2 Background

- 2.1 The Internal Audit service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework.
- 2.2 The coverage set out in the 2019/20 Internal Audit Plan has been substantially achieved and key Performance Indicator targets have been met.
- 2.3 The assurance gained from this activity together with that gained from a review of other control and assurance mechanisms, has enabled the Head of Audit & Risk to give a limited assurance that the internal control systems are operating effectively within the Council and its significant partnerships.
- 2.4 Good governance policies and procedures are essential when allocating and controlling Council resources and supporting effective delivery of the Council's strategic and operational objectives.
- 2.5 A cornerstone of the Council's governance policies is the CFS, which brings together the key strands of governance into an overarching strategy document. The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity.
- 2.6 An effective CFS provides the basis for developing a counter fraud culture in the Council and, as part of the Council's control system, the elements of the CFS

contribute positively to the assurance received by the Committee in respect of the effectiveness of the control environment.

- 2.7 The CFS is the main strategy statement geared towards protecting public funds and assets by requiring compliance with regulations, rules, procedures and guidelines designed to promote the highest standards of conduct and behaviour.
- 2.8 The changes to the strategy and response plans include a general update and clarifications in terms of roles and responsibilities.
- 2.9 The CFS will continue to evolve and develop to reflect changes in legislation and best governance practice. The strategy was last approved by the Committee in February 2019.
- 2.10 The Schools Counter Fraud Strategy has previously been published and approved by Committee in February 2019. There have been no changes made to this document.
- 2.11 Internal Audit periodically liaise with HR colleagues to refresh the City's Whistle Blowing Procedure. The Whistle Blowing Procedure identifies the kind of complaints covered and how they should be raised with the Monitoring Officer or the line manager. It also states that Line Managers or HR colleagues who are made aware of possible whistle blowing complaints must in the first place seek advice from the Monitoring Officer or Internal Audit so that the complaint can be considered and a decision made on how to proceed. The procedure aims to reassure those raising a complaint that they will not suffer detriment. The version in Appendix 4 provides a slight amendment to the version approved in February 2019 with respect to external contacts.

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

List of Appendices

- | | |
|-------------------|--|
| Appendix 1 | INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019-20 |
| Appendix 2 | INTERNAL AUDIT CHARTER |
| Appendix 3 | COUNTER FRAUD STRATEGY |
| Appendix 4 | WHISTLEBLOWING POLICY |

4 Published documents referred to in compiling this report

- Accounts and Audit Regulations 2015
- Internal Audit Plan 2019/20
- CIPFA SOLACE Delivering Good Governance in Local Government
- Public Sector Internal Audit Standards 2017
- Counter Fraud Strategy – Audit Committee February 2019
- Schools Counter Fraud Strategy – Audit Committee February 2019
- Whistleblowing Policy – Audit Committee February 2019

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1. **Introduction**

1.1. This charter sets out the purpose, authority and responsibility of the internal audit activity at Nottingham City Council. It establishes the position of internal audit and the chief audit executive within the organisation, including reporting relationships with the 'board'. It covers the arrangements for appropriate resourcing; defines the scope of internal audit activities and role of internal audit in any fraud-related work. It includes arrangements for avoiding conflicts of interest (**for example** if internal audit undertakes non-audit activities). It also sets out the objectives, framework and services delivered by internal audit (which are in accordance with the mandatory Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing as outlined in the Public Sector Internal Audit Standards (PSIAS)).

2. **Purpose, Authority & Responsibilities**

Definition of Internal Auditing

2.1. Internal audit's purpose is to provide an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.2. In accordance with the PSIAS internal audit shall have right of access to all

- records, documents, correspondence, data or information systems, including those of third parties,
- assets including those held on behalf of others,
- personnel, and
- premises or land and
- such information, explanations or assistance as it considers necessary to fulfil its responsibilities from any employee, contractor, supplier, customer, partner
- Senior Management and Statutory Officers, the Executive and Audit Committee

The rights above apply equally to organisations which have links with or provide services on behalf of Nottingham City Council, its group companies, joint ventures and partnerships (e.g.: wholly owned companies, voluntary organisations or other agents acting on behalf of the Council) where the City Council has a statutory or

contractual entitlement to exercise such right. These rights shall be included in all contractual arrangements entered into with such organisations.

3. Responsibilities

The Board (Audit Committee)

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority an Audit Committee may satisfy the role of the Board. At Nottingham City Council the Audit Committee fulfils the role and responsibilities of the Board as laid out in the PSIAS. The Audit Committee helps to demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business.

- 3.1. The key duties of the Board as laid out in the PSIAS and how compliance is achieved are as follows:

PSIAS ref	Duty of the Board	Compliance or Explanation
1000	Approve the Internal Audit charter	Comply
1110	Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant* changes	Comply (budget and resources to be approved by S151 officer)
1110	Approve decisions relating to the appointment and removal of the Chief Audit Executive	This role is fulfilled by S151 officer but NCC recruitment process allows the Chair to be a stakeholder representative on recruitment panel. The Chair would also be consulted on any decision to remove the CAE.
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Comply
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Comply
1110	The chair to provide feedback for the Chief Audit Executive's performance appraisal	Comply

PSIAS ref	Duty of the Board	Compliance or Explanation
1130	Approve significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	Comply
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Comply
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters	Comply
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Comply

*Significant is taken to mean 5% of the audit plan in days.

Senior Management

3.2. The role of Senior Management includes the following:

PSIAS Ref	Role
1000	Approve the internal audit charter
1100	Allow the Chief Audit Executive direct and unrestricted access to meet with them and report to them
1111	The chief executive to provide feedback for the Chief Audit Executive's performance appraisal
1130	Receive details of any impairment to independence or objectivity disclosed by the Chief Audit Executive
2010	Input to the risk based Internal Audit plan
2060 & 2500	Receive periodic reports from the Chief Audit Executive on internal audit activity that includes follow up reports
1312	Act as sponsor for external assessments of the Internal Audit function
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive
1322	Receive disclosure of non-conformance with PSIAS from the Chief Audit Executive

PSIAS Ref	Role
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the impact of any resource limitations and other matters
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board
2330 & 2440	Approve release of engagement records or results to external parties, as appropriate

3.3. Within Nottingham City Council 'Senior Management' is defined as the Section 151 Officer, Statutory Officers, Corporate Directors and Directors. These officers will meet with the Chief Audit Executive on request (Standard 1100).

3.4. At Nottingham City Council the Chief Finance Officer (and S151 Officer) has line management responsibilities for the Chief Audit Executive at the time of approval of this report. The officer with line management responsibilities for the Chief Audit Executive will

PSIAS Ref	Role
1000	Approve the internal audit charter
1130	Receive details of any impairment to independence or objectivity disclosed by the Chief Audit Executive
1312	Act as sponsor for external assessments of the Internal Audit function
1320	Receive the results of the quality assurance and improvement programme
1322	Receive disclosure of non-conformance with PSIAS from the Chief Audit Executive
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters
2330 & 2440	Approve release of engagement records or results to external parties, as appropriate

Chief Audit Executive

3.5. The Chief Audit Executive is a professionally qualified (CMIIA, CCAB or equivalent) person with suitable experience in a senior position responsible for effectively managing the internal audit activity in

accordance with the internal audit charter and the PSIAS Definition of Internal Auditing, the Code of Ethics and the Standards. Within Nottingham City Council the Head of Audit & Risk is the designated 'Chief Audit Executive'.

3.6. The Chief Audit Executive will maintain an effective working relationship with the Audit Committee, this will include:

PSIAS ref	Role
1000	Prepare and submit for approval the internal audit charter
1110	Prepare an annual confirmation with regard to the organisational independence of the internal audit activity
1110	Report on whether there are inappropriate scope or resource limitations
1130	Report for approval significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted
1312	Discuss the form of external assessments and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest
1320 & 1322	Report the results of the Quality Assurance and Improvement Programme including the assessor's evaluation with respect to degree of conformance and disclosure of non-conformance and its impact
2020 & 2030	Communicate internal audit's audit plan and resource requirements including the approach to using other sources of assurance, any significant* changes and the impact of any resource limitations and other matters
2060	Report on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.
2450	Deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
2500	Establish a follow up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action

PSIAS ref	Role
2600	Communicate to senior management and if necessary the board where concluding that management has accepted a level of risk which is unacceptable to the organisation
1000	Attend board meetings and contribute to the agenda.
	Arrange for the provision of training and technical support to keep board members informed of relevant legislation, good practice and governance issues.
	Participate in the board's review of its own remit and effectiveness.
	Access to all reports. Those considered to be of the highest risk will be highlighted and brought to their attention.

- 3.7. Progress reports will include the outcomes of internal audit work in sufficient detail to allow the board to understand what assurance it can take from that work, and / or what unresolved risks or issues it needs to address.
- 3.8. The annual internal audit report will include an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.
- 3.9. In addition the Chief Audit Executive will:

PSIAS ref	Role
2330	Control access to and develop retention requirements consistent with the organisations guidelines and other requirements for engagement records and obtain approval of senior management prior to releasing such records to external parties, as appropriate.
2340	Ensure that engagements are properly supervised
2440 & 2421	Review and approve communication of results of engagements to parties who can ensure that the results are given due consideration and correct any final communication error or omission to all relevant parties. Control release of results to parties outside the organisation.

Internal Audit

- 3.10. Internal Audit's responsibilities include looking at how risk management, control, governance processes, and other resources are managed, and working with managers to add value, and improve the security, efficiency and effectiveness of their processes.

- 3.11. Individual auditors are responsible for ensuring that they operate with due professional care. This means they will follow the Nottingham City Council Internal Audit Code of Ethics in section 12 of this charter.
- 3.12. Internal auditors will make every effort to ensure a high quality service that complies with the PSIAS.

4. Position within the Organisation (including reporting relationship with the board)

- 4.1. Internal Audit will remain independent of the areas audited to ensure that auditors perform their duties impartially, providing effective professional judgements and recommendations. Internal Audit will not have any operational responsibilities.
- 4.2. Accountability for the response to advice, guidance and recommendations made by Internal Audit lies with management. Management can either accept or implement the advice and recommendations or reject it, having regard to any statutory responsibilities and overriding instructions of the Council. Internal Audit retain the right to review the relevant policies, procedures, controls and operations at a later date, notwithstanding any advice, guidance or recommendations made.
- 4.3. The Chief Audit Executive will report the results of audit work in accordance with responsibilities set out in this charter and mandated by PSIAS including reporting to senior managers and the board.

Note: The terms 'senior managers and the board' are defined above.

5. Resourcing

- 5.1. The service will be delivered to professional standards by appropriately qualified, knowledgeable, experienced and skilled staff. The Chief Audit Executive will define the mix of these attributes through the Internal Audit Training Strategy, which will be updated on an annual basis to maintain an effective and agile audit service, support the audit plan and performance appraisals.
- 5.2. Internal Audit will seek more efficient and effective ways to deliver the audit service, provide assurance to councillors and help improve value for money and quality of Council services. Internal Audit will work to introduce continuous audit with the aim of evaluating control effectiveness across key systems on an ongoing basis and highlight high risk transactions or events on a timely basis.

- 5.3. Internal Audit will work with partners from local government and other sectors as necessary to ensure we have the right skills and resources to deliver a quality driven professional service to the Council.
- 5.4. Internal Audit will work in partnership with other inspection bodies to ensure that we get the maximum audit coverage from the resources invested; taking assurance from each other's work where appropriate.
- 5.5. If the Chief Audit Executive or those charged with governance consider that the adequacy and sufficiency of internal audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of Internal Audit, they will advise Senior Management and, if appropriate, the Executive accordingly.
- 5.6. Sufficiency of Internal Audit resources will be determined in accordance with the Internal Audit Planning Methodology.

6. Scope

- 6.1. The scope for Internal Audit is the control environment comprising risk management, control and governance of Nottingham City Council, and includes all of the council's, its partners', group and associate companies' operations, resources, services and responsibilities in relation to other bodies.. It covers all financial and non-financial related activities, systems and resources of the Council at all levels of its structure.
- 6.2. The internal control system is defined as including the whole network of systems and controls established by management to ensure that the objectives are met. It includes both financial and other controls for ensuring that corporate governance arrangements are satisfactory and best value is achieved. In determining where effort should be concentrated, the Chief Audit Executive will take account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving its objectives. Internal Audit may contribute to this by identifying elements of an appropriate corporate assurance framework.
- 6.3. Internal Audit will consider the results of the Council's risk management processes. Where the results indicate adequate action has already been undertaken to manage the risks / opportunities Internal Audit will take this into account. Where the results indicate that insufficient work has been done then Internal Audit may undertake a separate review.

- 6.4. The scope of audit work extends to services provided through partnership arrangements. The Chief Audit Executive will decide, in consultation with all parties, whether Internal Audit conducts the work to derive the required assurance or rely on the assurances provided by others. Where necessary, the Chief Audit Executive will agree appropriate access rights to obtain the necessary assurances.
- 6.5. Internal Audit will not undertake tasks, which are likely to compromise its independence, internal control functions or certification processes.
- 6.6. To enable Internal Audit to meet its objectives, it will undertake work within a scope of activities including but not limited to any of the following:
- review of controls within existing systems and systems under development
 - compliance with policies and procedures including Financial Regulations
 - transactions testing to ensure accuracy of processing
 - contract audit
 - establishment reviews
 - computer audit including data analytics
 - anti-fraud work
 - investigation of suspected fraud and irregularities
 - value for money reviews and transactions testing
 - provision of advice to Directorates and establishments including consulting services
 - provision of audit services to external clients.

Consulting Service

- 6.7. The PSIAS defines consulting services as follows: “Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.” No non-audit activities will be undertaken. The terms of reference of any consulting services will be designed to avoid impairment of objectivity for future audits.
- 6.8. The PSIAS requires that approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within Nottingham City Council significant is defined as any single assignment equivalent to 5% of annual planned days; these will be brought to the Audit Committee for approval. The decision to include it

in the plan will depend on the level of risk identified and whether reliance can be placed on opinions provided by others.

Fraud & Corruption

- 6.9. The primary responsibility for the prevention and detection of fraud and corruption lies with management, who are also responsible for the management of fraud risks. In support of this, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They will also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.
- 6.10. The arrangements within the City Council's Counter Fraud Strategy and Fraud Response Plan, requiring that the Chief Audit Executive is notified of all suspected or detected fraud, corruption or impropriety, immediately. This enables the response plan to be implemented and helps to inform the Chief Audit Executive's annual internal audit opinion and the risk-based plan
- 6.11. The role of Internal Audit in any fraud-related work will be determined in accordance with the Fraud Response Plan.

7. Avoiding Conflicts of Interest

- 7.1. Internal audit staff will maintain an impartial, unbiased attitude to their work and will avoid conflicts of interest.
- 7.2. The Chief Audit Executive will maintain a register of interests for Audit staff. Any interests declared will be taken into account when planning and delivering work.
- 7.3. Arrangements exist to enable audit managers to report directly to the Section 151 Officer on any activities that are managed by the Chief Audit Executive.
- 7.4. Assignment arrangements preclude internal auditors from assessing specific operations for which they were previously responsible or where a substantive conflict of interest is identified including previous consulting activity that could be seen as impairing objectivity.

8. Business Plan Objectives

- *To deliver an internal audit service that meets professional and mandatory standards and delivers suitable assurance to the Council.*

- *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*
- *To deliver an effective counter fraud service to prevent, detect and deter fraud and error.*

9. Statutory Requirements

9.1. There is a statutory requirement for Local Authorities to have **an** internal audit and counter fraud function. This service is provided for the Council in-house. The **Chief Audit Executive** provides a continuous internal audit and counter fraud service and reviews the Council's controls and operations.

9.2. The services provided are in accordance with the following legal and professional requirements subject to any enacted amendments:

Legal:

- *Accounts and Audit Regulations 2015 [requirement for an internal audit and requirement for officers or councillors to provide information and records requested, the requirement to take account of PSIAS]*
- *Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013 [powers to require information in relation to council tax offenders]*
- *Criminal Justice Act 2003*
- *Criminal Procedures Investigation Act 1996*
- *Data Protection Act 2018 & General Data Protection Regulation*
- *Fraud Act 2006*
- *Bribery Act 2010*
- *Freedom of Information Act 2000*
- *Human Rights Act 1998*
- *Local Government Acts*
- *Police & Criminal Evidence Act 1984*
- *Proceeds of Crime Act 2002 & Criminal Finances Act 2017*
- *Regulation of Investigatory Powers Act 2000*
- *Social Housing Fraud (Power to Require Information) Regulations 2014*
- *The Protection of Freedoms Act 2012*
- *Theft Act 1978*
- *Welfare Reform Act 2012*
- *Public Interest Disclosure Act 1998*

Professional Requirements:

- *Relevant CCAB professional guidance including the Public Sector Internal Audit Standards*
- *Department for Work & Pensions (DWP) Performance Standards Framework*
- *Information Security - BS EN ISO27001:2013*

- 9.3. The Chief Audit Executive reports to the Section 151 Officer under the Local Government Act 2002.
- 9.4. The Council adopted the CIPFA / SOLACE code of corporate governance in July 2002. This code together with the Statement of Recommended Practice (SORP) 2002 introduced the requirement for an annual statement of assurance to be made. The Council has subsequently reviewed / revised their Local Code of Governance in accordance with successive updates to the CIPFA / SOLACE Framework - Delivering Good Governance in Local Government. This means that the Chief Executive and Leader are required to sign a formal corporate assurance statement (known as the Annual Governance Statement (AGS)) on the effectiveness of the Council's governance arrangements and identify any significant governance issues.
- 9.5. Internal Audit has a role to play in advising Directors regarding the processes, and reporting mechanisms needed to compile their own assurance statements, which the AGS will be based on. An assurance framework has been introduced which places greater reliance on 'management assurance'. This is obtained from individual officers around specific areas of risk and the assurance documentation completed annually at both directorate and business unit level.
- 9.6. In addition the Council is developing an assurance framework and assurance mapping in order to better achieve its objectives.
- 9.7. The audit plan is risk based and delivered to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place. The Chief Audit Executive opinion will be prepared using the following sources of assurance, Internal / External Audit work, the AGS process, Risk Management processes and assurances identified in the assurance framework. Internal Audit will work with other assurance providers to improve overall coverage and avoid duplication of effort.
- 9.8. The Chief Audit Executive gives an opinion on the internal control environment, which forms part of the AGS, which the Council is legally required to produce as part of the final accounts. The work undertaken by Internal Audit makes an important contribution to providing assurance around the control environment, and the content of the AGS. The categories of work include but are not limited to: -
- *Section 151 work around the major and significant financial systems*
 - *IT Governance*

- *Audit around the major risks and the risk management process*
- *Audit of corporate governance / business control assurance arrangements*
- *Evaluating the assurance available from other sources*
- *Counter fraud activities*
- *Work to ensure adequate whistleblowing arrangements*

10. The Annual Audit Plan

10.1. The Internal Audit Planning Methodology involves the following steps:

1. **Understand corporate objectives and risks** by reviewing the Council Plan and Corporate Risk Register
2. **Understand departmental risks** by reviewing departmental risk registers
3. **Consider local and national issues** and how Nottingham City Council is affected
4. **Consult with key stakeholders within NCC** to identify potential emerging risks and to consider the expectations of stakeholders for internal audit opinions and other conclusions
5. **Utilise the Assurance Framework** to identify any possible gaps that represent potential reviews for inclusion in the Audit Plan, this will include external providers including external auditors
6. **Consider the requirements of the PSIAS** and ensure that the Internal Audit Plan reflects the expectation of the standard.
7. **Consider the results from Internal Audit reviews/recent experience** and put forward areas of concern as potential reviews including professional judgement on the risk of fraud and error
8. **Determine the minimum level of audit coverage**, timing and scope of audits to provide the annual Head of Audit Opinion on the control environment. This includes determining the approach to using other sources of assurances and any other work required to place reliance upon those other sources
9. **Consider the level of resources available** for the delivery of the audit plan including that these are appropriate, sufficient and effectively deployed.

10.2. The number of days allocated in the plan will include the resources required to provide internal audit services to external clients.

10.3. Following discussions with the External Auditors Internal Audit agreed that each of the systems they designate as 'key financial systems' would feature in the audit plan, unless otherwise directed.

10.4. Internal Audit will assess the Council against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Prevention and detection of fraud remains a priority for the Council.

- 10.5. Internal Audit will continue to develop its approach to audit work following best practice to put more emphasis on reducing the risk of fraud. Counter fraud activity will include both reactive and proactive fraud work and providing further assistance to officers to better manage the risk of fraud through prevention, detection and deterrence. This will include work in relation to the NFI.
- 10.6. Follow up audits will be undertaken in accordance with the Internal Audit Follow-Up Policy which ensures compliance with PSIAS requirements.
- 10.7. Consultancy work will be undertaken within the limitations of existing resources.
- 10.8. A Charging Policy has been implemented. An appropriate charge will be made based on the type of work involved, priority and resources required. Requested work will be refused if in the opinion of the Chief Audit Executive it fails to provide an adequate level of prioritised assurance.

11. Quality Assurance and Improvement

- 11.1. In accordance with PSIAS the Chief Audit Executive (CAE) has developed and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity.
- 11.2. The Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders that Internal Audit:
 - a) Performs its work in accordance with its Charter, which is consistent with the PSIAS
 - b) Operates in an effective and efficient manner; and
 - c) Is perceived by stakeholders as adding value and improving Internal Audit's operations.
 - d) To that end, Internal Audit's QAIP will cover all aspects of the Internal Audit activity (PSIAS Attribute Standard 1300).
- 11.3. The Chief Audit Executive is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.
- 11.4. All members of the Internal Audit team have responsibility for maintaining quality.

12. NCC IA Code of Ethics

The code of ethics is a mandatory element of public sector internal audit as a result of the Public Sector Internal Audit Standards. The following requirements are set out by the standards and apply to NCC IA.

Components

1 Principles that are relevant to the profession and practice of internal auditing;

2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services.

1 Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

1.1 Shall perform their work with honesty, diligence and responsibility.

1.2 Shall observe the law and make disclosures expected by the law and the profession.

1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.

1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2 Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3 Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4 Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, which are as follows:

The Seven Principles of Public Life

The Principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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Nottingham City Council - Counter Fraud Strategy

1. BACKGROUND

- 1.1 The Council aims to operate and maintain a clear system of integrated policies and procedures to assist in preventing fraud and hence minimise losses to the public purse. An overview of these arrangements will be maintained and good practice promoted through the use of regulation and various colleague and Councillor Codes.
- 1.2 The Council will put procedures in place to enable citizens and colleagues to raise concerns in the knowledge that these concerns will be properly and thoroughly investigated. These procedures will be continuously developed to improve the Council's response to fraud. Incidents of fraud will be published, sanctions will be imposed and redress will be sought where appropriate.
- 1.3 The Counter Fraud Strategy will continue to evolve and develop as circumstances change. Such circumstances will include changes in legislation, procedure, accountability within services and the Council's requirements. Substantive changes to the Strategy will be reported to Councillors for endorsement.
- 1.4 According to the Annual Fraud Indicator 2017, which provides the latest set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, £7.8bn of which is specifically in local government.

2. COUNTER FRAUD IN CONTEXT

- 2.1 Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering offences, offences under the Identity Cards Act 2006, possession, making or supplying of articles for use in fraud or obtaining services dishonestly. The term is also used in respect of civil offences where claims can be made under the torts of deceit or negligence, breach of trust, or where a fidelity insurance claim may be made.
- 2.2 Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the City Council has developed this Strategy to deter fraud whether it is attempted from outside or within the Council.
- 2.3 This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that Council resources are not diverted away from delivery of the priorities within the Council Plan.

2.4 This Strategy is based on:

- the seven Nolan Principles for Public Life;
- three additional principles in the Relevant Authorities Order 2001;
- best practice as previously defined by professional bodies;
- legal requirements including that incorporated in the, Public Interest Disclosure Act 1998, Competition Act 1998, Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, Fraud Act 2006, Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013, Public Contracts Regulations 2006, Local Government Act 1972, Prevention of Social Housing Fraud Act 2013, Serious Crime Act 2007 and the Bribery Act 2010.

2.5 This Strategy is based on a series of inter-related procedures designed to frustrate any act of fraud. These cover:

Culture	Section 3
Prevention	Section 4
Detection and Investigation	Section 5
Training	Section 6

3. CULTURE

3.1 The City Council expects the culture of the Council to be one of honesty and opposition to fraud. Councillors and colleagues at all levels are expected to lead by example by personally complying with and ensuring wider and comprehensive adherence to rules, procedures and practices which should feature straightforward, effective, well documented controls that are legally sound and honest.

3.2 There is a requirement, because of the use of public monies, that all individuals and organisations associated in any way with the Authority will act with integrity, without thought to or actions involving fraud. Any allegation of fraud will be dealt with in accordance with the Council's Fraud Response Plan (**Appendix B**) (see Financial Regulation (FR) C12. Fraud is likely to be considered as a serious issue if proven in disciplinary, standards or other inquiries.

3.3 Bribery is a criminal offence. The Council has a zero-tolerance towards bribery and does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council will not accept bribes or improper inducements, or use a third party to channel bribes to others and is committed to the prevention, deterrence and detection of bribery.

3.4 All individuals (irrespective of their formal employment status) working for or with the Council are an important element in the Authority's stance on bribery and fraud. They are encouraged through established procedures detailed in Financial Regulations , the People Management Handbook, Code of Conduct for Employees and the Code of Conduct for Councillors (Part 6 of the Council's Constitution) and the Confidential Reporting Code (Whistle Blowing Procedure) to raise any concerns that they may have on fraud issues where they are associated with the Authority's activities. The Council will support Councillors and colleagues in bringing such issues to its attention.

- 3.5 Councillors and colleagues can raise such issues in the knowledge that they will be treated in confidence and properly investigated. The "How to raise a concern" section of the Confidential Reporting Code details the reporting options available to colleagues.
- 3.6 If Councillors or colleagues are not satisfied with the Council's response to concerns they have raised, they have the right to refer the issue to external agencies. Possible contact points are listed in the "How the matter can be taken further" section of the Confidential Reporting Code.
- 3.7 Citizens are also encouraged to report concerns through any of the routes included in the Confidential Reporting Code. Alternatively they can use the Council's complaints procedure or the dedicated fraud lines advertised in the Council's entries in relevant telephone directories.
- 3.8 The Council will respond to all allegations as outlined in the "How the Council will respond" section of the Confidential Reporting Code and in accordance with the requirements of Financial Regulations C4.
- 3.9 However, it is important that colleagues avoid possible abuse of this process. If allegations are unfounded and malicious this is likely to be considered to be a serious disciplinary matter.

4. PREVENTION

4.1 Colleagues

- 4.1.1 The Council recognises that a key measure in preventing fraud is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential colleagues in terms of their propriety and integrity. In this regard, temporary and contract colleagues should be treated in the same manner as permanent colleagues.
- 4.1.2 Procedures for the recruitment of colleagues are detailed in the Recruitment Policy Statement, which is included in the Recruitment One Stop Shop website on the Council's intranet. Only colleagues who have attended an in-house recruitment and selection training course should be involved in recruitment.
- 4.1.3 Where references are requested, the candidate's suitability for the post needs to be in accordance with the person specification. Honesty and integrity is recognised in law as a duty owed by the employee to the employer, and the Council requires all prospective and current employees to deal with the Council honestly.
- 4.1.4 Dishonest applications will be referred for criminal investigation and prosecution if the evidence is considered to be sufficient.
- 4.1.5 Colleagues of the Council are also expected to abide by the Council's Code of Conduct for Employees which is included in the People Management Handbook. The requirement to observe the Code of Conduct is contained within the disciplinary procedure that forms part of the contract for all colleagues. The consequences of breaching the Code of Conduct are contained within the Council's disciplinary

procedures. In addition, if colleagues are members of a professional body they are also expected to follow the Code of Conduct relating to their professional qualifications.

4.1.6 The Code of Conduct includes the requirement for colleagues to formally declare any pecuniary interest in contracts or service provided as prescribed in Section 117 of the Local Government Act 1972.

4.2 Suppliers

4.2.1 The City Council is under a mandatory obligation to remove from its select lists any supplier of work, goods, materials or services that has been found to infringe “the Chapter 1 prohibition” of the Competition Act 1998 as it relates to anti-competitive agreements, decisions and concerted practices.

4.2.2 The City Council is also under a mandatory obligation detailed in the UK Public Contracts Regulations 2015 to exclude certain suppliers of work, goods, materials or services, from bidding for public sector contracts under the EU public procurement regime. Mandatory reasons include criminal conviction for certain offences and failure to pay taxes.

4.2.3 The City Council must enforce the obligations set out in 4.2.1 and 4.2.2 above when involved with the procurement of work, goods, materials or services. Guidance on enforcement is available from the Council’s Contracting and Procurement service.

4.3 Association with other organisations

4.3.1 When dealing with external organisations and/or partners, the City Council expects the highest level of integrity. Where this is not the case the Council will re-examine the relationship it has with these organisations and take any action deemed necessary to protect the public resources and demonstrate its intolerance to fraud.

4.4 Councillors

4.4.1 Councillors are required to operate within:

- The Council's Standing Orders
- The Councillors’ Code of Conduct currently adopted by the Council
- The Council's Councillor/Colleague protocol
- National Standards for Councillors, England & Wales

4.4.2 These documents are in both the Year Book and the Council’s Constitution. They include requirements for Councillors to:

- act according to principles and rules set out in the Councillors’ Code of Conduct
- disclose and register interests, including employment, business and property interests
- ensure they are not involved in matters or decisions where they have a conflict of interest.

Breaches of these requirements may be referred to the appropriate standards body.

- 4.4.3 Councillors should raise any concerns about fraud through the avenues detailed in the Strategy but must avoid raising unfounded malicious allegations which would breach the Code.

4.5 Systems

- 4.5.1 The Council's Strategic Director of Finance has a statutory responsibility under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs and has developed Financial Regulations, Contract Procedure Rules and financial processes to assist in discharging this responsibility. In addition, there is a requirement to comply with the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2014 and the Local Government Act 2003 relating to accounting records, control systems and audit.
- 4.5.2 The Financial Regulations and Contract Procedure Rules require colleagues, when dealing with the Council's financial affairs, to act in accordance with sound practices and outlines systems, procedures and responsibilities of colleagues. Colleagues involved in finance are required to attend relevant and effective departmental training programmes which promote and endorse the requirements of Financial Regulations. This programme of training will be developed to include a formal accreditation process to ensure that only appropriately trained colleagues can access main financial systems unsupervised.
- 4.5.3 Corporate Directors are responsible for the financial systems in their departments and are required to comply with Financial Regulations, which establish the rules through which they must operate. This responsibility includes considering the risk of fraud as defined by this strategy when making changes to financial systems and processes and when making changes to their department structures.
- 4.5.4 The Council has developed and is committed to continuing with systems and procedures that incorporate efficient and effective internal controls that include adequate separation of duties. Their existence and effectiveness is independently monitored and assessed by the Council's Internal Audit service, which carries out a comprehensive programme of audits targeted at key risk areas.
- 4.5.5 The City Council has appointed the Strategic Director of Finance to act in compliance with the Money Laundering Regulations and as part of this Strategy has imposed a maximum level for cash transactions of £1000. This level will be reviewed and updated from time to time.
- 4.5.6 Corporate Directors are responsible for ensuring that colleagues handling cash transactions have been recruited appropriately and are aware of their responsibilities as detailed in the relevant legislation.
- 4.5.7 In relation to Cyber Crime, emerging IT fraud threats will be monitored by the NCC IT Service to ensure our systems are able to robustly deflect and detect external cyber-crime attempts. Examples include, but are not limited to ;

- Hacking, to access the data held in our systems.
- Phishing, where external parties attempt to obtain passwords, bank account details, etc.
- Whaling, where an external party pretends to be an NCC employee, requesting another NCC employees makes a financial transaction
- Ransomware, where hackers access and 'freeze' an organisation's systems, expecting payment for the systems to be unlocked.

4.6 Combining with Others

4.6.1 Arrangements are in place and continue to develop, to encourage the exchange of information between the Council and other agencies on national and local fraud activity in relation to Local Authorities. These include but are not limited to:

- The Police
- The Cabinet Office (National Fraud Initiative) or its equivalent
- National Counter Fraud Network
- DWP – Job Centre Plus
- The European Institute for Combatting Corruption and Fraud (TEICCAF)
- UCAS (Student Awards)
- Auditors' networks, locally and nationally

4.6.2 The National Fraud Initiative (NFI) is part of the statutory audit process currently undertaken by the Cabinet Office. Local government, health and other public bodies are required to provide data from key systems which is cross matched to identify inaccuracies or potential fraud. The City Council will continue to actively participate in the NFI or similar exercises and will provide all mandatory data sets and all optional data sets where practical and effective. The Council will allocate appropriate resources for the investigation of the data matches returned and to respond promptly to queries from other participating bodies. The data sets provided or to be provided include:

- Payroll, Housing Benefits, Creditor Payments, Housing Tenants and Right to Buy, Council Tax, including CTRS, Personal budgets (direct payments), Electoral Register, Insurance Claims, Blue Badge Holders, Private Residential Care Home Residents, Market Traders, Taxi Drivers, Concessionary Travel Passes, Residents Parking, Personal Alcohol Licenses and Covid-19 related payments.

4.6.3 These arrangements provide a valuable means of combating potential criminal activity of a fraudulent nature against the Council and other public sector bodies. Such collaboration has been very successful in reducing the risk of external fraud.

5. Roles and Responsibilities

5.1 **Appendix A sets out the key roles and responsibilities of those within the organisation for delivering this strategy**

- 5.2 Overall responsibility for the delivery of the Counter Fraud Strategy resides with the Strategic Director of Finance (S151 Officer) and the Head of Audit and Risk.
- 5.3 Service areas also contribute to the delivery of the strategy, including but not limited to Revenues and Benefits, Blue Badges, Trading Services and Enforcement Teams as these teams lead the prevention and detection of error, irregularity and fraud in their areas of responsibility.
- 5.4 Expert, corporate support in addressing fraud and irregularity risks is provided by Corporate Procurement, IT, Legal Services and Finance.
- 5.5 All Corporate Directors, managers and colleagues have a responsibility to maintain an awareness of the risks of fraud and irregularity, for obtaining assurance that these are being appropriately addressed and for raising risks or issues with senior management and Internal Audit.
- 5.6 Councillor roles and responsibilities in relation to the prevention of fraud and corruption are discharged through the Standards Committee, these roles are detailed within the Council's Constitution.

6. Detection and Investigation

- 6.1 The number and extent of preventative measures, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.
- 6.2 As part of its proactive programme of work, the Council will undertake data matching exercises to assist in the detection of fraudulent activity. Using resources and information available, this work will be carried out in accordance with the Data Matching Strategy and Policy of the Council (**Appendix C**). Once these exercises are complete, the Council will allocate sufficient resources to provide a prompt resolution to any queries or apparent fraudulent activity.
- 6.3 It is often the alertness of colleagues and citizens to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud may be in progress.
- 6.4 Despite the best efforts of managers and auditors, many internal frauds are discovered by chance or third party information, and the Council has in place arrangements to ensure that such information is properly dealt with as set out in Section 3 of this Strategy.
- 6.5 The investigation of suspected internal irregularities such as fraud is normally carried out or directed by Internal Audit on behalf of the CFO and Monitoring Officer. The investigation of irregularities and personal responsibilities of colleagues and councillors are outlined in paragraphs 3.26-3.28 of Financial Regulations. The CFO has a responsibility for deciding on the course of the investigation. If the CFO, Head of Internal Audit or responsible Corporate Director considers that a loss may have occurred as a result of irregular expenditure or fraud, they may refer it to the Corporate Counter Fraud Team (CCFT) for criminal investigation.

- 6.6 Requesting, agreeing to receive or accepting an advantage, whether or not it is actually received, linked to improper performance of a function or activity and requesting, acquiescing to, or assenting to improper performance of a function or activity in anticipation of an advantage are serious criminal offences. The Code of Conduct for Employees will reflect and incorporate this. It is normal practice for any such allegation to be referred for criminal investigation.
- 6.7 Corporate Directors will arrange for all instances of suspected fraud to be reported to the Head of Internal Audit who will maintain a central register in line with expected best practice and monitor the progress of each case. Investigations will be carried out under the management of the appropriate Corporate Director as directed by the Head of Internal Audit in consultation with the CFO and the Council's Monitoring Officer.
- 6.8 This reporting procedure is essential as it ensures:
- Consistent treatment of information regarding any suspected fraud.
 - An effective investigation by an experienced colleague and/or appropriate direction provided by Internal Audit/CCFT.
 - The proper implementation of a structured response to any suspected act of fraud including improvements to identified weaknesses in internal controls
- 6.9 The Head of Internal Audit will report back to the CFO on the current fraud cases recorded over the period plus the Head of Internal Audit will also provide an update at periodic meetings of Statutory Officers.
- 6.10 Dependent upon the nature and anticipated extent of the allegations, auditors and investigators will normally work closely with management and other agencies such as Nottinghamshire Police to ensure that all allegations and evidence are properly investigated and reported upon. Where a criminal investigation is running concurrently with an internal investigation, the requirements of the criminal investigation will take precedence over the internal investigation. This is necessary to minimise any impact the internal investigation has on the criminal investigation and the integrity of the evidence collected.
- 6.11 Within the context of 6.10, the Council will normally undertake a criminal investigation after review by its Corporate Counter Fraud Team whenever it considers that it has discovered strong evidence of fraud.
- 6.12 The Council's Disciplinary Procedures will be used where the outcome of an investigation indicates improper behaviour, whether or not the matter has been criminally investigated.
- 6.13 Sometimes the Council's external auditors may also carry out investigation into suspected fraud and will do so in accordance with their established procedures.
- 6.14 The City Council will seek the strongest available sanctions against any individual or organisation who commits fraud against the Council. The full range of sanctions will be applied consistently and fairly, taking a cost effective approach, making robust and transparent decisions. Actions may include prosecution, civil proceedings, disciplinary action and publication of investigation outcomes. The City Council expects contractors and partners to take similarly robust action.

7. Covid-19

- 7.1 During 2020, the City Council has been required to provide a rapid response with respect to services and assistance to citizens and businesses. There is a view nationally that the speed at which arrangements have been put in place has increased the risk of fraud occurring, even though it is expected that any new arrangements should feature adequate control measures.
- 7.2 Work will take place to review these arrangements throughout the year with a view to identifying any fraudulent activity.

8. Training

- 8.1 It is recognised that the success of this Strategy and the organisation's general credibility will depend largely on the effectiveness of communication, programmed training, and responsiveness of colleagues throughout the Authority.
- 8.2 The Council supports management in the provision of ongoing financial awareness training at both corporate and departmental level, and the mandatory training of colleagues dealing with finance, as required by Financial Regulations.
- 8.3 New and existing colleagues are also expected to participate in fraud awareness training which is available via the Council's Learning Zone.
- 8.4 These training requirements should be incorporated into colleague induction training, the personal assessment process and any formal accreditation for colleagues involved in financial processes. Accreditation will require colleagues to acknowledge an understanding of their responsibilities within the procedures.
- 8.5 Appropriate training will be provided to auditors and other investigators regarding the investigation of suspected fraud, and this will be reflected in their individual training plans.

Key Responsibilities for Delivering the Strategy

Appendix A

ACTION	Internal Audit	Chief Exec	S151 Officer	Mon Officer	Directors Manager TLeaders / HR	SMT	Audit Cmttee	Colleagues / Contractors & Partners
Strategy, Development, Maintenance and Reporting								
Maintain the Counter Fraud Strategy	X							
Carry out Annual Fraud Risk Assessment	X							
Compile the Annual Fraud Report	X							
Review and approve the strategy, risk assessment and fraud report						X	X	
Deter								
Publication of the Counter Fraud Strategy	X						X	
Design and implement a periodic fraud awareness programme	X							
Publication of successes in dealing with fraud	X						X	
Prevent								
Review the preventative controls in key Council systems.	X				X			
Implement agreed actions to strengthen internal controls			X		X	X		X
Ensure consistent compliance with established controls to prevent fraud			X		X	X		X
Consider the implications for counter fraud controls in new and changing systems and procedures	X				X			
Detect								

ACTION	Internal Audit	Chief Exec	S151 Officer	Mon Officer	Directors Manager TLeaders / HR	SMT	Audit Cmttee	Colleagues / Contractors & Partners
Review the relevant controls in key Council systems and carry out targeted, analytical review in high risk areas of activity.	X							
Implement agreed actions to strengthen controls			X		X	X		X
Ensure consistent compliance with established controls to detect fraud			X		X	X		X
Publicise the Whistleblowing Policy	X			X				
Raise fraud and corruption concerns promptly through the Whistleblowing Policy with a line manager/senior manager or directly with Internal Audit	X	X	X	X	X	X	X	X
Participate in the National Fraud Initiative and other counter-fraud groups	X				X			
Pursue								
Follow the Fraud Response Plan in all cases where fraud and corruption are suspected.	X	X	X	X	X	X	X	X
Decision to refer to the Police for investigation		X	X					
Decision to apply Prosecution Policy		X	X					
Decision to invoke the Council's disciplinary					X			

ACTION	Internal Audit	Chief Exec	S151 Officer	Mon Officer	Directors Manager TLeaders / HR	SMT	Audit Cmttee	Colleagues / Contractors & Partners
process								
Consider options for seeking recovery of loses incurred			X	X	X			

Nottingham City Council

Fraud Response Plan

Nottingham City Council October 2011, last updated August 2020

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1 Introduction and Objective

Nottingham City Council is committed to protecting public funds. Minimising the losses to fraud and corruption is an essential part of ensuring that all of our resources are used for the purpose for which they are intended - the provision of high quality services to citizens. We have a range of policies and procedures that facilitate the 'zero tolerance' approach adopted. These include the:

- The City Council constitution
- Accounting procedures
- Financial regulations and Standing Orders
- Colleague Code of Conduct
- Fraud Awareness Training
- Counter Fraud Strategy
- Prosecution Policies
- Confidential Reporting (Whistleblowing) Policy

The public is entitled to expect the City Council to conduct its affairs with integrity, accountability, honesty and openness, and demand the highest standards of conduct from those working for it and with it. Therefore one of the Council's main objectives, to combat fraud and corruption, is to identify and maintain good practices, address weaknesses in current processes and introduce improved systems for the management of those processes. This will ensure that the potential for fraud is kept to an absolute minimum. It applies to all Councillors and all personnel whether direct employees of Nottingham City Council, agency staff or contractors.

NCC Financial Regulations require that matters involving any suspected financial irregularities are referred to the Head of Internal Audit. The decision as to whether or not the irregularity should be investigated will be taken at his direction. All referrals are taken seriously and the action to be taken guided by an assessment of the risk. Where fraud is found, appropriate criminal investigation, disciplinary action and police involvement will be pursued. Losses will be recovered wherever possible and incidents of successful prosecution publicised.

Management and colleagues are likely to have little experience in dealing with fraud and, when suspected cases arise, may be unsure of the appropriate action to take. This document is intended to provide direction and help to colleagues in dealing with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern.

The objective is to safeguard the proper use of the City Council's finances and resources.

2 Reporting fraud suspicions

2.1 Initial guidance if you suspect a fraud.

A fraud may be uncovered in a variety of ways, from your own observations, someone from inside or outside blowing the whistle, ongoing controls throwing up a discrepancy, internal or external audit discovering a problem, or external regulators and inspectors finding something. It is important for you to know how to deal with your suspicions.

Things to Note

- Stay calm – remember you are a witness not a complainant. Write down your concerns immediately – make a note of all relevant details such as what was said in phone or other conversations, the date, the time, the names and contact details of anyone involved. Consider the possible risks and outcomes of any action you take. Make sure your suspicion is supported by facts, don't just allege.
- Do not become a private detective and personally conduct an investigation or interviews. Do not approach the person involved (this may lead to him/her destroying evidence). Do not discuss your suspicions or case facts with anyone other than those persons referred to below unless specifically asked to do so by them. Do not use the process to pursue a personal grievance.
- You may be mistaken or there may be an innocent or good explanation – this will come out in the investigation. The process may be complex and you may not be thanked immediately and the situation may lead to a period of disquiet or distrust in the organisation despite your having acted in good faith.
- Where there is clear evidence of a theft of physical assets or cash, the police should be notified immediately.

2.2 Reporting your suspicions

The following reporting lines are to be used regardless of the potential magnitude of the fraud, which it would be difficult to quantify at an early stage. 2.4 overleaf illustrates the thought processes to be considered in determining the most appropriate reporting route. The following points may be useful

- **Your line manager**
Generally this is your first port of call. Fraud prevention is their responsibility in particular. They will know the systems, the people, what is at risk. They should know whom to bring in.
- **A more senior manager or your Director**
If you think your manager might be involved in the fraud or if you feel they have wrongly dismissed your concerns, then you should go to a more senior manager or your Director.

- **Fraud reporting email / internet**

If you do not wish to make the report directly to your line manager the Council has in place electronic methods of reporting your concerns. If you want to be assured of absolute confidentiality or wish to remain anonymous, you can report to the Head of Internal Audit or his Corporate Counter Fraud Team. You may do this directly or by using fraud@nottinghamcity.gov.uk, or the reporting buttons available on the Council's websites.

- **Whistleblowing**

The Whistleblowing Policy on the intranet provides advice on reporting criminal acts (such as fraud). You should acquaint yourself with this policy before deciding to report the incident under the policy or as a fraud. If you wish to make a report under this policy you should contact the appropriate person identified in the policy who will then liaise with the Monitoring Officer or Head of Internal Audit. You may of course access the Monitoring Officer or the Head of Internal Audit direct or use the appropriate electronic mechanism on the Council's websites. Provided reports are made in good faith, you are protected by the Council and the law against retribution, harassment or victimisation and your confidentiality will be preserved.

If you feel unable to use Council's procedure for your disclosure you can contact an independent "prescribed" person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the Council, since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

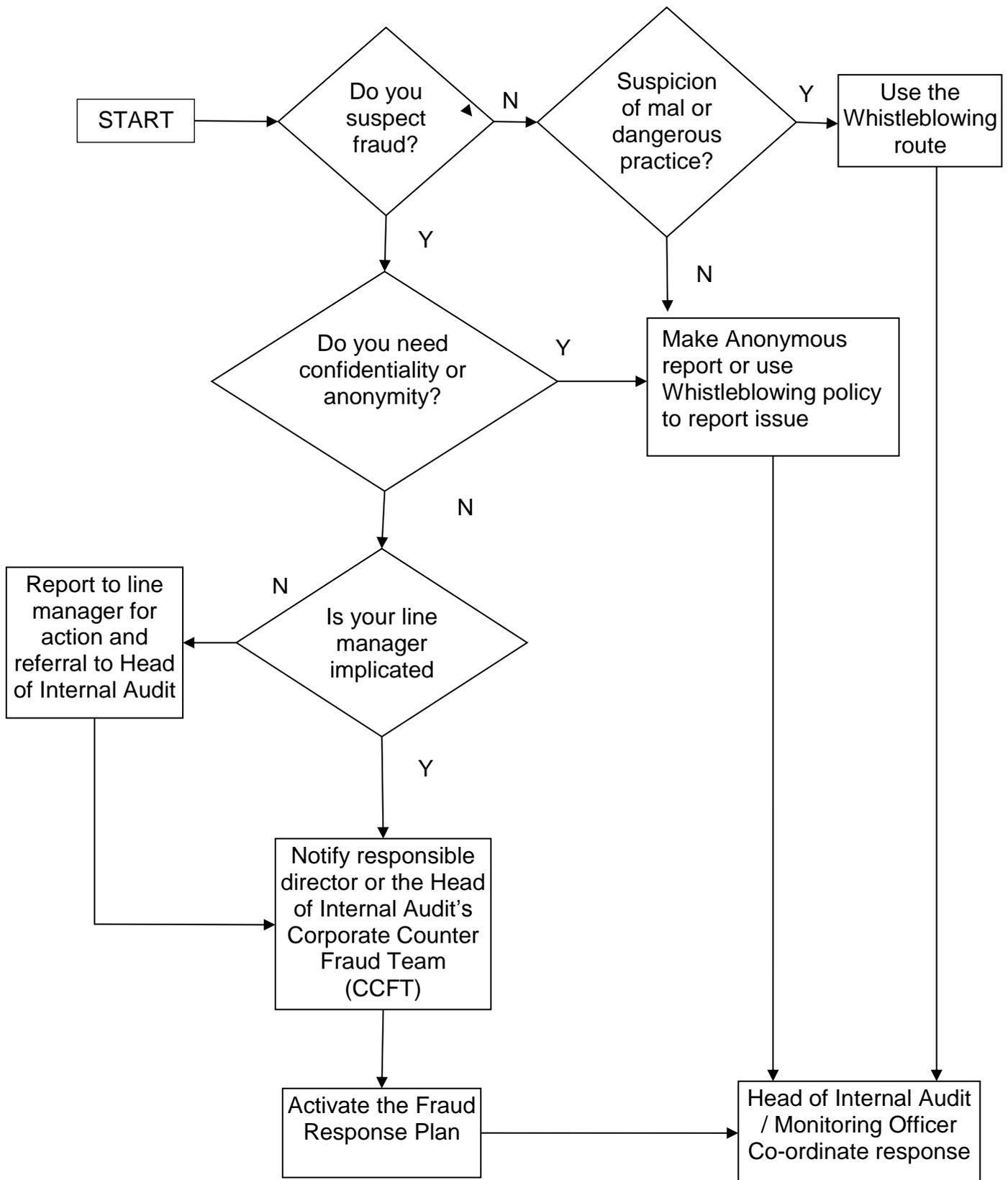
2.3 Guidance for line managers on receiving a report of fraud:

- Listen to the concerns of your colleagues and treat every report you receive seriously and sensitively. Make sure that all colleagues concerned are given a fair hearing.
- You should reassure your colleagues that they will not suffer because they have told you of their suspicions.
- Obtain as much information as possible from the colleague. Do not interfere with any evidence and make sure it is kept in a safe place.
- Request the colleague to keep the matter fully confidential in order that senior management are given time to investigate the matter without alerting the suspected/alleged perpetrator.
- Report the matter immediately to the Head of Internal Audit who will arrange a full investigation of the matter and ensure an appropriate response is made.

2.4 Decision Tree and Actions

Identified a Potential Fraud or Whistleblowing issue?

Refer to Financial Regulations and Whistleblowing Policy



3 Fraud Response Plan

3.1 Introduction

It is important that managers and others know what to do in the event of a fraud so that they can act without delay. The Fraud Response Plan covers the action required when fraud is suspected and to whom the fraud or suspicion should be reported. The Fraud Response Plan is a guide to how and by whom the fraud suspicion will then be investigated, reported and closed.

The Fraud Response Plan provides an outline of many of the areas that will need to be considered when investigating a large and complex fraud. For smaller less complex frauds, there will be parts of the plan that will not be applicable. It is however important to keep an open mind and consider whether a small fraud is concealing a much larger fraud.

3.2 Immediate Action

All cases must be notified to the Head of Internal Audit and may also be reported to the Director or Line Manager

The Head of Internal Audit will ensure that all suspected fraud is recorded in the Fraud / Whistleblowing Register and updated as the investigation progresses (see appendix 5).

3.3 Head of Internal Audit - Fraud Response

The Head of Internal Audit will arrange for the most appropriate response, including the provision of investigative resources from the department and where required from the Corporate Counter Fraud Team (CCFT) and the Legal Service. For small or less complex frauds, a large investigative resource may not be required, but the Head of Internal Audit should always be kept informed of progress at all stages of the investigation.

- Investigative Resources should be established as part of agreeing and signing off the Fraud Response Plan.
- Investigators should quickly determine the following:
 - whether an investigation is necessary
 - who will lead the investigation (the person chosen to lead the investigation should be appropriately experienced and independent of the activity affected by the alleged fraud).
 - any necessary additional resource to support the investigation
 - any immediate need for police involvement
 - any additional support requirements (eg IT facilities, a secure room, secure fax and phone facilities, administrative support etc)
 - any immediate need for legal advice
 - any immediate need for external, technical advice or support (eg forensics)
 - any immediate need to establish a PR/media strategy for dealing with the case (both internally and externally)
 - any immediate need to suspend colleagues; conduct searches and remove access (eg to files, buildings, computers/systems etc)
 - any immediate need to report the potential fraud externally (eg external auditors, tax authorities etc)
 - whether insurers need to be informed

- whether the chair of the Audit Committee should be informed
 - a timetable for the lead investigator to report back progress on the investigation.
- The objectives of the investigation should be documented and approved by the Head of Internal Audit at the outset. Likely objectives would be to:
 - establish if a fraud has taken place
 - identify the culprit(s)
 - establish the facts surrounding the fraud and ascertain total losses
 - remove the threat of further losses. (Note: in some exceptional cases it may be necessary to allow further losses, in order to gain additional evidence and increase the chances of successful criminal, civil, or disciplinary action. This should normally only be allowed under police guidance).
 - obtain sufficient evidence for successful disciplinary, criminal, or civil action
 - Certain action may need to take place immediately to prevent further losses.
 - The Director/Head of Human Resources should be involved on any decisions and action regarding suspensions and removal of access to files, systems and offices.
 - The date of the next meeting and review of the first investigation progress report should be agreed.
 - The Head of Internal Audit should be updated on a regular basis, to oversee progress of the investigation and to take major decisions relating to the case.

3.4 The Lead Investigator's Plan

- The lead investigator should prepare an investigation plan, which should be submitted to the Head of Internal Audit for approval.
- The Plan should be fairly short term, as developments in the investigation will invariably result in changes. It should clearly show what work/tasks need to be completed, why they are necessary, by whom and by when.
- The Plan may cover some or all of the following:
 - identification and recording of the persons involved and facts of the case
 - handling internal and external communications
 - actions to prevent further losses
 - actions to secure evidence. Normally, evidence should be secured in a way that will be least likely to alert the suspect(s) or others
 - liaison with Human Resources and dealing with colleagues under suspicion
 - interviews to be conducted
 - timetables for involving the police or other external experts
 - analysis of evidence
 - internal reporting (eg to Management Team, Audit Committee, etc)
 - reporting to regulatory/government bodies and or the Police
 - target dates for reporting back to the Head of Internal Audit

3.5 Communications during and after the investigation

The effectiveness of the Plan depends on good quality communication at all stages.

Internal communications

- Investigators need to ensure that everyone with a need to know is kept suitably briefed throughout the investigation and at the reporting, acting on findings and debriefing stages. Communication with any person(s) about whom concerns are raised needs to be conducted in accordance with the Council's HR policies. The person who raised concerns should be kept up to date, with due regard to confidentiality.
- There will always be a balance to be struck between communication and confidentiality therefore those persons or categories of persons who need to know should be clearly identified at each stage of the Plan, so that assurances on confidentiality can be given where required

External communications

- Third parties who may need to be alerted or informed might include the Police, regulatory authorities, insurers, legal advisors and external auditors. The Plan should make clear who is mandated to communicate with these third parties, and under what circumstances.
- The Council is prepared for the fact that frauds may attract media attention and the Plan should identify which colleague is mandated to deal with the press and what action any other colleagues contacted by the press should take. The current media communication channels and procedures should be used where possible

Inappropriate communication

The Plan should make clear any form of communication that is considered inappropriate, for example:

- discussing the case outside the Council
- confrontation between the person reporting the fraud and the suspected perpetrator(s). (Note that the Whistleblowing Policy provides assurances for the safety and confidentiality of the person making the report.)

3.6 Securing evidence

- In securing and handling evidence it should be assumed that all evidence may need to be examined forensically and presented in court and should therefore be treated accordingly. (Even if criminal or civil action is not planned, it is sensible to adopt this approach.)
- Normally, all evidence should be kept securely under lock and key, with access limited to those working on the investigation. If necessary, locks to secure rooms should be changed. Evidence should be handled appropriately and a record should be maintained of anyone handling it.
- Evidence such as computer data, transferable media, videotape etc, should only be handled by suitably trained and skilled personnel. Where there is any doubt, professional/Police advice should be sought.

- Where evidence, or other relevant information, is to be shared with another body, careful consideration should be given to any data protection (confidentiality) requirements. Where there is any doubt, expert advice should be sought from the Council's Legal Services or Information Governance team.
- Evidence can take different forms and will need to be handled in different ways, for example:

Original Documents

- handle as little as possible
- put in protective folder and label the folder
- do not mark in any way
- assign responsibility to one person for keeping the documents
- keep a clear record of how and where the documents were obtained
- keep a record of anyone who subsequently handles the documents

Computer Held Data/Transferable Media

- keep secured in an appropriate environment
- data should only be retrieved from computers by those who are technically qualified

Photocopied Documents

- in some cases it may be preferable or necessary to leave original documents in situ and take photocopies for further analysis and investigation
- photocopies should be clearly marked as such
- photocopies should be signed and dated, and certified as a true copy of the original

Other physical evidence (including Video/DVD/CD Rom)

- keep secured in an appropriate environment (eg protective bag)
- videos should not be viewed until technical and legal advice is sought in order that they can be treated in accordance with the rules of evidence

External evidence

- There are potential external sources from which evidence or information to support an investigation can be obtained, such as the tax authorities, supplier records, government registers of companies, donor records etc.

3.7 Colleagues under suspicion

- It should always be remembered that an allegation of fraud may be unfounded and in order to respect the colleague and ensure good working relations after an investigation, any action taken, such as suspension, and interviewing should be handled very carefully.
- Suspension from work is an opportunity to protect both the employer and colleague, providing the necessary space and opportunity to plan the investigation, investigate the facts and speak to other colleagues without the colleague being present. It should be made clear that suspension is not a judgement.

- The key factors in deciding to suspend colleagues will normally be prevention of further losses and removal or destruction of evidence. In some cases, it may be preferable to not suspend even at the risk of further losses (e.g. to gather further evidence).
- Any colleagues under suspicion who are allowed to remain at work should be closely monitored. This may include: physical surveillance of movements, monitoring of IT usage, monitoring of telephone, email and internet usage etc. (Note: it is advisable to seek legal advice regarding the use of surveillance techniques, to ensure compliance with local laws such as the Regulation of Investigatory Powers Act in the UK).
- Where a suspect offers to resign during the investigative process the consequences must be considered and a decision to reject or accept the resignation made only after consultation with HR, Legal Services and the Head of Internal Audit. By accepting the resignation the Council's ability to investigate the incident and gain proper redress may be limited.
- Other matters to consider include:
 - A review of HR records (e.g. to check references, employment history, qualifications etc, but with due regard to any data confidentiality / protection requirements)
 - Searching the suspect's work area; desk, cabinets, files, computer etc
 - Restricting access by the suspect to files, computers etc.

3.8 Interviews/statements

- When interviewing colleagues under suspicion it must be made clear whether it is a formal interview or an informal discussion. It should be explained that you have no pre-set view, the suspicion should be outlined and the colleague given adequate time to respond.
- If it is decided that formal questioning is needed because involvement in a criminal offence is suspected, then the CCFT should be consulted to consider whether the interview should be conducted in accordance with the principles of the UK Police and Criminal Evidence Act (PACE). Guidelines can be found on the Home Office Website.
- Interviews should only be carried out with the approval of senior management/the Head of Internal Audit.
- Early consideration should be given to Police involvement, or consultation.
- There are strict rules relating to tape recorded interviews and investigators must be suitably skilled and experienced, where these are used.
- Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record – the witness can be given a copy of the statement if desired.

- It is very important to keep contemporaneous notes on file, in the event that they are needed for future reference (e.g. court, tribunal, disciplinary hearing). Such notes should always show: date of interview; time started; time finished; and be signed and dated by the interviewer.

3.9 Police involvement

- Discussions should take place with the Head of Internal Audit regarding the best course of action in each case. A decision will need to be made as to whether the case is reported to the Police but other alternatives should be considered, for example a private prosecution. For large-scale / serious frauds, it may be appropriate to inform the Chief Executive and ask the Police to attend meetings with the investigators, Head of Internal Audit and legal advisors.
- Where a decision is taken to pass the matter to the police, the lead investigator should prepare an evidence pack that can be handed to the police at the time the fraud is reported. The pack should include a summary of the fraud, highlighting (where known) the amount, the modus operandi, and the location, and including photocopies of key supporting documents and contact details of the person leading the investigation.
- Where practical a record of everything that is handed to the Police should be kept
- All contact with the police should be channelled through one person (ie the person leading the investigation). A record should be maintained of all contacts with the Police, the details of the officers, and the crime reference number.
- The Police have knowledge of similar cases of fraud and their advice should be sought regarding measures to prevent further losses or future incidents.

3.10 Prevention of Further Losses

- Once actual or potential losses have been identified it is important that effective and timely action is taken to prevent further losses. It may however be decided that a better standard of evidence can be obtained by allowing limited further losses.
- The person in charge of the investigation should, at an early stage in the process, complete a preliminary assessment of the potential for further losses and how best to prevent them. He should make recommendations to senior management as to what if any immediate actions are necessary.
- Actions taken at an early stage may have to be circumspect so as not to alert suspects who have yet to be suspended or cautioned. It may also be important not to lose or compromise the forensic value of data by precipitate action. It may nevertheless be necessary to act quickly e.g. to stop payments to suspects who are being investigated.
- As the investigation continues, and more information emerges, further recommendations for action may be needed. At the end of the investigation, Internal Audit should review all the actions taken to prevent further losses and to report on this in the Review of Findings.

3.11 Recovery of Losses

Once the identity of the perpetrator(s) and the size of the fraud has been determined, management must consider whether or not any of the loss can be recovered and take any further action that is necessary. This may require advice from the Insurers.

Reimbursement offered during the investigation

- An individual may, in the course of an investigation, offer to repay the amount that has been obtained improperly. The person in charge of the investigation should neither solicit nor accept such an offer (as it may be construed as having been obtained under duress). The lead investigator should record any offer made and refer the individual to the Head of Internal Audit who in turn will consult with the Chief Finance Officer and Director of Human Resources.

Reimbursement offered during disciplinary or legal proceedings

- If an offer of restitution is made while disciplinary or legal proceedings are still under way, management must seek legal advice before such an offer is accepted.

Reimbursement after completion of disciplinary proceedings

- Where a colleague is to be dismissed, the manager should consider recovery of amounts due from any outstanding salary or expense payments. It will be necessary to take legal advice about the right to do this, as it is unlikely to be clear in the colleague's contract of employment.

Recovery of loss

- Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible for fraud.
- Where a colleague is a member of Nottinghamshire County Council's Pension scheme, and is convicted of fraud, NCC may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme, which are then reduced as advised by the actuary.

Court Order

- Where a criminal case is taken against an individual a formal claim for restitution (where the court orders the defendant to give up gains) or alternatively a compensation claim made within a proceeds of crime claim should be made through the Police. Seek advice from Legal to determine the appropriate claim. Any monies due will be recovered via a Court Order.

Civil Action

- Funds lost due to fraud can be recovered from the perpetrator by suing them for damages in a civil court. The level of proof required in civil cases is lower than that required in criminal cases and management may regard a civil action as a more effective use of their time than trying to persuade the Police to investigate and the courts to prosecute. If this approach is successful, the perpetrator will also have to pay the Council's legal costs. Seek advice from Legal to determine the appropriateness of the claim.

- A civil action can still be brought even if a criminal prosecution has failed. If a criminal prosecution is successful a civil action may be necessary to force the person convicted to repay the sums stolen.
- It is important to remember that the person being sued may be unable to make the repayment. In situations in which repayment is unlikely senior management approval should be obtained before additional legal costs are incurred.

Commercial Negotiation

- Where the fraud has been committed by the employee of a contractor or supplier, all or part of the loss may be recoverable from the business concerned. It may be possible to reach an agreement that the loss can be deducted from any outstanding debts or that additional goods/services will be supplied free of charge.
- Third parties may want to agree a negotiated settlement in order to retain the goodwill of their customer and/or to avoid damaging publicity and legal costs. They may subsequently be able to recover these costs from their employees or their insurers

Insurance

- The insurers should be informed as soon as a suspicion is raised. In certain circumstances it may be possible to make a claim against the insurers. The person who led the investigation should provide the insurers with any information that is required to substantiate a claim, or to support an attempt by the insurers to secure recovery from the perpetrator.

3.12 Administration

- Careful administration of the investigation is of vital importance. A disordered investigation, without clear records and logs of events, communications, key dates etc, will cause problems at any court hearing, employment tribunal, or disciplinary panel.
- Maintain a chronological record of all events on a main file. This should include all correspondence, telephone calls and emails sent/made and received, interviews, visits, tests/checks undertaken etc.
- Maintain a list of all contacts (eg internal, Police, lawyer, donors/funders, peer organisations, government bodies, and technical advisers).
- Maintain a list of emergency contact numbers and ensure that this is shared with all those on the list.
- Maintain a log of anyone who handles evidence obtained, including the Police.
- Consider whether there is a need for dedicated administrative support; dedicated phone and email address; secure fax machine; secure room etc.
- Do not keep any unnecessary records or copies. Carefully shred any papers that are not needed (e.g. extra copies of progress reports).

- Establish internal and external communication protocols. Discourage the use of email to communicate sensitive information; avoid internal mail and hand deliver highly confidential information, opting for double-enveloped post for less sensitive information. Where email is used for communication, consider entering subject names that have no direct link to the investigation.
- Provide update reports as appropriate to the Head of Internal Audit

3.13 Reporting

- Every investigation of suspected fraud or financial irregularity should result in a report written by the person who led the investigation. This should be done regardless of whether any colleagues are dismissed or prosecutions made and details entered in the fraud register.
- The register will record the scale of the fraud, when and how it was perpetrated and by whom. In addition the report will record; what action has been taken against the perpetrator, the actions to prevent further similar losses and to recover what has been lost. It will also usually be pertinent to note how the fraud was detected and whether or not existing controls were effective.
- Since the report may be used internally for disciplinary hearings or externally for civil or criminal proceedings, conclusions and opinions should be substantiated by evidence.
- It is important to strictly limit the distribution of the report. Copies will not be provided automatically to suspects or their representatives. If a disciplinary hearing takes place the individual and their representative may be entitled to receive a copy subject to obtaining legal advice.

3.14 Review, communication and action on Findings

Review of findings

- The findings reported by the person in charge of the investigation should be reviewed by relevant managers and in particular the lessons learned to avoid future frauds.
- Senior Managers should satisfy themselves that, so far as is practically possible, a similar fraud could not occur again and /or the amount of potential loss has been minimised, the perpetrators have been properly dealt with and recovery has been pursued robustly.
- Managers and supervisors should be disciplined if they have not properly enforced existing controls and procedures.

Communicating outcomes

- Responsibility for communicating findings and actions to those involved and others who need to know should be set out in the Plan. The Council will hold a debriefing once outcomes have been finalised, to ensure that proper closure has been achieved.

- It may be necessary to manage the expectations of the person who raised concerns. The Whistleblowing Policy provides guidance on what may be communicated.

Action on Findings

- Any actions arising from the final report should be allocated to named individuals with appropriate due dates for completion.
- The final details of the fraud should be added to the entry in the Fraud Register.

3.15 Closure

Communication that the case has been closed

- It is important that any decision to close the case is clearly documented and communicated to those involved.
- The case may be closed for a number of reasons, including:
 - All action points that arose from the final report have been completed.
 - The Head of Internal Audit decides there is insufficient evidence to support the allegations.
 - The Council does not wish to incur further costs investigating the case.
 - The decision to close the case and the reason for doing so should be documented by the person leading the investigation and should be added to the investigation file and the fraud register.

Learning from experience

- Following completion of the case, the Head of Internal Audit will prepare a summary report on the outcome and lessons learned, circulating it to all other relevant parties who must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud or theft.

Archiving

- All documents associated with the investigation should be archived in a secure location with adequately restricted access, and be retained in line with the document retention guidelines.
- Any redundant documents and papers, or duplicate copies, should be carefully shredded.

Appendix 1 - Examples of fraud

Theft: the illegal taking of someone else's property without that person's freely-given consent. Apart from the obvious theft of Council physical assets such as computers, shop stock and money, it includes:

- Misappropriation of funds
- Misuse of assets, including cash, stock and other assets, for example “borrowing” petty cash, use of photocopiers for private purposes
- Theft from a client or supplier
- Theft of intellectual property (eg unauthorised use of the Council name/logo, theft of product/software designs and client data)

Bribery: this implies a sum or gift given or sought that alters the behaviour of the person in ways not consistent with the duties of that person. It includes offering, giving, receiving or soliciting any item of value in order to influence an action.

Corruption: this is a general concept describing any organised, interdependent system in which part of the system is either not performing duties it was originally intended to, or performing them in an improper way, to the detriment of the system's original purpose.

Deception: to intentionally distort the truth in order to mislead others. It would include obtaining property, services or pecuniary advantage by deception or evading liability. Deceptions include:

- misrepresentation of qualifications to obtain employment
- obtaining services dishonestly via technology eg where a credit card that has been improperly obtained is used to obtain services from the internet, or any other situation where false information is provided to a machine
- possessing, making and supplying articles for use in fraud via technology eg computer programs designed to generate credit card details that are then used to commit or facilitate fraud
- undeclared and unauthorised private and consultative work
- failure to properly declare interests that may materially affect the carrying out of their role
- failure to observe, or breaches of, established Council / Service policies, procedures, or practices can in some circumstances constitute an irregularity
- money laundering (see below)
- providing misleading information in order to obtain funds, such as overstating activity

Forgery: this is the making or adapting objects or documents with the desire to deceive.

Extortion: this occurs when a person obtains money or property from another through coercion or intimidation.

Embezzlement: this is the fraudulent appropriation by a person to their own use of property or money entrusted to that person's care but owned by someone else.

False Accounting: this is dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive. It includes:

- Manipulation or misreporting of financial information
- Fraudulent completion of official documents (eg VAT receipts)

Conspiracy: this is an agreement between two or more persons to break the law at some time in the future. It includes breaches of regulations.

Collusion: the term “collusion” covers any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes of fraud.

Money laundering: this is the term used to describe the ways in which criminals process illegal or ‘dirty’ money derived from the proceeds of any illegal activity (eg the proceeds of drug dealing, human trafficking, fraud, theft, tax evasion) through a succession of transactions and deals until the original source of such funds has been obscured and the money take on an appearance of legitimate or ‘clean’ funds.

There are three internationally accepted phases to money laundering:

Placement – this involves the first stage at which funds from the proceeds of crime are introduced into the financial system or used to purchase goods. This is the time at which the funds are most easily detected as being from a criminal source. Such ‘dirty money’ will often be in the form of cash or negotiable instruments such as travellers cheques.

Layering – this is where the funds pass through a number of transactions in order to obscure the origin of the proceeds. These transactions may involve entities such as companies and trusts (often offshore).

Integration – this is when the funds are available via a legitimate source and allow the criminal to enjoy access to the funds again, with little fear of the funds being detected as being from a fraudulent source.

Appendix 2 - Terrorist Financing (Terrorism Act 2000)

Under the Terrorism Act 2000 the assets of charities can be frozen if they are shown to have funded terrorists. Colleagues should therefore be aware of terrorist organisations posing as legitimate entities which can conceal the diversion of funds to terrorist organisations.

Example 1:

An employee working for a charity used his occupation to support the on-going activities of a known terrorist organisation. The employee had secretly made contact with those involved in terrorist activity and used his position to hide weapons and bomb making equipment.

Example 2:

An employee working for a charity obtained surplus funds from the Council to fund terrorism by padding the number of children it had claimed to care for by providing the names of children who were either dead or did not exist. Funds were then diverted to local terrorist organisations. The charity also employed members of the terrorist organisations and facilitated their travel.

Appendix 3 - Examples of controls to prevent and detect fraud

- Thorough recruitment procedures.
- Physical security of assets.
- Clear organisation of responsibilities and reporting lines.
- IT access controls over data
- Adequate staffing levels.
- Supervision and checking of output.
- Separation of duties to ensure that key functions and controls are not performed by the same colleague.
- Rotation of colleagues.
- Random spot checks by managers.
- Regular activity by auditors.
- Complete and secure audit trails.
- Performance monitoring by management.
- Budgetary and other financial reports.
- Reviews by independent bodies such as the the external auditor and Internal Audit.
- Data matching.

Appendix 4 - Warning signs for fraud

There are warning signs that can indicate a fraud may be taking place eg:

- Colleagues under stress without a high workload.
- Reluctance to take annual leave.
- Being first to arrive in the morning and last to leave in the evening.
- Refusal of promotion.
- Unexplained wealth.
- Sudden change of lifestyle.
- Suppliers/contractors who insist on only dealing with one colleague.
- A risk taker or rule breaker.
- Disgruntled at work/not supportive of organisations mission.
- Colleagues with serious financial problems.
- Colleagues whose lifestyle is disproportionate to their income.
- Unusual concerns about visits made by senior managers or auditors.
- Colleagues who often break the rules or fail to comply with procedures.
- Managers/colleagues who cut corners.
- Complaints about colleagues from customers or other colleagues.
- The lack of effective internal controls in an area.
- Unexplained falls in income levels or increases in expenses.
- Deliveries of stocks or orders to other buildings or non-Council buildings.
- Increases in the number of insurance claims.
- A general disregard by management and colleagues towards security.

Fraud Indicators can include:

- Colleagues exhibiting unusual behaviour (see list above).
- False entries in attendance records such as flexi sheets.
- Missing key documents (invoices/contracts).
- Inadequate or no segregation of duties.
- Documentation which is photocopied or missing key information.
- Missing expenditure vouchers.
- Excessive variations to budgets/contracts.
- Bank and ledger reconciliations not regularly performed and balanced.
- Unexplained or unreasonable balancing items in reconciliations
- Numerous adjustments or exceptions.
- Overdue pay or expense advances.
- Duplicate payments.
- Ghost colleagues on payroll.
- Large payments to individuals.
- Crisis management coupled with a pressured work environment.
- Lowest tenders or quotes passed over without adequate explanation.
- Single vendors.
- Climate of fear/low colleague morale.
- Consistent failure to implement key controls.
- Management frequently overriding controls.

Appendix 5 - Fraud / Whistleblowing Register

The Fraud Register contains the following headings:

- Logged By
- Reference Number
- Referred By
- Date Referred
- Details of Referral (Brief)
- Contact Details
- Reported to Monitoring Officer
- Date Acknowledgement letter sent
- Agreed By
- Date Agreed
- Investigating Officer
- Stage / Status of Investigation Outcome
- Date Outcome Reported to Monitoring Officer
- Date Outcome reported to the Whistleblower
- Type of Whistleblowing Date action taken after case finished
- Type of fraud
- Value (£)
- Brief details of the fraud / corruption
- Fraud or Corruption
- Did the case involve an employee or a Councillor?
- Was the person prosecuted?
- Guilty Outcome?
- Outcome
- Perpetrator
- Type of Fraud

Nottingham City Council

Data Matching Strategy and Policy

Nottingham City Council August 2020

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Data Matching Policy

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DATA MATCHING STRATEGY

1. Introduction

- 1.1 Nottingham City Council is committed to providing the best possible service to its citizens by continually making improvements and utilising resources efficiently and effectively. The Council has access to vast amounts of information and, by making better use of this information across the Council it can enhance services, increase income and work efficiently.
- 1.2 The ability to match data across the many Council databases can highlight gaps in service provision, identify possible fraudulent activity or streamline processes. The Cabinet Office under its statutory powers has collected data from many public bodies to carry out data matching exercises for the prevention of fraud. This National Fraud Initiative (NFI) has already proved successful by identifying frauds of £1.93 billion since its inception in 1996. Such has been the success of the initiative that many private sector clients now use the service.
- 1.3 Within the Council, Internal Audit uses data matching techniques in the course of some of its audit investigations. Following the success of data matching exercises it is appropriate that its use be expanded to support the enhanced use of information in the most efficient and effective way to improve the delivery of the service. It is a key objective of Internal Audit to enhance the Council's ability to proactively seek out fraud and error through rigorous, programmed data matching exercises and data mining on areas identified as high risk. Internal Audit will also be seeking a more targeted approach through the better use of intelligence.
- 1.4 Looking forward, Internal Audit's vision is to expand the use of data matching techniques to include activity on data from other relevant public sector bodies.

2. The key objectives of the Data Matching Strategy

The key objectives of the strategy are:

- Nottingham City Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. Continuous use of data matching in conjunction with auditing will be a pro-active approach to identifying and where possible preventing fraud and corruption. It will:
 - Provide an effective internal control and a means of helping to prevent or identify fraudulent or corrupt activities.
 - Develop an internal tool to help identify errors, inconsistencies, irregularities and risk to financial resources within the Council.
 - Ensure that the Council fully utilises the data held within its systems to best possible effect.
 - Aid the audit planning process and other audit projects.
 - Improve the control environment within the Council.
 - Identify potential weaknesses in design and operation of internal controls that may be creating the risk of fraud or irregularities occurring.
 - Identify potential weaknesses in the design of Information Systems that currently may not provide adequate assurances that they will prevent error or fraud.

- The Council is committed to ensuring its citizens have access to all services they are entitled to. The interrogation of data can highlight areas where there are gaps in service.
- Act in accordance with legislative obligations under the National Fraud Initiative.
- The audit process should be enhanced by:
 - improving the audit planning process and deployment of Audit colleagues
 - using the matching and interrogation of data to highlight areas for further investigation
 - highlighting errors, inconsistencies, irregularities and/or financial risk
- The Council will work within the relevant legislative framework including the General Data Protection Regulations, Data Protection Act, and Nottingham City Council Information Security policies.

3. Scope of Data Matching

- 3.1 Data matching and analysis may be performed on any City Council data system.
- 3.2 Data matching and analysis may be performed on data received from other public bodies by agreement and within relevant legislation.
- 3.3 In exceptional circumstances data matching and analysis may be performed on data received from other external systems where deemed appropriate to the furtherance of the City Council's anti-fraud objectives and where relevant legislation permits.
- 3.4 Data matching will be performed routinely to support our planned work or on an ad-hoc basis;

Routine Data matching – scheduled data matches may take place on a daily, weekly, monthly or quarterly basis. Datasets will be collected from core or significant systems.

Ad-hoc data matching – data matches may be required for work of a special nature when routine data matching activities would not be appropriate. Also, data collected for routine data matching activities may also be used as a by-product to drive and support the audit of large information systems.

4. Legal Basis for Data Matching

- 4.1 In order for the City Council to undertake data matching it must operate within the legislative framework. Internal Audit will work with colleagues in Information Compliance and Legal Services to keep abreast of new or amended legislation and ensure the correct procedures are in place to drive improvement.

- 4.2 Data is currently matched under legislation including:
- Local Audit and Accountability Act 2014
 - Local Government Act 1972
 - Accounts and Audit Regulations 2015
 - Benefit Counter Fraud – Social Security Act.
- 4.3 To support internal pro-active anti-Fraud activities, data matching takes place to assist the Section 151 Officer achieve their responsibilities. These are outlined in the Local Government Act 1972 and supported by the internal audit right of access stated in the Accounts and Audit Regulations 2015.
- 4.4 The City Council will adhere to the General Data Protection Regulations and the Data Protection Act 2018 by ensuring there are the relevant fair processing notices in place to inform the data subjects that data matching may take place to help detect and identify fraud.

5. Approach to data matching

- 5.1 The balance of work carried out between routine and non-routine data matching will integrate with existing Nottingham Internal Audit planning objectives.
- 5.2 Routine data matching will be subject to one time approval as part of the planning process. The approval will be reviewed on an annual basis to verify that it remains valid and appropriate. All approvals will require a justification to be produced, outlining the data requirements and data field definitions.
- 5.3 The overall approach to data matching consists of an extraction of data from any system or data warehouse held by the Council, and then subsequently cross matching or exception testing this data to another data set to help identify potential errors, irregularities or suspect matches.
- 5.4 Non-routine (ad-hoc) data matches will require approval from the Audit Manager each time a data match is carried out. This will be done prior to approaching the data owner.

6. Retention of data

- 6.1 The City Council will ensure that data is not held for longer than is necessary for the purpose it was obtained. In establishing retention and archiving periods we will consider both the possibility of complaints and the legal requirements.
- 6.2 All successful data matches that result in a fraud referral will be documented and retained in line with normal operating procedures.
- 6.3 Datasets used to carry out data matches will be retained for a maximum of six months after their planned use, subject to the need to conserve evidence.
- 6.4 All data refreshes will take place on a regular basis i.e. daily, weekly, monthly or quarterly as relevant to operational needs. Consequently, as the existing dataset will be overwritten, data will only be retained until the following scheduled refresh occurs.

7. Storage of data

- 7.1 Data is held in secure computer files, which have restricted access.
- 7.2 Manual records will be held securely in locked filing cabinets.
- 7.3 Output reports and files that do not highlight a match will be securely destroyed.
- 7.4 Once the data matching exercise has been completed the extracted source data file will be deleted. Matches which do not identify fraudulent activity will also be deleted. Matches which subsequently highlight fraudulent activity will be maintained for analytical review.

8. Links to Audit Controls and Risk Registers

- 8.1 Where significant fraudulent activities have occurred through poor system controls, the details will be fed to both the directorate and team responsible, and into the relevant risk register.
- 8.2 Details will be recorded by Internal Audit to help assess the implications on the annual assurance statement and for future trend analysis.

9. Management Action

- 9.1 The Head of Internal Audit will make arrangements for follow-up of all positive data matches where a fraud has occurred but no action has yet been taken against the perpetrator(s) of the fraud.
- 9.2 If no action is taken by a line manager when a fraud or irregularity is proven, the Head of Internal Audit reserves the right to review the fraud circumstances and refer the matter to the City Council's Audit Committee.

DATA MATCHING POLICY

1. Introduction

- 1.1 Nottingham City Council is committed to quality service provision, reducing the number and value of errors, and reducing the level of financial risk and is continually looking to introduce more efficient and effective techniques to combat fraud. Processes within Internal Audit are designed, where practicable, to add value through techniques including data matching.
- 1.2 The benefits of data matching are well documented through government initiatives such as the National Fraud Initiative (NFI) run by the Cabinet Office. The NFI forms part of the statutory external audit process for councils, Police and fire authorities in England and Wales. Data matching under the NFI is a legal requirement and audited bodies and other participating organisations supply data for cross-matching between systems to identify cases where fraud may be occurring. Data matching has also been used to identify inconsistencies, for example, where similar information is stored in two different systems and errors resulting from data input.
- 1.3 Investing in improvement is a key priority for the Council to help it to manage resources economically, efficiently, effectively, flexibly and responsively. Consequently, errors or fraud identified via the data matching route will also help the Council to improve services and the internal control environment, supporting the Council's aspiration to be one of the best run Local Authorities in England.
- 1.4 Performing data matching and data analysis internally and informing suppliers, partners, colleagues and citizens that it is being carried out may act as a deterrent and create an anti-fraud and corruption culture within the City Council.

2. Definitions

- 2.1 Data Matching – The computerised comparison of two or more data sets which relate to the same or similar individuals or elements to identify similarities or differences.
- 2.2 Data Analysis – The process of examining data with the aim of extracting some useful information and identifying anomalies.
- 2.3 Continuous Auditing – The method that is used to perform control and risk assessments in an automated manner on a more frequent schedule.

3. Purpose of Policy

- 3.1 To ensure that a consistent data matching approach is adopted across Nottingham Internal Audit by making effective use of a clearly defined strategy and procedures.
- 3.2 To establish procedures that ensure data matching and analysis is conducted in a controlled, robust and approved manner.

4. Principles of data matching

- 4.1 The Council will only match and analyse data where relevant legislation permits, in order to avoid unlawful processing of data.
- 4.2 Data extracted will be obtained in accordance with the Data Protection Act and, where required, with the consent of the data owner.
- 4.3 To support the Council's determination to reduce fraud and error it will be Council policy to include a standard declaration in forms or input screens concerning the potential use of data provided to the Council in data matching exercises.
- 4.4 Only data actually needed to perform the data matching exercise is collected and processed.
- 4.5 Data matches will be fed into a structured and prioritised programme of activity.
- 4.6 Source and matched data is only seen by colleagues who need it in the course of their duties.
- 4.7 The results of a matching exercise do not automatically imply that fraudulent activity has taken place. It highlights areas for further investigation. The investigation team will conduct a thorough review of all results and ensure the accuracy of the data.
- 4.8 Data found to be inaccurate will be corrected in an appropriate manner so that decisions affecting individuals highlighted in the data matching routine are made on the basis of reliable and up to date data.
- 4.9 Data matching processes will be refined for future use where indicated by a review of results.
- 4.10 Data matching outputs are fed, where relevant and appropriate, into the Internal Audit planning process.
- 4.11 Source data and matched data outputs are protected from unauthorised or accidental disclosure.
- 4.12 Data is retained only for as long as it is required.

5. Approval

- 5.1 This policy forms part of the Council's Counter Fraud Strategy which is approved by the Council's Audit Committee.
- 5.2 The Head of Internal Audit will maintain the policy and review mechanisms set in place to ensure its principles are delivered.

6. Compliance

6.1 Compliance with the policy will be required as part of the Council's Counter Fraud Strategy.

6.2 All relevant colleagues should receive appropriate training to provide an assurance that this policy is understood and followed effectively.

7. Data Retention and Disposal

7.1 Data retention/disposal standards will be in line with Council Information Security Policies.

7.2 Personal information will be safeguarded from accidental and deliberate threats to confidentiality and integrity

8. Policy Review

This policy will be reviewed by the Head of Internal Audit periodically and when relevant legislative changes are enacted.

9. Contact Officer / Guidance

For clarification or guidance in connection with this policy, please use the following contact details

Shail Shah - Head of Internal Audit
Tel: (0115) 8764245
[email:shail.shah@nottinghamcity.gov.uk](mailto:shail.shah@nottinghamcity.gov.uk)

18 August 2020

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CONFIDENTIAL REPORTING CODE (WHISTLE BLOWING PROCEDURE)

1. Introduction

- 1.1 This procedure identifies the kind of complaints covered by the Whistle Blowing Procedure and states that complaints should be raised with the Monitoring Officer or the line manager. It also states that managers and those raising complaints can go to the Monitoring Officer, the Chief Finance Officer or the Director Human Resources and Customer for advice. The procedure also aims to reassure those raising a complaint that they will not suffer detriment.

2. Preamble

- 2.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. This code encourages employees to raise such concerns using the internal mechanisms set out below.
- 2.2 The Council is committed to the highest possible standards of openness, probity and accountability. We expect employees, and others that we deal with, who have serious concerns about any aspects of the Council's work to come forward and voice those concerns.
- 2.3 This Procedure makes it clear that employees can raise concerns without fear of victimisation, subsequent discrimination or disadvantage. The Council is committed to support employees who make a disclosure. The Whistle Blowing Procedure is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside.
- 2.4 The Procedure applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders, drivers etc. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 2.5 This procedure should be used to raise serious concerns within the Council, which are in the public interest where an individual genuinely feels there is evidence of malpractice, impropriety or wrongdoing within the Council or by others acting on behalf of the Council. This procedure is not intended to replace existing complaint procedures or normal work communication channels for routine issues that may arise from day to day business. Other complaints procedures should be considered before making a whistle blowing complaint. The Whistle Blowing policy



is not an appeal mechanism for other procedures.

- 2.6 This Procedure has been discussed with the relevant trade unions but does not form a collective agreement and does not form part of employees' contracts of employment.

3. **Aims and scope of this procedure**

- 3.1 The Whistle Blowing Procedure aims to:

- Encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice
- Provide avenues for you to raise those concerns and receive feedback on any action taken
- Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- Provide protection from possible reprisals or victimisation where the person making the disclosure believes that the information available tends to show malpractice and the disclosure is made to the appropriate person or body.

- 3.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment or raise other concerns. The Whistle Blowing Procedure is intended to cover major concerns that fall outside the scope of other procedures or where a procedure exists but you believe management may be involved or are not taking an issue raised seriously. Issues that could be covered by the Whistle Blowing Procedure include:

- Conduct which is an offence or a breach of law (criminal offences and failures to comply with legal obligations)
- Disclosures related to miscarriages of justice
- Health and safety risks, including risks to the public as well as other employees
- Damage to the environment
- The unauthorised use of public funds
- Possible fraud and corruption
- Sexual or physical abuse of clients
- Other unethical conduct
- Institutional racism, or;
- Action to conceal any of the above.

- 3.3 Thus, any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Council or others acting on behalf of the Council can be reported under the Whistle Blowing Procedure. This may be about something that:

- Makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or



- Is against the Council's Standing Orders and policies; or
- Falls below established standards of practice; or
- Amounts to improper conduct.

3.4 Where other procedures exist, they should be considered before making a whistle blowing complaint. For example:

- Complaints about your employment - these should be dealt with through our Resolution and Grievance Procedure.
- Concerns about the sexual or physical abuse of clients – such concerns should be referred via the Safeguarding Adults Procedure through Adult Services for concerns about adults or through the Child Protection Procedure through Children's Services for concerns about children.
- Customer complaints about our services - these are dealt with through our Corporate Complaints Procedure.
- Allegations against councillors - you can pass these directly to our Monitoring Officer who will refer them on.

4. Safeguards and support

4.1 The Council is committed to the highest standards of openness, probity and accountability. The Council aims to promote a culture in which employees feel they can raise genuine concerns without fear of subsequent victimisation, discrimination or disadvantage.

4.2 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect and support you.

4.3 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

4.4 Subject to any legal constraints the person to whom you made the complaint or their nominated representative will keep you informed of progress in relation to your complaint, the investigation etc.

5. Confidentiality

5.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. However, you should appreciate that the investigation process may reveal the source of information and a statement by you may be required as part of the evidence. At the appropriate time, you may need to come forward as a witness.

6. Anonymous allegations

6.1 This procedure encourages you to put your name to your allegation whenever



possible. We very much hope that the assurances we give in this policy will encourage you to disclose your identity to those who need to know it.

6.2 Concerns expressed anonymously are less powerful and much more difficult to investigate but will be considered at the discretion of the Monitoring Officer in consultation with Internal Audit (Audit Manager).

6.3 In exercising this discretion the factors to be taken into account would include:

- The seriousness of the issues raised;
- The credibility of the concern;
- The likelihood of confirming the allegation from attributable sources;
- The level of detail given to allow the complaint to be investigated.

7. **Untrue allegations**

7.1 If you make an allegation, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

8. **How to raise a concern**

8.1 The earlier you express the concern and the higher the level of detail the easier it is to take action

8.2 As a first step, you should normally raise concerns with your immediate manager or their superior. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved or the issue is sufficiently serious, you should approach the Council's Monitoring Officer (Director of Legal and Governance and Monitoring Officer) or you can contact the Council's Internal Audit Section (Audit Manager).

8.3 If you wish to raise a concern relating to something in the Monitoring Officer's area of work then this should be addressed to the Corporate Director, Strategy and Resources.

8.4 Concerns may be raised verbally but are best raised in writing. When making a written disclosure the following format is suggested:

- The background and history of the concern (giving relevant dates, names, places etc.)
- The reason why you are particularly concerned about the situation.
- Explain what evidence exists or how evidence of the complaint can be obtained
- Provide details of who you have spoken to so far about your concerns



- The fact that you are raising this concern as a Whistle blowing complaint.

- 8.5 If you wish to contact the Monitoring Officer or the Internal Audit Manager by e-mail, the following address can be used - Audit.Services@nottinghamcity.gov.uk.
- 8.6 Council employees can report whistleblowing complaints using the intranet. To do this look for Quick Links > Finance and Money > Whistle blowing form.
- 8.7 When raising a concern you will not be expected to provide proof beyond reasonable doubt of an allegation, but you will need to be able to demonstrate that there are reasonable grounds for the concerns raised. Where possible notes should be kept of what you have seen, heard or felt. Notes should be dated and copies of all relevant information kept.
- 8.8 You may wish to obtain advice/guidance on how to pursue matters of concern. Advice can be obtained from the Monitoring Officer, Internal Audit (Audit Manager) or the Director of Human Resources and Customer.
- 8.9 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns but do be mindful of confidentiality issues.
- 8.10 You may invite your trade union, professional/association representative or a work colleague to be present during any meetings or interviews in connection with the concerns you have raised.
- 8.11 You need to be aware that your colleagues are bound by the same obligations as you relating to confidential information. If you share confidential information with union reps, professional associations or others with a view to using this procedure you will need to be careful that the confidential information is not used inappropriately. The Public Interest Disclosure Act gives protection only where certain information is disclosed in the course of obtaining legal advice. Therefore when seeking such advice, you should ensure that confidential information is not passed on to third parties. Check with the Monitoring Officer or Internal Audit (Audit Manager) or the Director of HR and Customer about this issue.

9 Whistle blowing complaints received by managers or HR colleagues

- 9.1 When receiving complaints, managers and HR colleagues should always consider the possibility that they might be presented with a whistle blowing issue and should remember that whistle blowing complaints have to be dealt with via a separate process
- 9.2 Line Managers or HR colleagues who are made aware of possible whistle blowing complaints **must** in the first place seek advice from the Monitoring Officer or



Internal Audit (Audit Manager) so that the complaint can be considered and a decision made on how to proceed.

- 9.3 All whistle blowing complaints will be recorded and monitored by the Monitoring Officer who is assisted by Internal Audit (Audit Manager).

10. How the Council will respond

- 10.1 Within ten working days of a concern being raised, the person receiving the complaint (i.e. your line manager or the Monitoring Officer or their designated representative) will write to you:
- Acknowledging that the concern has been received
 - Indicating how we propose to deal with the matter
 - Giving an estimate of how long it will take to provide a final response
 - Telling you whether any initial enquiries have been made
 - Supplying you with information on colleague support mechanisms, and
 - Telling you whether further investigations will take place and if not, why not.
- 10.2 Where appropriate, the matters raised may:
- Be investigated by management, an appropriately trained investigator, internal audit, or through another appropriate procedure
 - Be referred to the police
 - Be referred to the external auditor
 - Form the subject of an independent inquiry.
- 10.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest but will balance this with its duty of care to its employees. Concerns or allegations that fall within the scope of other specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.
- 10.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 10.5 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you and throughout any investigation will try to keep you informed of what is happening, subject to any legal constraints.
- 10.6 Where any meeting is arranged, off-site if you so wish, you can be accompanied



by a union or professional association representative or a work colleague.

10.7 The Council will take steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.

10.8 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints your line manager or the Monitoring Officer or their designated representative will inform you of the outcome of any investigation at the end of the case.

11. The Responsible Officer

11.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this procedure. The Monitoring Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report on an annual basis to the Standards Committee of the Council.

12. How the matter can be taken further

12.1 If you are unsure about whether or not to follow the Council's Whistle Blowing Policy, or you want further independent advice, you may contact the organisation called Protect. This is a charity, formerly known as Public Concern at Work that is completely independent of the Council, which specialises in providing free and confidential legal advice on how to raise a concern about serious malpractice at work. Protect will also help to advise you on whether a circumstance can be properly reported to an additional outside body such as the Police.

Protect can be contacted as follows - Telephone: 020 3117 2520; Fax: 020 7403 8823; Email: whistle@protect-advice.org.uk; Website: <https://protect-advice.org.uk>

12.2 In certain circumstances the Public Interest Disclosure Act 1998 provides protection to employees who make disclosures outside the organisation. We hope you will be satisfied with any action we take. If you are not and want to take the matter outside the Council you could contact:

- The Council's external auditor
- Your trade union
- Your local Citizens Advice Bureau
- Relevant professional bodies or regulatory organisations
- A relevant voluntary organisation
- The Police

12.3 In addition, an employee may consider a disclosure to other external bodies but



only if certain strict conditions are met.

- 12.4 Under the 1998 Act, staff making “protected disclosures” are protected from detrimental action, unfair dismissal and redundancy, and can complain to an employment tribunal.
- 12.5 The Procedure additionally covers any conduct not included above which is of an unethical nature. In these circumstances the Council undertakes to provide the same protection as set out in paragraph 4 above. However, you would not necessarily be protected by PIDA and you may want to take separate advice on that, for example by contacting Public Concern at Work.
- 12.6 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with the Monitoring Officer *or* the Strategic Director of Finance, Internal Audit *or* the Director of HR and Transformation about this issue.



Version Control

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Organisation	Nottingham City Council

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Mar 2007	1		
Nov 2010	2		
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01.04.17	4	Sheena Yadav-Staples	Amendments to paragraph 3.4 to reflect changes to the Resolution and Grievance Procedure; and paragraphs 8.1-8.3, 11.6 to reflect changes to senior management structure.
25.10.18	5	Simon Parsons	Job titles amended and contact details in paragraph 11.2 and further detail added to outline the process when complaints are received and how the council will respond.
14.02.19	6	Simon Parsons	Reference to external advice update on paragraph 12.1



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NOTTINGHAM CITY COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND OPINION

2019-20

Date: 21 August 2020

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- Appendix E External Assurances
- Appendix F Levels of Assurance Definitions & Classification of Internal Audit Recommendations

1. Introduction

Internal Audit and the Annual Reporting Process

1. Under the Accounts and Audit Regulations 2015 (See Box) the Council has a duty to maintain an effective internal audit of its risk management, control and governance processes. The Public Sector Internal Audit Standards (PSIAS) are the mandated professional standards for internal audit in local government and govern the work undertaken by the Internal Audit Service.
2. The PSIAS sets out the requirement for the Chief Audit Executive to provide an annual internal audit report with an overall opinion that can be used by the organisation to inform its governance statement. The Internal Audit Charter and the Council's Financial Regulations reinforce this requirement. The role of Chief Audit Executive has been assigned to the Head of Audit and Risk at Nottingham City Council.
3. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The opinion must be supported by sufficient, reliable, and relevant information.
4. The following report provides a summary of the internal audit activity undertaken throughout the year and seeks to provide an objective assessment of the control environment to support the annual internal audit opinion. This report has been produced by the Head of Audit and Risk who is responsible for the Internal Audit (IA) and Corporate Fraud teams.

The Accounts and Audit Regulations 2015

Internal audit

5.—(1) A relevant authority **must** undertake **an effective internal audit** to evaluate the effectiveness of its risk management, control and governance processes, taking into account **public sector internal auditing standards** or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

Confirmations – Resources, Independence and Limitations of Scope

5. Members of the team hold various qualifications including ACCA, AAT and PINS. Colleagues participated in personal development reviews and received a minimum of three days training. The 2019/20 audit plan contained 2535 days and I am satisfied that there were adequate staffing resources available to me to deliver the plan despite a restriction on recruitment. It is expected that the current year's audit plan and future audit plans will be affected by the Voluntary Redundancy Scheme and we are planning to adjust our work plans accordingly. The 2020/21 Plan in Appendix C has been matched to an assumed reduced level of resources.
6. The PSIAS require that the Head of Audit and Risk must confirm to the Audit Committee at least annually regarding the organisational independence of the internal audit activity. The Internal Audit Charter and the council's Financial Regulations re-inforce this requirement.
7. The Internal Audit Charter specifies that the Head of Audit and Risk must report to a level within the council that allows internal audit to fulfil its responsibilities. Appropriate reporting and management arrangements are in place within NCC that preserve the independence and objectivity of the Head of Audit and Risk who has direct access to the Chair of the Audit Committee, Leadership of the Council, Ministry of Housing Communities and Local Government, External Auditors, Police and fraud squad, the Council's Chief Executive, the Section 151 Officer, the Monitoring Officer, the Standards Board, and all councillors, as he considers appropriate.
8. The reporting and management arrangements in place are appropriate to ensure the organisational independence of the internal audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired the Head of Audit and Risk's personal independence or objectivity nor has there been any

Nothing has occurred during the 2019/20 year that has impaired the Head of Audit and Risk's personal independence or objectivity nor has there been any inappropriate scope or resource limitations.

inappropriate scope or resource limitations.

Reports to Audit Committee

9. An important part of the IA service is to inform the Audit Committee about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the IA service. The following summarises the information the Committee has received from the Head of Internal Audit and Risk during the last year.

- Annual Governance Statement and Update
- Best Practice for Governance of City Council Companies and later update
- Internal Audit Quarterly Reports
- Role of Audit Committee and Work Programme
- Internal Audit Charter
- Internal Audit Annual Report
- Internal Audit Annual Plan
- East Midlands Shared Services (EMSS) Annual Report and Head of Audit & Risk Assurance
- Audit Committee Terms of Reference and Work Plan
- Committee Member training

2. Head of Internal Audit Opinion 2019/20

Scope of the Opinion

10. The opinion has been prepared by the Head of Audit and is based upon the requirements of the Public Sector Internal Audit Standards (PSIAS).

11. Throughout 2019/20, the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the Internal Audit Plan, to form his opinion on the Council's governance arrangements. In forming his opinion, the HoIA has reviewed all the IA reports issued in 2019/20, which has included ICT work, and he has drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to help him identify and assess the key control

risks to the Council's objectives. Other sources of assurance has included the AGS Statement, the Ombudsman Report, Grant Thornton (the Council's external auditor), and the partnership health check review. External assurance sources such as OFSTED, and the Care Quality Commission have been reviewed, and where necessary further information has been sought, in order to assess these assurances.

Issues Relevant to the Annual Governance Statement Opinion

12. The Head of Audit and Risk has identified the following significant issues (as defined in the CIPFA Code of Practice) that should be reported in the Annual Governance Statement:

- The Public Interest Report concerning NCC's governance arrangements for Robin Hood Energy which highlighted numerous significant weakness and which requires a detailed response
- Ongoing concerns regarding the governance arrangements with regards to Robin Hood Energy and governance arrangements for group companies
- The financial and operational impacts arising from Covid-19
- Concerns from our work on NCC's Capital Programme which included the impact of Covid-19 on the Programme and priorities and how this affects both the resources available for current and future capital decisions including
 - Broadmarsh Shopping Centre which will require additional resourcing after Intu relinquished their lease
 - Energy & Waste Infrastructure which requires decisions to determine future infrastructure and contractual arrangements for these services
- The Financial Resilience of the Council given the ongoing budget pressures
- Ofsted Focussed Visit & Improvement Programme

Opinion 2019/20

13. No systems of control can provide absolute assurance, nor can IA give that assurance, significant issues (as defined in the CIPFA Code of Practice) were included in audit work undertaken and reported by IA as part of the 2019/20 Audit Plan. Subsequent IA experience, covering financial systems, risk and governance, and based on the recent Ofsted report and the concerns that the External Auditor has raised during the audit of the 2018-19 Statement of Accounts, together with the knowledge that the Council finances are suffering significant stress due to

the Covid-19 emergency in 2020 leads the HoIA to conclude that whilst many internal control systems are operating effectively within the Council, its significant partners and associated groups – the areas of weakness identified as significant items (see above) lead to an overall limited level of assurance.

14. It is clear from the last 4 years' budget outturns and the 2020-21 projected overspend that the financial control framework is under stress. Internal Audit will prioritise additional activity in 2020-21 to identify issues within financial control to assist management in maintaining the effectiveness of the framework. As might be expected in an era of frequent change, reorganisations and cuts, internal audits have highlighted system weaknesses in some areas and governance and compliance issues. IA will aim to review these key areas during 2020-21
15. The opinion is based on internal audit work undertaken and completed, prior to emergency measures being implemented as a result of the pandemic. The impact of the virus on the Council and its systems was immediate with a significant level of strain being placed on normal procedures and control arrangements but to date no internal control failings have been brought to the attention of the Head of Internal Audit. It is currently not possible to quantify the additional risk arising from the current short-term measures or the overall impact on the framework of governance, risk management and control.

*A **limited level of assurance** can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups*

Impact of Covid-19

16. The Council's response to the pandemic has impacted on the available Internal Audit resources since March 2020 and in particular Auditors time has been required to advise on and in some cases assist with new processes, namely Small Business Grants and Retail, Leisure and Hospitality Grants. The time spent on these activities will be reflected in subsequent updates to this committee.

17. The pressure on colleagues since March has at times affected our ability to engage with management within those areas under review, an example being our IT Service. This has to an extent limited our ability to conduct some of the necessary work in our plan and continues to do so. Another consequence has been the availability of responsible managers to respond to our draft reports with a consequence that we have issued 8 Interim Final Audit Reports relating to the 2019/20 year during the first quarter of 2020/21. These interim reports state our findings but do not include management comment. We have offered management the opportunity to comment at a later stage but intend to re-visit these report in the year. The finding in these reports have been considered by the Head of Internal Audit in forming his opinion.
18. There is a view nationally that the speed at which arrangements have been put in place has increased the risk of fraud occurring, even though it is expected that any new arrangements should feature adequate control measures. We intend to consider those areas most at risk of fraud and complete some additional work to provide assurance that amended processes did not allow fraudulent transactions to occur.

3. Basis of Assurance for the Annual Audit Opinion

2019/20 Audit Plan

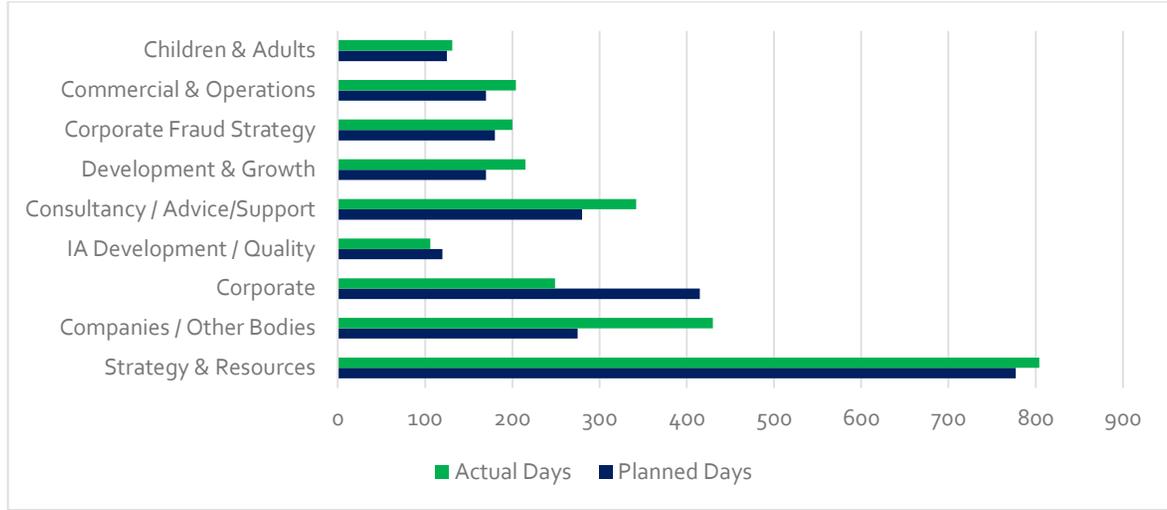
19. The Audit Plan and quarterly monitoring reports were presented to the Committee throughout the year, detailing progress against the Plan. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit. The audit plan is fluid and has been changed to reflect differing risks and priorities arising during the year. The details of the audits finalised in quarter 4 are provided within appendices A and B and a list of all finalised audit reports issued for 2019/20, issued by 31 March 2020, is provided in Appendix D. There are a number of audit reports relating to the 2019/20 Audit Plan that were finalised and issued after 31 March 2020; these will be provided to the committee as part of the next update but these are drawn upon for the purposes of compiling the Head of Internal Audit's opinion.
20. The final outturn for 2019/20 is summarised in the table below that shows the outturn against planned resources.

Overall 2019/20 Internal Audit Plan against Actual

Audit Title	Planned Days	Actual Days
Governance	255	190
Organisation	125	103
Key Financial Systems	154	188
Procurement & Projects Programme Management	225	153
Big Ticket / Risk Based Service Reviews	202	226
Compliance / Challenge	150	180
ICT and Information Governance	95	109
Counter Fraud	500	540
Corporate Fraud Strategy	110	238
Companies / Other Bodies	286	414
Consultancy, Advice and Support	258	287
Development , Redesign & Quality	175	110
Total Days	2535	2738

21. The audit coverage across all clients/areas is shown in the following diagram:

2019/20 Internal Audit Plan against Actual by Department



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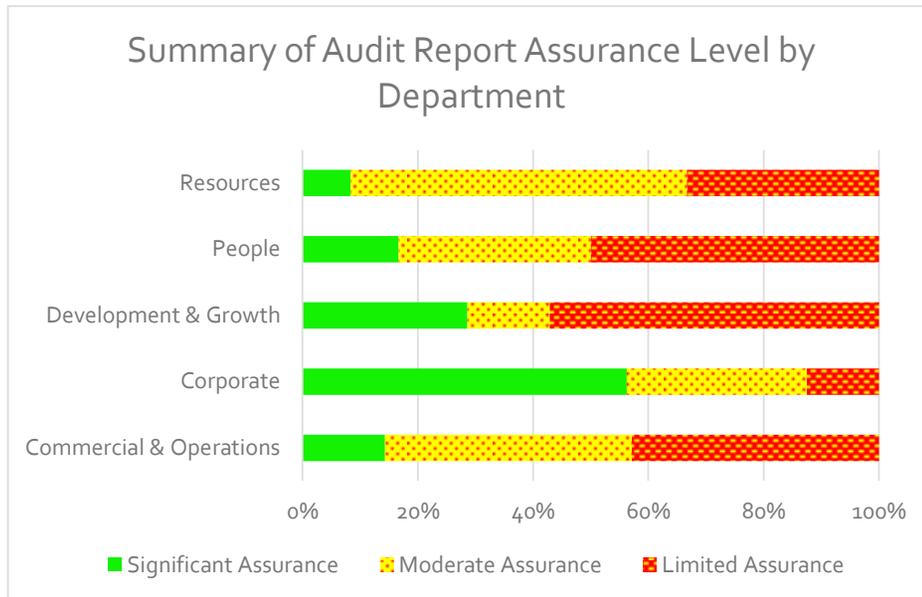
A summary of the audit work from which the opinion is derived

22. The Audit Committee sees summaries of all reports, levels of assurance and the associated high-rated recommendations as part of its annual work programme.

23. Internal Audit reports are normally comprised of a number of findings and recommendations. Dependent on the nature of these findings, the recommendations are classified as High, Medium or Low; a definition of these categories can be found in Appendix F. In addition, an opinion or level of assurance, which ranges from 'No Assurance', 'Limited Assurance', Moderate Assurance or 'Significant Assurance' also features in each report; a definition can also be seen in Appendix F.

- 24. It should be noted that we commenced using a fourth level of assurance, namely Moderate Assurance, with effect from 1 January 2020. The introduction of this level of assurance was deemed necessary as it was felt that the use of Significant or Limited Assurance was at times not the best fit.
- 25. The analysis below identifies the level of assurance for those reports issued to Corporate Directors during the 2019/20 audit year.
- 26. As can be seen, we have not issued any reports that have featured a 'No Assurance' opinion i.e. where we believe that there is a poor system of internal control or consistent non-compliance with key controls that presents serious risks to the council. A full list of the final reports issued can be found in Appendix D.
- 27. We have also responded to ad hoc requests throughout the year and provided feedback and guidance as necessary.

Analysis of assurance levels by department



28. We have also analysed the outcomes by corporate impact in order to contribute to the Head of Audit & Risk's opinion.
29. Our work on key systems during 2019/20 has shown that the majority of key systems have been assessed at significant assurance and we note that there has been an overall improvement in the direction of travel when compared to the previous year, giving the Head of Audit & Risk confidence that those systems underpinning the most financially significant activities are generally effective. It is still a concern that some Corporate IT systems and a proportion of systems with significant corporate impact have been rated as limited assurance – a summary of weaknesses identified can be found in sections below.
30. We have considered the results of our completed work over the year and have used the information to inform the 2020/21 Internal Audit Plan (see Appendix C). It is worth bearing in mind that our audits have been scoped with management so as to target areas which we consider to present greater risk to the City Council, and therefore we would expect a certain level of bias towards providing negative assurance.

Key Financial & Other Key Systems

Key Financial Systems

31. The opinion of the Head of Audit and Risk is informed significantly by the results of the audits of the council's key financial systems. Our reviews of the key financial systems and other financial control audits support the opinion. We have reviewed all of the key systems identified in our plan, some of which are operated by EMSS; which we report upon separately. The coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.
32. The necessity to quickly make grant payments to businesses, in accordance with government instructions, did put a strain on colleagues across departments and we are currently reviewing payments made via Oracle to ensure that there were no fraudulent applications for assistance.

Key financial control systems are sound ... these controls continue to work well in practice

Procurement / Contract Management

33. This year's Procurement Audit involved a detailed analysis of Oracle expenditure over the year and identified a number of areas which require improvement, including compliance with regulations.
34. Also during the year we completed a review of Contract Management arrangements across the organisation. As with the audit of Procurement, we highlighted some significant weaknesses, the most significant ones being the lack of a common assurance framework for contract management; lack of Contract Management Policy and associated standards; lack of corporate governance processes and assurance for reporting; lack of a corporate contract risk management process and a lack of functionality within Oracle to allow better oversight of spend.
35. The findings of both the above mentioned audits were discussed at CLT during the year. We plan to take a similar approach to our work on procurement during the current year.

Property

36. During the year we completed four reviews in respect of the Council's Investment and Corporate Property portfolios. We have reported upon the arrangements for the disposal of Land and Investment Properties which highlighted scope for improving compliance with the DCLG LA Disposals Guidance and the need to evidence compliance with the RICS valuation guidance.
37. We completed a follow up of recommendations made in respect of a previous review of the management of health & safety within the Commercial and Investment Property portfolio. The level of assurance reported remained at Limited as there were some significant recommendations outstanding.
38. Our third review in this area considered the arrangements for managing the repairs and maintenance of corporate property. This review identified a number of strengths within the service, with a significant level of assurance being recorded. We noted however that different systems are being used by the service.

39. Our final review considered the Estate Rents function which records and recovers the charges for commercial properties. There were no significant issues raised.

Fit for the Future

40. We have monitored the progress of the project since inception and have commented upon specific areas over time, such as project governance, contractual responsibilities, risk management, new processes, data cleansing / migration. With a new target date for implementation, we will continue to connect with the project team and plan for our systems work on the new system prior to and after the 1 April 2021.

Risk Management

41. Our previous report on Risk Management indicated that the organisation needed to embed risk management across the organisation and to provide resources to allow this to occur. Our review during 2019/20 has shown a positive direction of travel with all outstanding high rated recommendations being implemented and a Significant level of assurance being recorded in our report.

Information Governance / ICT

42. Information, Communication and Technology (ICT) plays a critical role in supporting all the services provided by the Council. A clear demonstration of this is the way in which IT, Information Compliance and Communications and Marketing responded to the recent Coronavirus outbreak. City Council buildings were closed and colleagues required to work at home and thanks to technology, colleagues were still able to continue to support citizens and maintain services whilst working at home.

43. The audit work that has been drawn upon by the Head of Internal Audit to form his opinion includes:

Audit	Level of Assurance
Cloud-based Applications	Moderate

IT Service Desk	Significant
Business Continuity and Disaster Recovery – Follow-up	Limited
Children and Adults - Liquidlogic and ContrOCC systems administration	Limited
Data Protection – follow-up	Limited
Waste Manager - Application review	Limited
Waste Manager - Application review - Follow-up	Limited
ASC - ContrOCC Provider Portal	Significant
PCI Compliance	Significant
ASC - ContrOCC Feeder Systems review – Follow-up	Limited
IT Audit - Cyber Security – follow-up	Moderate
Use of Social Media	Significant

44. Our ongoing concerns with regards to the ICT arrangements include the governance and management arrangements concerning the procurement and use of cloud-based technologies, plus the effect of pressures on staffing resources within IT, which are continually being stretched and which may leave gaps within the control framework.
45. During the year, we have received the following positive assurances that the ICT risks are being addressed:
- The Council has retained PSN, Cyber Essentials Plus and HCN accreditations, all of which have been externally assessed.

- The Information Compliance Team and IT both have operational risk registers and are reviewing their risks on a regular basis.
- IT has established three departmental governance boards with the aim of understanding departmental IT priorities and to assist them in managing their IT project and programme risks.
- The Information Compliance Team and IT Service report assurances and changes in risk to both the Information Compliance Board and SIRO so that the wider organisation has an awareness of the challenges and threats present.

Performance

46. Our review this year focused on the corporate performance function and sought to provide assurance that NCC has adequate performance management arrangements in place for the current Council Plan 2019-2023. We reported Moderate Assurance on the controls in this area but highlighted scope for improvement of individual performance indicators, improvement of guidance, quality assurance and the Performance Management Framework. We also noted the need for the Council Plan and Performance Management Framework to be reconsidered to reflect the fundamental changes to priorities and resources arising from the Covid-19 emergency.

Other Risk Based Audits

47. In accordance with our annual plan, we have undertaken reviews across all departments and the following provides a brief insight into the results highlighted within some of these reviews.
48. We completed a further review of the arrangements for managing the Council's vehicle fleet which featured ongoing weaknesses with regard to the management of the workforce, existing IT systems and stores management.
49. Our review of Fostering, Adoption and Placement highlighted weaknesses on their system and policy.
50. Our review of the Royal Centre highlighted a number of areas for improvement within procurement, the box office, staff management and business continuity

51. Our first review of Nottingham Schools Trust provided some scope for further improving the governance arrangements in place.

Grants

52. Over time, there has been an increasing requirement from grant providers for our involvement in the verification of grant conditions prior to sign-off, which is reflected in the Audit Plan. During 2019/20 a number of grant certifications were subject to routine work by Internal Audit including Troubled Families, various Transport Grants and Disabled Facilities. The value of these grant claims was £9.9m. There are no significant issues to report.

£9.9m of grant certifications.

Corporate Reviews

53. We have considered the policy framework in place within the Council and the Head of Internal Audit has been given an overview of the arrangements in place.

54. Our review of Payroll Terms & Conditions, which largely covered adherence to policy, produced a Significant level of assurance

55. We reported our findings on the Disciplinary Process during the year which has produced a Moderate level of assurance with some scope for improvement in areas such as record maintenance and HR colleagues' role in maintaining a quality control process.

56. Our review of Absence Management produced a Limited level of assurance and we noted that although there is a clear policy in relation to absence, this is not adhered to on a consistent basis. In our view, there is scope for improving monitoring and assurance arrangements.

57. We have complete a follow up on previous recommendations made in respect of Recruitment and Retention which shows a positive direction of travel

Culture / Ethics

58. During the year the Internal Audit team reviewed a number of culture and ethics issues. We propose to follow up on our findings in the 2020/21 audit plan.

Fraud and Whistleblowing

59. Internal Audit includes a Corporate Counter Fraud Team (CCFT) that was established to investigate suspected financial irregularities, conduct pro-active counter fraud exercises and ultimately, save the council money. Since its inception, the team has identified income in excess of £3.8m and savings exceeding £1.6m.

Since its inception, CCFT has identified income in excess of £3.8m and savings exceeding £1.6m.

60. The team had a cashable income/savings target of £400k for 2019/20, which was exceeded. During 2019/20, CCFT undertook several proactive exercises in relation to Business Rates including a review of Listed Buildings, finished off a GIS mapping project on small business rate relief plus many referrals from NCC colleagues.

61. The team is responsible for coordinating the Council's response to the biennial National Fraud Initiative (NFI). This pro-active exercise requires the council to consider the results of matching specific sets of data obtained from local authorities throughout the country. This process prompts investigations and where appropriate, prompts discussions regarding systems weaknesses and the potential for fraud. The next exercise is due in January 2021.

62. The team has carried out a review of the council's single person discount scheme in line with the National Fraud Initiative (NFI) along with investigating hundreds of referrals from NCC colleagues in relation to council tax liability issues.

63. The National Fraud Initiative data matching exercise that is coordinated by the team, flagged council tax accounts that were receiving a sole occupier discount and a number of these discounts were removed.

64. The team investigated council tax referrals where backdated discounts or an empty property premium were requested.
65. The team is heavily involved in assisting Nottingham City Homes (NCH) in relation to tenancy fraud issues and the vetting of applications to the Council's Right to Buy Team (RTB). This work has resulted in many properties being reclaimed by NCH and stopped several fraudulent RTB applications
66. The team has responded to referrals from around the council and provided support for managers.
67. Internal Audit acts as a first point of contact for most whistleblowing concerns and supports the Council's Monitoring Officer who is ultimately responsible for managing the complaints received. We assess all reported irregularities or whistleblowing concerns that are consequently investigated by ourselves, the relevant directorate or HR colleagues, as appropriate.
68. We advise on changes to the whistle blowing code in conjunction with colleagues in HR, advise on any proposed refresh to the Gifts and Hospitality guidance for employees and refresh the Counter Fraud Strategy where necessary.
69. The Council's response to the COVID-19 pandemic may have resulted in an increased risk of fraud due to the nature of some of the financial limits and process changes made in order to maintain supplier cash flow, reduce supervisory check volumes, and process business grants according to government instructions. Over the past few months the CCFT has provided substantial assistance to the teams responsible for processing the applications for grants, in accordance with Government instructions. This has mainly encompassed work delivering the NNDR support grants and also some work around the discretionary grants to businesses. Post payment checks and investigations are being carried out in this area too to highlight any potential fraudulent cases. One full time member of the team was seconded to assist on the Social Care side of the business.

Data Analytics

70. We aim to utilise data analytics as a part of our planning process, to allow us to understand the total population within each data areas, to identify issues, focus the scope of our work, target sampling etc. We have used it on our

work on Housing Benefits, pro-active counter fraud exercises, Procurement, Payroll, Accounts Receivable and plan to further expand our use of data analytics going forward.

71. In addition to undertaking an analysis of the Council's procurement data, we considered the possibility of fraud occurring within the procurement environment. To that end, we undertook a data matching exercise to match Accounts Payable data with the Council's Payroll data. The matching exercise has the potential to identify employees who are connected with outside suppliers.
72. We have taken data analytics approach to reviewing all colleague expenses during the year with a view to detecting anomalies that may be indicators of high impact fraudulent activity.

Data Analytics is a key activity for the future to ensure the most effective use of reduced resources.

Follow-Up of Recommendations

73. The Committee sees summaries of all reports issued and the associated recommendations as part of its review of IA performance. Systems are in place to monitor these recommendations, and those outstanding beyond their target date are reported to the responsible colleague nominated in the agreed action plans for their follow up. Our programme of activity to follow-up recommendations during 2019-20 year has identified a positive response from client departments.

External and Other Assurance Providers

74. We have reviewed information from external providers of assurance during 2019/20 and identified further requirements in order to be able to assess the assurance concerns identified. These are found within Appendix E.

75. NCC wholly owned companies have been audited with respect to 2018/19 and are currently being audited for 2019/20. We rely upon the assurance provided and where appropriate follow up any issues identified.
76. Corporate Directors and statutory officers have provided an assurance statement supporting the AGS. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including those carried out by the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance. As a result of the review of the effectiveness of the governance framework, the arrangements are considered to need improvement, particularly in respect of the significant issues identified, most notably the recent Report in the Public Interest by the external auditor.

Changes to Internal Audit Plan

77. There have been no major changes to the 2019/20 Audit Plan since it was last reported.

4. Quality Assurance & Improvement Plan

Purpose

78. Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of Nottingham City Council Internal Audit that the service:
- * Performs its work in accordance with its Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics
 - * Operates in an efficient and effective manners; and
 - * Is adding value and continually improving Internal Audit operations.
79. The Head of Audit and Risk is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including work with external clients. The QAIP must include both internal and external assessments. Internal

assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years; we expect the next external assessment to take place in 2022.

Local performance Indicators

80. The table below illustrates how the service has met its key quality and output objectives reflected in its Charter and agreed by the Committee.

TABLE 2: PERFORMANCE OUTTURN				
Indicator		Target	Actual Year	Comments
1.	% of all recommendations accepted	95%	100%	Above Target
2.	% of high recommendations accepted	100%	100%	Achieved
3.	Average number of working days from draft agreed to the issue of the final report assurance	8 days	3 days	Above Target
4.	Number of key / high risk systems reviewed	12	12	Achieved
5.	% of colleagues receiving at least three days training per year	100%	75%	Below Target (Covid impact)
6.	% of customer feedback indicating good or excellent service	85%	92%	Above Target

Public Sector Internal Audit Standards (PSIAS)

81. The service works to a charter endorsed by the Audit Committee. This charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards.
82. The Public Sector Internal Audit Standards (PSIAS) introduced a mandatory requirement for an external assessment of an organisation's internal audit function, which has to be completed once every five years by a qualified, independent reviewer from outside of the organisation. Following a successful external assessment in 2017, the recommendations from this assessor's report, along with improvements highlighted by our own self-assessment were combined into an Improvement Plan. We have continued to work on the four areas that featured partial-conformance, throughout 2019/20. We have been working on the requirements of the Improvement Plan and to date we have no areas of non-conformance with the standards.
83. The service has met the requirements of the Accounts and Audit Regulations 2015 and associated regulations in respect of the provision of an IA service.

The service has met the requirements of the Accounts and Audit Regulations 2015

Monitoring

84. Internal Audit is committed to working to the highest professional standards, and to delivering a quality product that adds value to senior management. As such, performance is actively monitored and feedback from management is encouraged.

85. Internal Audit has a system in place to effectively monitor work done in line with the agreed plan planned. The system is used to allocate assignments and to evidence completed work, to provide key performance information for management (as set out above). Auditors are required to complete timesheets to record work undertaken on their assignments and tasks they are allocated, so management can continually assess the Plan against Actual position for individual audits and across the overall Plan. The achievement of the service delivery plan actions is monitored and reported to the Strategic Director of Finance and discussed with the audit team.
86. Each audit is subject to supervisory review by a senior member of the team who ensures the focus is retained throughout the course of the assignment and time is used to best effect. The reviewer will also undertake checks to ensure that professional standards are maintained. All reports are viewed by the Audit Manager before issue. Any report with assurance ratings of “No Assurance”, or any with a significant issue to report, are reviewed by the Audit Manager and shared with the S151 officer and the Head of Audit and Risk for an urgent follow up.
87. Following the issue of a draft audit report, a meeting is held with the client manager with an opportunity for them to consider the audit findings, proposed recommended actions and the response to be made by the service including action and timescales. This provides a degree of assurance that the final reported position is accurate and that any recommendations considered are acted upon in a timely and robust manner.

5. Internal Audit Plan 2020-21

88. The number of days allocated in the plan for 2020/21 to provide the Head of Internal Audit with the necessary evidence for the opinion on the control environment is 2386, which includes the resources required to provide internal audit services to external clients. A summary of the IA Plan for 2020/21 is provided in Appendix C of this report.
89. The Council is having to make significant cuts to its budget and contributing to this process is the Voluntary Redundancy Scheme. The current number of colleagues within Internal Audit and Counter Fraud Team will be affected in-year by the VR Scheme and we have therefore reduced the estimated number of days available.

90. As part of our approach to the 2020/21 audit plan, we will aim to concentrate our resources on those areas which are of greatest concern to the Council's S151 Officer.

91. We hope to further expand our use of data analytics to provide greater assurance for management from our work.

92. As with previous years, the plan was compiled in consultation with stakeholders across the council and has taken into account our professional judgement, our assessment of risk and the requirements of external auditors. The plan is centered on the need to align audit activity to Council objectives and to meet the requirements of effective corporate governance, including the Annual Governance Statement (AGS).

Final Audit Reports issued 1st January to 31st March 2020 (Quarter 4)

Appendix A

Department	Division	Activity	Level of Assurance	High	Medium	Low
Children and Adults	Adult Social Care Quality and Change	ASC - ContrOCC Feeder Systems – Follow Up *	Limited Assurance	0	0	0
Children and Adults Total				0	0	0
Counter Fraud		Colleagues Expenses	Moderate Assurance	0	0	0
Counter Fraud Total				0	0	0
Development & Growth		Housing Rents 2019-20 *	Limited Assurance	0	1	0
	Planning and Regeneration	Section 106 Fees Follow Up *	Moderate Assurance	0	1	0
	Strategic Asset & Property Management	Estates Rents 2019-20 *	Significant Assurance	0	0	0
		Commercial and Investment Properties Health & Safety – Follow Up *	Limited Assurance	0	0	0
Development & Growth Total				0	2	0
Strategy and Resources	Information Technology	Cyber Security – Follow Up *	Moderate Assurance	0	0	0
	Procurement and Commissioning	Contract Management	Limited Assurance	5	2	0
	Strategic Finance	NCC Accounts Payable 2019-20	Significant Assurance	0	0	0
		NCC Accounts Receivable 2019-20 *	Significant Assurance	0	0	0

Department	Division	Activity	Level of Assurance	High	Medium	Low
		Housing Benefits 2019-20 *	Moderate Assurance	1	0	0
		Main Accounting 2019-20	Significant Assurance	0	0	0
		Bank Reconciliation 2019-20	Significant Assurance	0	0	0
	Strategy and Policy	Use of Social Media	Significant Assurance	0	3	0
Strategy and Resources Total				6	5	0
Grand Total				6	7	0

* The table shows new recommendations only – the overall numbers of recommendations on each report may include previously raised recommendations where actions are either incomplete or partially complete this is reflected in the summaries in Appendix B

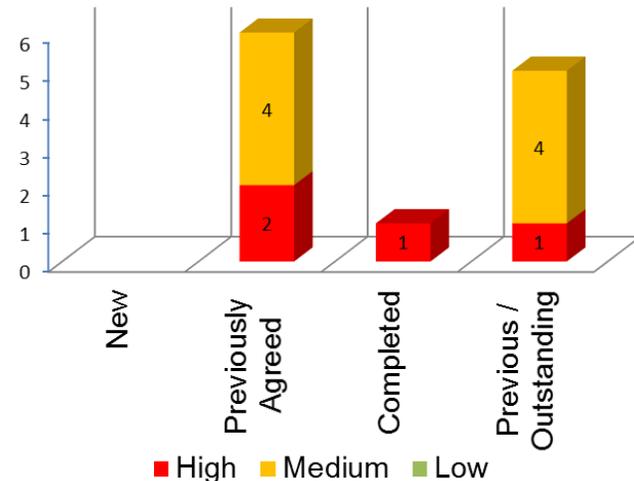
ASC - ContrOCC Feeder Systems Review - Follow-up

Department: Children and Adults	Overall Opinion: Moderate Assurance 	Direction of Travel:  Improvement in some areas
Previous review: None	<u>Scope and Approach:</u> This review considered the following aspects: <ul style="list-style-type: none"> • Document the payment / income system • Review the methodology by which data is transferred • Review and test a sample from each system to ensure the file transfers are accurate and complete • Review any reconciliations undertaken by the host 	

High Priority Recommendations

2018-19 R4 – To reduce the risk of fraud occurring / assist with the detection of fraud, the authorising officer (who is segregated from the process of inputting bank details) should use the D5 Control Report to check that any new bank accounts have been created correctly. This would involve checking that there is valid evidence of a change in bank details and ensuring the details input onto the system match those submitted on the evidence. Any discrepancies should be reported immediately to senior management.

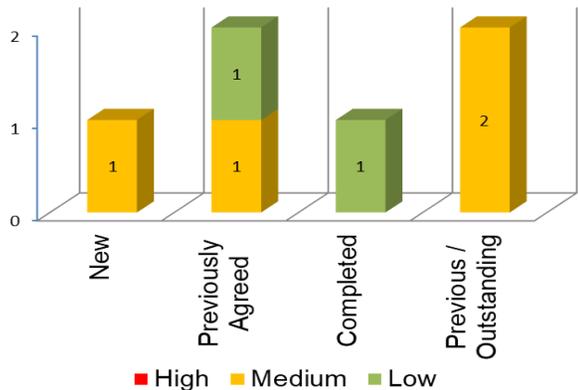
Summary of recommendations by priority



Data Analytics - Colleague Expenses 2019-20

<p>Department: HR and Customer</p>	<p>Overall Opinion: Moderate Assurance </p>	<p>Direction of Travel: No Change </p>
<p>Previous review: 2018-19</p>	<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • A high level analysis of Colleague Expenses 	
<p>High Priority Recommendations</p> <p>No recommendations for action</p>		

Housing Rents 2019-20

<p>Department: Development and Growth</p> <p>Previous review - Housing Rents 2018/19</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel:</p> <p>Assurance level maintained </p>																				
<p>Scope and Approach: This review considered the following aspects of the rents system:</p> <p>Annual rents are approved as part of the financial planning process Housing stock is reconciled on an annual basis Rent income collected through the Radius system and posted onto the general ledger is reconciled to rent income received on the housing rents module of the housing system. There is a weekly reconciliation between HB system, Housing Rents iWorld and General Ledger. Low or nil rent properties on the HRA are reviewed on at least an annual basis for appropriateness. Annual rent increases have been applied to the system correctly. There is adequate performance management of void properties. There are appropriate access controls to the Northgate Housing System Follow up of previous audit recommendations.</p>																						
<p>High Priority Recommendations</p> <p>There are no high priority recommendations.</p> <div data-bbox="1234 948 1921 1406" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Summary of recommendations by priority</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Data for Summary of recommendations by priority</caption> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>0</td> <td>1</td> <td>1</td> </tr> <tr> <td>Completed</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td>Previous / Outstanding</td> <td>0</td> <td>2</td> <td>0</td> </tr> </tbody> </table> </div>			Category	High	Medium	Low	New	0	1	0	Previously Agreed	0	1	1	Completed	0	0	1	Previous / Outstanding	0	2	0
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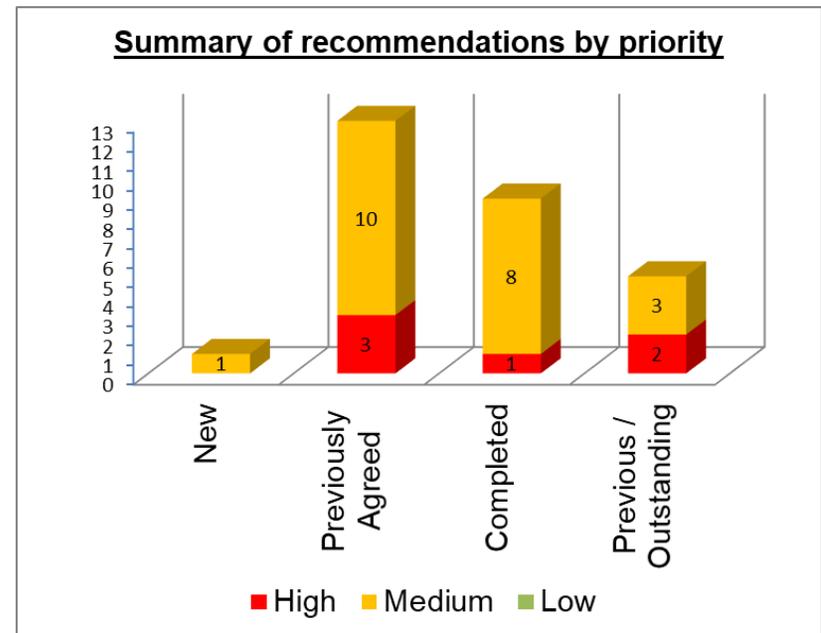
Section 106 Fees - Follow-up

Directorate: Planning Services	Overall Opinion: Moderate Assurance 	Direction of Travel: 
Previous reviews: S106, 9 th January 2019	<u>Scope and Approach:</u> The scope was limited to a review of recommendations from the previous report.	

High Priority Recommendations

2018/19 R5 Monitoring of trigger points/ overdue contributions should be robustly and regularly reviewed to ensure prompt payment.

2018/19 R6 The monitoring fee allocation should be used to fund effective monitoring of the s106 process, both in Planning and Finance

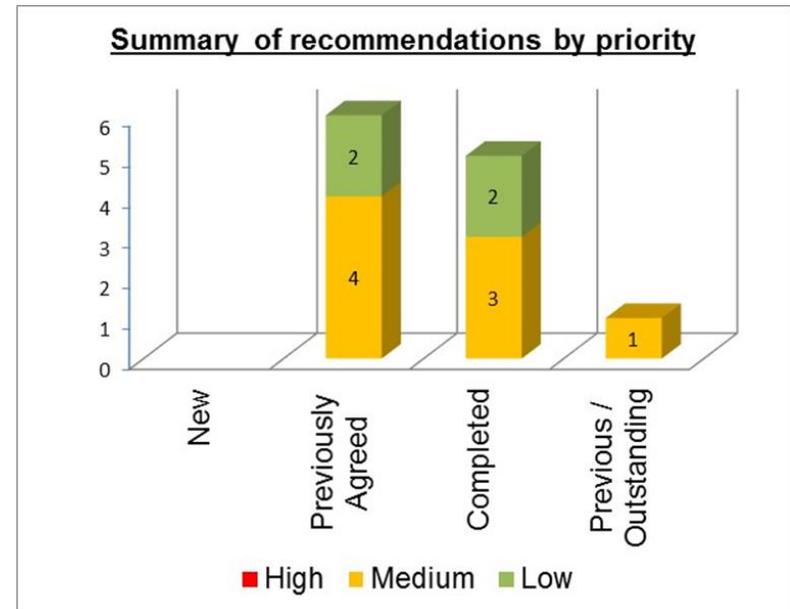


Estate Rents 2019-20 - Follow-up

Department: Development & Growth - Strategic Asset and Property	Overall Opinion: Significant Assurance 	Direction of Travel: 
Previous review: Estate Rents 2019-20	<u>Scope and Approach:</u> The scope was limited to a review of recommendations from the previous report	

High Priority Recommendations

There are no high priority recommendations



Commercial and Investment Properties Health and Safety - Follow Up

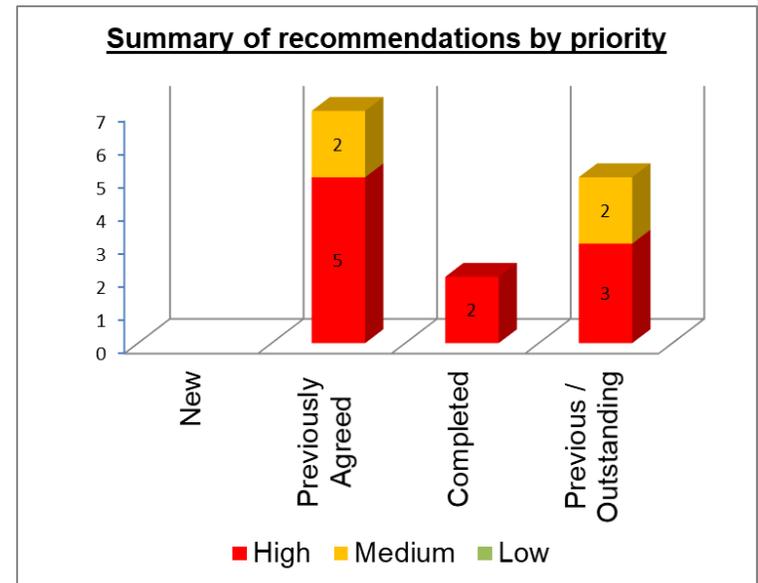
Directorate: Property	Overall Opinion: Limited Assurance 	Direction of Travel: 
Previous reviews: Health & Safety-Property – 7 June 2019	<u>Scope and Approach:</u> <ul style="list-style-type: none"> Follow up of the recommendation from the 2018/19 report 	

High Priority Recommendations:

2018/19 R1 There is no framework in place for senior management to receive assurance on H&S functions in commercial property.

2018/19 R2 Responsibilities for H&S, particularly fire risk within Property Investment, remain unclarified.

2018/19 R5 H&S is impacted by the lack of resources in Property Investment to carry out regular visits of properties and produce adequate records.



IT Audit - Cyber Security - Follow-up

<p>Department: Strategy & Resources</p> <p>Previous review:</p> <p>Cyber Risk review 2018/19 – issued May 2019</p> <p>IT Security 2016-17 issued July 2017</p>	<p>Overall Opinion:</p> <p>Moderate Assurance </p>	<p>Direction of Travel: </p>
<p><u>Scope and Approach:</u> This review followed-up the outstanding recommendations made in May 2019</p>		

High Priority Recommendations

2017-18 R3 A Cyber-Risk Strategy should be developed corporately to address the education /skills requirements and the technologies and resourcing required now and in the future for City Council to combat the cyber threat

2017-18 R8 Managers should be reminded of their responsibility to notify any change in circumstance to the ICT Service Desk.

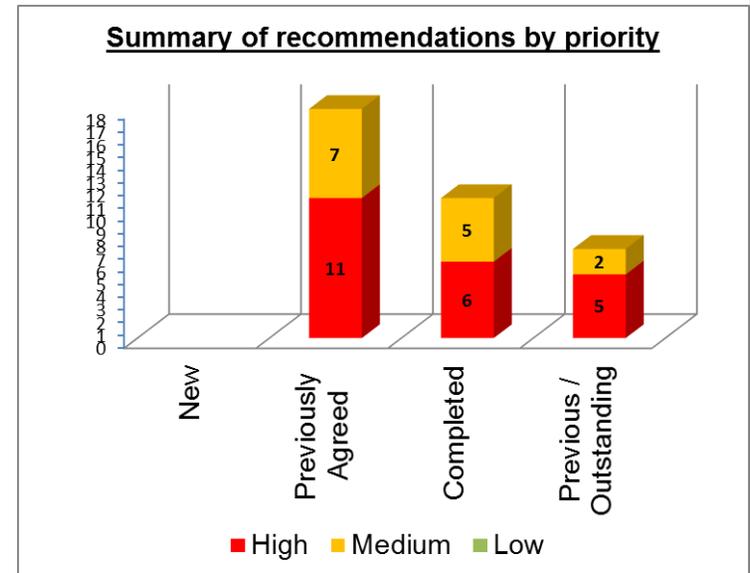
In addition, IMAB may wish to monitor this control and any subsequent issues as a means of ensuring the security of the data.

2017-18 R11 Patching is one of the key controls and the level of achievement should be reported, to ITLT and to the IMAB as part of the assurance framework.

In addition, when Nexpose is used then the residual level of risk exposure to the City Council should also be reported.

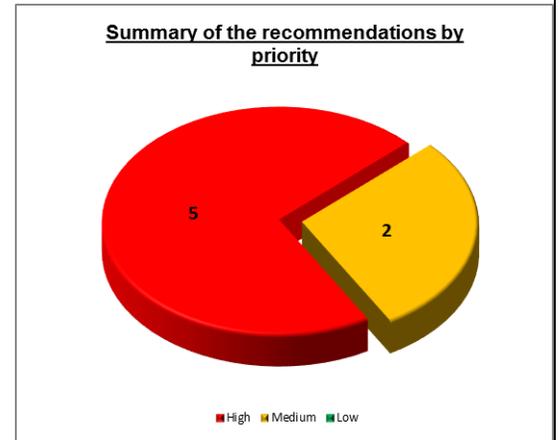
2017-18 R12 A Social engineered assessment should be undertaken to identify risks to the City Council and the opportunities to embed good practice within the organisation.

The outcome of the initial assessment could then be used as baseline for reporting the level of assurance to the IMAB.



Contract Management

<p>Department: Strategy & Resources</p>	<p>Overall Opinion: Limited Assurance </p>	<p>Direction of Travel: Not assessed – previous reviews focused on contract management in specific activities</p>
<p>Previous review: This is a corporate review – previous reviews have focused on specific activities</p>	<p><u>Scope and Approach:</u> This review considered the following aspects of contract management:</p> <ul style="list-style-type: none"> • corporate support for contract management /strategic direction and oversight on contract management, including contract management policy and procedures • governance arrangements • roles, responsibilities, competencies and accountabilities • supplier management, change control and contract performance monitoring • financial and risk management • strategic oversight and assurance reporting 	
<p>High Priority Recommendations</p> <p>R1 As part of an assurance framework for contract management: Implement a clear contract management framework that manages contract risk and allocates contracts to governance tiers and contract management responsibilities to competent contract managers either centrally or departmentally, by considering factors including value, risks, importance, and complexity.</p> <p>Implement corporate oversight by portfolio to provide assurance that clear contract management plans are in place and contracts are well-constructed and performance based.</p> <p>Implement contract management systems and processes that allow consistent measurement of performance and value for money in line with the Council’s objectives and savings targets</p>		



Collect customer and supplier feedback in order to :

- help monitor contract compliance
- support strategy development

measure benefits, including savings obtained.

R2 A Contract Management Policy and associated standards and guidance toolkit should be developed to ensure that all contracts are managed in a consistent and compliant manner. This should be available to all contract managers.

R4 The level and location of scrutiny that contracts should receive should be determined at the contract procurement stage. A Contract Assessment Matrix should be introduced and completed to confirm the governance tier required.

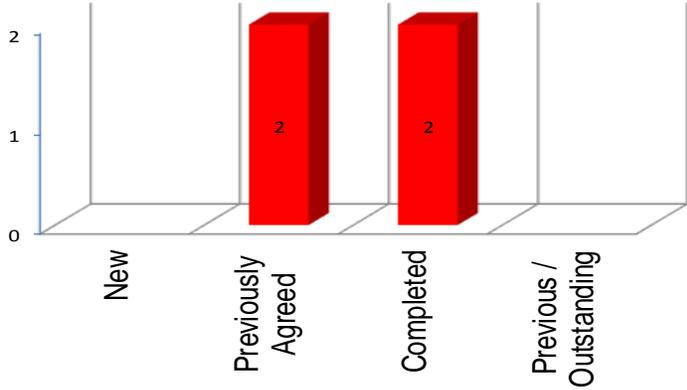
R5 Procedures should be in place to ensure that all contracts are subject to a commercial risk assessment. There should be regular risk reviews across the whole contract portfolio to test and benchmark commercial risk and consider other risk themes such as supplier risk. A risk register should be developed and any departmental or corporate risks escalated as appropriate.

R6 The new corporate financial system Oracle Fusion should ensure the following:

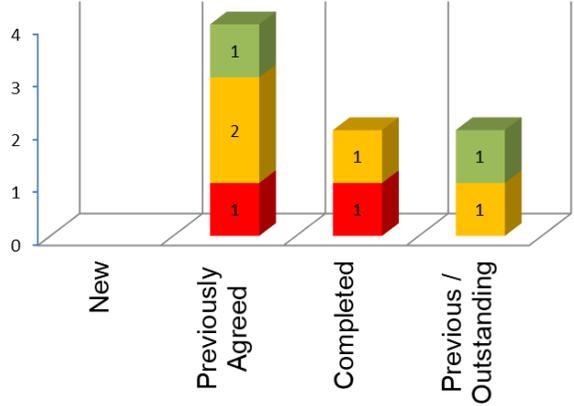
- contract identification
- contract details i.e. value, start and end dates, manager's name
- contract creation only if there is relevant approval
- approval to spend only if there is contract in place
- approval of payments should be automatically linked to contract

reporting facilities to evidence spend by contract and business area

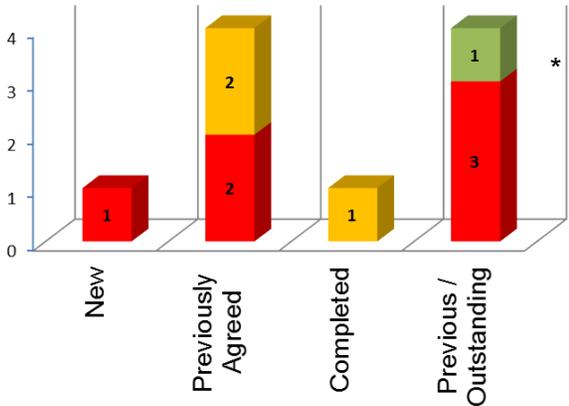
NCC Accounts Payable 2019-20

<p>Department: Resources</p> <p>Previous review: Annual</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel: </p>																				
<p><u>Scope and Approach:</u> This review considered the following aspects of accounts payable:</p> <ul style="list-style-type: none"> • Authorisation of payments • Invoices paid via CHAPS / BACS • Invoices on Hold 																						
<p>High Priority Recommendations</p> <p>No recommendations</p> <div data-bbox="1129 649 1957 1149" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Summary of recommendations by priority</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Summary of recommendations by priority</caption> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>2</td> <td>0</td> <td>0</td> </tr> <tr> <td>Completed</td> <td>2</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previous / Outstanding</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table> </div>			Category	High	Medium	Low	New	0	0	0	Previously Agreed	2	0	0	Completed	2	0	0	Previous / Outstanding	0	0	0
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Completed	2	0	0																			
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NCC Accounts Receivable 2019-20

<p>Department: Strategy & Resources</p> <p>Previous review: Accounts Receivable 2018-19 Accounts Receivable 2017-18</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel: Some improvement in resolution of outstanding recommendations </p>																				
<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Review of documentation supporting the raising of invoices and credit notes • Review of the level of accounts receivable debt • Review of the write-off of unrecoverable debt • Review of unapplied / unallocated in suspense • Follow-up of outstanding recommendations from previous audit reviews 																						
<p>High Priority Recommendations</p> <p>None</p> <div data-bbox="1276 786 1959 1320" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Summary of recommendations by priority</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>1</td> <td>2</td> <td>1</td> </tr> <tr> <td>Completed</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Previous / Outstanding</td> <td>0</td> <td>1</td> <td>1</td> </tr> </tbody> </table> </div>			Category	High	Medium	Low	New	0	0	0	Previously Agreed	1	2	1	Completed	1	1	0	Previous / Outstanding	0	1	1
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Housing Benefits 2019-20

<p>Department: Strategy and Resources</p> <p>Previous review:</p> <ul style="list-style-type: none"> This is an annual audit – under our previous assurance model the assessment was Significant Assurance but under the current model the assessment would have been classified as Moderate Assurance 	<p>Overall Opinion:</p> <p>Moderate Assurance </p>	<p>Direction of Travel: </p> <p>The service has substantially eliminated the backlog of ATLAS files from the DWP needing further processing, but subsidy cash flow delays need to be prevented.</p>																				
	<p><u>Scope and Approach:</u> This review considered the following aspects of the Benefits service:</p> <ul style="list-style-type: none"> Subsidy Outturn, workload balance and quality control Reconciliations and payments process Parameter control process Review of previous recommendations. 																					
<p>High Priority Recommendations</p>																						
<p>2019-20 R1 Discuss the cash flow situation and subsidy audits with DWP, with the aim of reducing the impact of subsidy adjustments.</p> <p>2017-18 R3 Ensure that an additional NCC Client Team member has training to upload Atlas files to improve resilience for this key activity.</p> <p>2017-18 R5 The Finance Team Leader – contract Management should identify parameters which indicate cost benefit in deploying additional resources, and obtain authority to make those resources available where indicated so as not to lose subsidy (of a greater value). Structures and activities of local authorities whose subsidy claims are not qualified should be considered.</p>	<p>Summary of recommendations by priority</p>  <table border="1"> <caption>Summary of recommendations by priority</caption> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>2</td> <td>2</td> <td>0</td> </tr> <tr> <td>Completed</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Previous / Outstanding</td> <td>3</td> <td>0</td> <td>1</td> </tr> </tbody> </table> <p>* One recommendation downgraded from Medium to Low priority.</p>		Category	High	Medium	Low	New	1	0	0	Previously Agreed	2	2	0	Completed	0	1	0	Previous / Outstanding	3	0	1
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<p>* One recommendation downgraded from Medium to Low priority.</p>																						

Main Accounting 2019-20

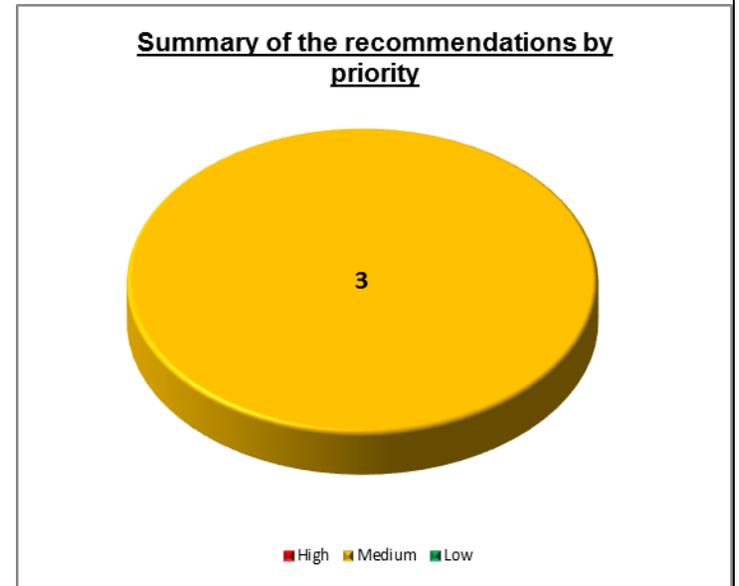
<p>Department: Strategy and Resources – Strategic Finance.</p> <p>Previous review: Annual Audit – last reported February 2019</p>	<p>Overall Opinion: </p> <p>Significant Assurance</p>	<p>Direction of Travel: </p>
	<p><u>Scope and Approach:</u> This review considered the following aspects of the Main Accounting system:</p> <ul style="list-style-type: none"> ❖ Carry forward and brought forward balances are able to be reconciled. ❖ Ledger and interface integrity monitoring ❖ Suspense and holding accounts are in place, regularly reviewed and cleared ❖ Reconciliations are undertaken timely ❖ The processes operated for journal input. 	
<p>High Priority Recommendations</p> <p>There are none to report in 2019-20.</p>		

Use of Social Media

<p>Department: Strategy and Resources</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel:  This is the first time that this area has been reviewed.</p>
<p>Previous review: None</p>	<p><u>Scope and Approach:</u> The objective of this review is to identify and assess the controls in place within the Social Media platforms in operation with specific emphasis on the governance arrangements which are in place.</p>	

High Priority Recommendations

There are no high priority Recommendations



Audit Title	Planned Days
Governance	260
Organisation	170
Key Financial Systems	150
Procurement & Projects Programme Management	170
Big Ticket / Risk Based Service Reviews	90
Compliance / Challenge	80
ICT and Information Governance	120
Counter Fraud	400
Corporate Fraud Strategy	45
Companies / Other Bodies	271
Consultancy, Advice and Support	490
Development , Redesign & Quality	140
Total Days	2386

Final Audit Reports issued during 2019-20 (1/04/19 to 31/03/20)

Appendix D

Department	Audit Name	Rating
Children and Adults	Schools Themed - Safeguarding & Casey Follow Up	Significant Assurance
Children and Adults	Henry Whipple Primary 2019-20	Significant Assurance
Children and Adults	ASC - ContrOCC Provider Portal	Significant Assurance
Children and Adults	Fernwood Primary School	Significant Assurance
Commercial and Operations	Catering Contracts follow up	Significant Assurance
Commercial and Operations	Commercial Waste Contracts	Significant Assurance
Development & Growth	Estate Rents 2019-20	Significant Assurance
Development & Growth	Housing Rents 2019-20	Significant Assurance
Development & Growth	Estate Rents 2019-20	Significant Assurance
Development & Growth	Housing Rents	Significant Assurance
NCC Corporate	Risk Management follow-up	Significant Assurance
Strategy and Resources	Bank Reconciliation 2019-20	Significant Assurance
Strategy and Resources	Main Accounting 2019-20	Significant Assurance
Strategy and Resources	Disabled Facilities Grant (DFG) 2018-19	Significant Assurance
Strategy and Resources	Treasury Management	Significant Assurance
Strategy and Resources	Budget Monitoring	Significant Assurance
Strategy and Resources	NCC Accounts Payable 2019-20	Significant Assurance
Strategy and Resources	NCC Accounts Receivable 2019-20	Significant Assurance
Strategy and Resources	NPIF Grant for Year Ending 2018-19	Significant Assurance
Strategy and Resources	PCI Compliance	Significant Assurance
Strategy and Resources	Use of Social Media	Significant Assurance
Strategy and Resources	NCC Accounts Payable 2018-19	Significant Assurance
Strategy and Resources	Councillor Allowances 2018 -19	Significant Assurance
Strategy and Resources	Performance Indicators	Significant Assurance

Department	Audit Name	Rating
Strategy and Resources	Recruitment & Retention - Follow Up	Significant Assurance
Counter Fraud	Counter Fraud -Colleague Expenses	Moderate Assurance
Strategy and Resources	IT Audit - Cyber Security - Follow-up	Moderate Assurance
Strategy and Resources	Housing Benefits 2019-20	Moderate Assurance
Development & Growth	Section 106 Fees	Moderate Assurance
Development & Growth	Traffic & Safety Capital Projects - Follow Up	Limited Assurance
Children and Adults	Crabtree Primary School - Follow Up	Limited Assurance
Children and Adults	ASC - ContrOCC Feeder Systems review - Follow-up	Limited Assurance
Children and Adults	Dovecote Primary School	Limited Assurance
Children and Adults	Fostering, Adoption and External Placements 2019-20	Limited Assurance
Children and Adults	Nottingham Schools Trust 2019-20	Limited Assurance
Children and Adults	Children and Adults - Liquidlogic and ContrOCC systems administration	Limited Assurance
Children and Adults	Crabtree Primary School	Limited Assurance
Commercial and Operations	Waste Manager - Application review - Follow-up	Limited Assurance
Commercial and Operations	Fleet Management	Limited Assurance
Commercial and Operations	Royal Centre & Concert Hall 2019-20	Limited Assurance
Commercial and Operations	Waste Manager - Application review	Limited Assurance
Development & Growth	Investment Property and Land Disposals	Limited Assurance
Development & Growth	Commercial and Investment Properties Health and Safety - Follow Up	Limited Assurance
Development & Growth	Commercial and Investment Properties Health and Safety	Limited Assurance
Strategy and Resources	Business Continuity and Disaster Recovery - Follow-up	Limited Assurance
Strategy and Resources	Data Protection Follow Up	Limited Assurance
Strategy and Resources	Income and Debt Collection - follow-up	Limited Assurance
Strategy and Resources	Contract Management	Limited Assurance
Strategy and Resources	Procurement 2019-20	Limited Assurance

Department	Audit Name	Rating
Strategy and Resources	NCC Accounts Receivable 2018-19	Limited Assurance
Strategy and Resources	Capital Programme	Limited Assurance
Strategy and Resources	Housing Benefits 2018-19	Limited Assurance
Strategy and Resources	LA Bus Subsidy Grant Year Ending 2018-19	Grants Audit
Strategy and Resources	Transport Grant - LTP Capital Block Funding 2018-19	Grants Audit
Strategy and Resources	Troubled Families Grant Audit 2018-19	Grants Audit
Strategy and Resources	Highfields and Harvey Hadden Charity Accounts Y-E 31st March 2019	Charity Account

External Assurances

Appendix E

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
<p>National Audit Office on Food Safety & Standards & Food Safety Agency</p>	<p>National: NAO reported on Food Safety & Standards in June 2019 The report highlighted the national picture and made recommendations to the FSA and organisations in the food regulation system. The findings for note by NCC concerned:</p> <ul style="list-style-type: none"> • Level of funding allocated to food controls • Statutory objectives to conduct interventions • Trends in food safety and standards risks <p>Nottingham: Food Safety Agency - Report on the Audit of Food Law Service Delivery and Food Business Compliance 24-26 May 2016 The report highlighted the need for NCC to</p> <ul style="list-style-type: none"> • Ensure officer authorisation procedures were seen to be compliant with the Code of Practice • Set out in its service plan the resources required for delivering the service required by the Code of Practice against the resources available • Set out and implement an intervention strategy that ensures interventions are carried out at prescribed frequencies 	<p>Food Safety provided</p> <ul style="list-style-type: none"> • A summary of NCC approach to risk assessment of new food businesses, including how unregistered businesses are identified and dealt with • NCC performance figures for completion of food control interventions set out under the Food Law Code of Practice including a breakdown by risk category of food business • Issues connected to the statutory role of NCC in food safety & standards including the updated action plan from the 2016 FSA audit of NCC <p>We noted that a good level of dialogue had been maintained with FSA following the audit and that FSA had commented positively on the NCC responses. We reviewed the current service plan and confirmed that it reflected relevant risks, service demand metrics, resources and performance. We conclude that risks are adequately disclosed and managed, and that the service recognises and monitors the need for intervention by backfilling (for vacancies or in the case of a major outbreak) so as to enable a decision to be made in a timely way.</p>
<p>LGA & Rand</p>	<p>National:</p>	<p>Mandatory IT Security training has been implemented across</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
Europe	<p>LGA cyber security stocktake (Jan 2019)</p> <p>This report followed the NCSC's cyber assessment framework and raised concerns over cyber security in English councils, giving each a RAG rating across the segments of the analysis and in particular noted</p> <ul style="list-style-type: none"> • training and awareness of cyber security issues and arrangements offer the greatest opportunity for improvement • strong technical underpinnings for the sector, which provides a robust basis for continued cyber security improvements to be built on • partnerships are strong, which contributes to more resilient cyber security practices 	<p>the Council for all staff using computers. Training compliance for the Council is reported quarterly to the Information Compliance Assurance Board.</p> <p>The Annual Information Governance and Compliance Assurance Report was presented to Audit Committee on 31 January 2020. This report included</p> <ul style="list-style-type: none"> • roles and responsibilities • a summary of key activities / controls • a summary of resources • brief details of the Policy & Practice framework, • Information Compliance Performance Indicators, • a framework for Information Compliance Assurance reporting progress through a commentary and RAG rating, and • assurance regarding cyber security. <p>Internal Audit continue to provide a range of IT audits throughout the year including assessments concerning cyber security.</p>
KPMG	<p>Nottingham:</p> <p>External Audit of Housing Benefit subsidy – The latest reported audit is for the year 2016/17 and resulted in subsidy clawback. Problems have been experienced in completing the 2017/18 subsidy audit, and that has resulted in delays to subsidy cash flows.</p>	<p>Officers have been negotiating with DWP to explain the issues experienced in the subsidy audits and impacts on the Council, and share the Council's analysis. DWP are due to respond and the Council hopes that this will significantly reduce delays to subsidy cash flows. There are no reductions to the current subsidy claim but 2019-20 adjustments to recover are at a significant level.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		We continue to review the outturn of subsidy audits and the associated systems as part of our internal audit work and make recommendations for improvements where appropriate.
CQC – Adult Social Care:	<p>2019 REPORT</p> <p>National: CQC State of Care report (Oct 2019)</p> <p>Nationally, four out of five Adult Social Care providers were rated as good which was similar to the previous year. There were 282 more providers rated as outstanding and less variation in quality than the previous year.</p> <p>Similar pressures on services to those highlighted in 2018 were affecting people’s ability to access services.</p> <p>Workforce issues remained a pressure for the sector and staff turnover in all roles had continued to rise. Provider staff had highlighted a range of challenges facing the sector, including a lack of qualified nursing staff, not enough high-quality registered managers, and high vacancy rates and staff turnover leading to a high use of agency staff.</p> <p>Issues with funding were still a concern with pressures on local authority budgets and a lack of social care funding.</p> <p>Collaboration between services was highlighted by people who use services, telling organisations that represented them that different parts of the health and care system were not working together to deliver care effectively.</p>	<p>Recruitment in Adult Social Care remains an issue. A Workforce Strategy is currently being developed with HR to address these issues across both the internal and external workforce. The ‘Grow Your Own’ initiative is being used to support colleagues within the department to become qualified Social Workers.</p> <p>From the ‘Grow Your Own’ scheme for Occupational Therapists, 2 Community Care Officers qualified in July 2018 and are now employed within the department as level 1 Occupational Therapists.</p> <p>An Occupational Therapy Degree Apprenticeship is now in place – BSc Hons Occupational Therapy – Sheffield Hallam University</p> <ul style="list-style-type: none"> • Course due to start in Jan 2021 • Currently have 8 interested Community Care Officer Occupational Therapists, however due to stringent academic requirements for application only 1 (possibly 2 more pending on additional information) have the current academic requirements to apply. • Currently scoping out ways to support Community Care Officers to gain the required academic entry to pursue this further (this may be for 2022 cohort) <p>A Digital Strategy is being developed. The aims are to enable colleagues to work more efficiently through increased use of technology and digital solutions and for citizens to be enabled</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>Some adult social care services used technology to improve people's lives, however, the report noted that the adult social care sector had faced more challenges in its adoption of technology. They attributed this to five key barriers:</p> <ul style="list-style-type: none"> • a lack of funding • a low level of knowledge and awareness • fear that technology could replace personal support • the perception that people who use adult social care are not interested • concerns about ethical or data protection implications 	<p>to live more independently and reduce the need for formal interventions.</p> <p>An App has been developed to support independence and a pilot for this is due to start. This will be evaluated after 6 months and will help inform other applicable services.</p> <p>A digital referral form has been developed for Nottingham Health & Care Point which will go live early this year and will be reviewed after 6 months. Initial scoping work with the Care Bureau indicates that there are efficiencies in processes to be gained through the use of digital and a further workshop is scheduled to develop this work.</p>
IICSA Independent Inquiry into Child Sexual Abuse	<p>Nottingham:</p> <p>On 31st July, the Independent Inquiry into Child Sexual Abuse (IICSA) published its findings into the extent of any institutional failures to protect children in the care of Nottingham City and Nottinghamshire County councils from sexual abuse.</p> <p>There were two key recommendations, for which NCC needed to publish its response by 29th February 2020:</p> <ol style="list-style-type: none"> 1. Nottingham City Council should assess the potential risk posted by current and former foster carers directly provided by the council in relation to the sexual abuse of children. They should also ensure that current and 	<p>NCC has taken the Inquiry extremely seriously and has considered its findings very carefully. NCC's biggest priorities are to make sure that it does everything it can to protect today's children from harm and provide the best possible support for abuse survivors.</p> <p>Like all councils, NCC is constantly striving to improve its services and will redouble its efforts to do that in light of this report. NCC will continue to implement changes in response to lessons learnt through the Inquiry process.</p> <p>The Audit Committee received a report on the findings of the Inquiry and the Council's subsequent next steps for the IICSA report in September 2019.</p> <p>The Council developed and published a comprehensive action</p>

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	<p>former foster carers provided by external agencies are assessed by those agencies. Any concerns which arise should be referred to the appropriate body or process, including the Disclosure and Barring Service, the local authority designated officer (LADO) or equivalent, the fostering panel and the police.</p> <p>2. Nottingham City Council and its child protection partners should commission an independent, external evaluation of their practice concerning harmful sexual behaviour, including responses, prevention, assessment, intervention and workforce development. An action plan should be set up to ensure that any recommendations are responded to in a timely manner and progress should be reported to City's Safeguarding Children Partnership.</p>	<p>plan in October 2019 in partnership and reported to Nottingham City Council's Executive Board. This plan was submitted to IICSA.</p> <p>Progress against the plan is reviewed at the bi-monthly governance group and the Children and Young People's Scrutiny Committee requested an update against the action plan for their Spring committee meeting.</p> <p>Latest updates were provided to Audit Committee in June 2020 and Executive Board and Children and Young People's Scrutiny Committee in September 2020.</p> <p>To build on current work, Nottingham City Council has engaged a temporary external post to undertake external independent scrutiny to ensure that necessary actions have been undertaken.</p>
Children's Commissioner	<p>Stability Index 2019</p> <p>National:</p> <p>The Children's Commissioner has obtained data on placement and school stability for every local authority in England, and on social worker stability for nearly every local authority. They have published a national report and are writing to every Director of Children's Services and every Lead Member for Children's Services to notify them of their local area's rates of instability, and asking them to use the data published for their local area to identifying areas of concern. National recommendations have been made and the Children's Commissioner has determined that children</p>	<p>Further Assurance required. We are in contact with Children's Integrated Services to establish the Council's response to this work and planned activity.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>in care should be placed in good or outstanding schools only. They are writing to local authorities where significantly low proportion of children in care are in these schools, seeking both an explanation and a commitment from the local authority to secure better school places for its children in care.</p>	
<p>HM Inspectorate of Probation: Inspection of youth offending services</p>	<p>Youth Offending Inspection Nottingham:</p> <p>Youth Justice Service (YJS) Inspection</p> <p>Nottingham Youth Offending Service was subject to a full three week joint inspection in November and December 2019. This inspection is part of a four-year programme with ratings across three broad areas:</p> <ol style="list-style-type: none"> 1. the arrangements for organisational delivery of the service; 2. the quality of work done with children and young people sentenced by the courts; and 3. the quality of out-of-court disposal work. <p>Overall, Nottingham City YJS is rated as 'Requires improvement' as reported 19 Mar2020.</p> <p>The key findings for organisational delivery were:</p> <ul style="list-style-type: none"> • Governance and leadership required improvement. • Staff was rated as good. • Partnerships and services were rated as good. • Information and facilities were rated as good. 	<p>A Nottingham City Youth Justice Service Improvement Plan has been developed. This is monitored by the Youth Justice Management Board which includes the Nottingham Youth Justice Service, Nottingham City Council, the National Probation Service, Nottinghamshire Police and Nottinghamshire Healthcare NHS Foundation Trust. The improvement plan has seven key objectives each with actions that are RAG rated and updates regarding progress.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>The key findings for court disposals were:</p> <ul style="list-style-type: none"> • Assessment was rated as outstanding. • Planning was rated as good. • Implementation and delivery was rates as good. • Reviewing was rated as requiring improvement. <p>The key findings for out-of-court disposals were:</p> <ul style="list-style-type: none"> • Assessment was rated as inadequate. • Planning was rated as inadequate. • Implementation and delivery were rated as inadequate. • Joint working was rated as inadequate. <p>The following recommendation were made to the Youth Justice Service Management Board:</p> <ol style="list-style-type: none"> 1. review the out-of-court disposal process, making sure that cases are presented on time, and that decisions are consistent, based on an assessment of the child or young person, and are agreed by a multi-agency panel 2. ensure the partnership reviews the number of very young children known to the YJS, and that policies and practices do not result in children entering the criminal justice system unnecessarily 3. develop victim and restorative justice processes to ensure full consideration of the wishes and needs of victims, and opportunities for restorative justice are applied in every relevant case. <p>The Youth Justice Service heads of service should:</p>	

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	<p>4. improve staff's access to clinical supervision and reconsider the use of mandatory interventions while promoting a trauma-informed practice approach to working with children and young people</p> <p>5. seek the views of children and young people, their parents/carers and other stakeholders, so that they can inform future service delivery</p> <p>6. review the quality assurance processes and improve the effectiveness of management oversight in all cases.</p>	
CQC	<p>Nottingham: Inspections under Section 60 of the Health and Social Care Act 2008 (the Act) which check whether the provider was meeting the legal requirements and regulations associated with the Act. The inspections look at the overall quality of the service and provided a rating for the service under the Care Act 2014. They cover 5 key questions:</p> <ul style="list-style-type: none"> • Is the service safe? • Is the service effective? • Is the service caring? • Is the service responsive? • Is the service well-led? <p>CQC NCC Cherry Trees Resource Centre (Inspected 10-</p>	No additional assurance required

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>11Jul2019 Reported 27Aug19) Overall rating and factor ratings all Good or Outstanding CQC NCC The Oaks Residential Home (Inspected 21Aug2019 Reported 23Sep19) Overall rating and factor ratings all Good</p>	
Ofsted	<p>Nottingham Education Annual Conversation (8 May 2019) Social Care Annual Conversation (8 May 2019)</p> <p>As part of the annual conversation, Ofsted looks at the latest reports and review improvement plans and performance data. This then informs the plan for the following year.</p> <p>Nottingham: Ofsted annual conversation (as part of Ofsted Inspection of Local Authority Children’s Services framework - ILACS)</p> <p>In the latest conversation Ofsted were interested to know more about how NCC were:</p> <ul style="list-style-type: none"> • managing the commissioning of placements for children in care, • our local work to respond to the challenges of knife crime and criminal exploitation in the City, • how we were continuing to improve outcomes for our children in care and • how we plan to continue to invest in our workforce and develop strong leadership at all levels. <p>Whilst their letter identified development areas as follows</p> <ul style="list-style-type: none"> • Measuring the impact of early interventions for vulnerable children 	<p>This assurance is managed through the annual conversation with Ofsted. NCC participates in inspections. A good assurance framework exists in this area.</p> <p>Noted all 8 Nottingham City Council Local Authority Childrens homes and short breaks unit have achieved an Ofsted Inspection result of either Good or Outstanding.</p> <p>Due to Covid, all Ofsted assurance and inspection activity is on hold until September 2020 at the earliest. The scheduled Nottingham Annual Conversation on 7 May 2020 has been delayed, however, the Corporate Director for People has monthly calls with Ofsted and at the moment is meeting weekly with the Department for Education regarding improvements.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> • Progress with your inclusion agenda • Improving transitions through all education phases 	
Ofsted	<p>Nottingham: Inspection of children’s social care services (5-16Nov2018)</p> <p>Overall rating and factor ratings all Requires Improvement to be Good</p> <p>Whilst there are strengths, improvements needed are to:</p> <ul style="list-style-type: none"> • Management oversight of the use of private fostering. • The quality of planning for children and their review across all service areas. • The recognition of and timely action for children living with sustained neglect. • The quality of management oversight and supervision of social workers to progress children’s plans. • The quality of return home interviews for children who go missing. • The educational progress and achievement for children in care. • The availability of sufficient and suitable emergency accommodation for vulnerable young people and children with complex needs. • The progress and timeliness of permanence plans for children, including fostering for adoption. 	<p>Areas for improvement have been broken down into a Children’s Improvement Plan of specific actions with responsibility assigned and target dates for completion set. Assurance had been reported to Executive Board, Children and Young People’s Scrutiny Committee, Corporate Leadership Team and Leadership. The inspection has since been superseded by the Ofsted Focused Visit in February 2020.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
Ofsted	<p>Nottingham</p> <p>Focused Visit of our Children’s Social Care Services February 2020.</p> <p>On 4th February 2020, Children’s Integrated Services had a Focussed Visit from Ofsted to look at children subject to child in need and child protection planning and in particular:</p> <ul style="list-style-type: none"> • The quality of planning and review • The response to children at risk of sustained neglect • The quality of management oversight and supervision to progress plans. <p>Nottingham City Council Children’s Services were last inspected by Ofsted in November 2018 and were judged to ‘require improvement’ to be good. At this focused visit, inspectors found that the experience of children in need of help and protection has deteriorated since the last inspection.</p> <p>Over the last 12 months, despite efforts to increase recruitment, there have been significant shortfalls in capacity, with insufficient social workers and managers to cope with the volume of work. In addition, systemic weaknesses in social work practice across the service have led to risks to children not being understood or responded to. As a result, some children have been exposed to significant risk of harm from abuse and have not been adequately protected.</p> <p>There were two key areas for priority action:</p>	<p>In response to this inspection outcome services have:</p> <ul style="list-style-type: none"> • Had a Peer Challenge session on 19th February 2020 with regional colleagues from Derbyshire and Rutland • Provided an update to Leadership Group on 20th February 2020. • Developed an Improvement Plan that was signed off at CLT and Leadership Group and submitted to Ofsted w/c 16th March 2020. • Developed a monthly Children at the Heart Improvement Board. This Board is chaired by the Chief Executive and has partner representation from a variety of agencies including the Police, Citycare, LGA, Schools and the CCG. The Board drives delivery of the action plan and the necessary improvement required. The service is committed to working with our partners to deliver whole system approaches that will ensure we achieve the best possible outcomes for children who need help and protection and to achieving the sustainable improvement which will make a real difference for children, young people and families • To support us with our programme of improvement, the DfE have enabled to us access support from the Partners in Practice (PiP) innovation programme. As a result, a team of practitioners and leaders from Essex are working alongside our colleagues to support is in improving our system. <p>Assurances were provided to CLT, Leadership Group, Executive Panel and the Children’s and Young People Scrutiny Committee in July 2020 and to Executive Board in September 2020.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> • Address the systemic failures in social work practice to ensure that planning and intervention for children improve their experiences, and that new and emerging risks are identified and responded to. • Stabilise the workforce and address the significant shortfall in capacity to enable social workers and first line managers to respond effectively to children in need of help and protection 	
Ofsted	<p>Nottingham: Short inspection of Nottingham City Council Adult & Community Learning (Reported 28Mar2018)</p> <p>Overall rating and factor ratings all Good with progress in addressing weaknesses good.</p> <p>Next steps were highlighted to ensure as follows</p> <ul style="list-style-type: none"> • all learners develop an appropriate understanding of the 'Prevent' duty and the risks associated with extremism and radicalization • the very small number of school-based computers used by adult learners are subject to rigorous monitoring • managers make full use of targets to support performance monitoring and that timescales for 	<p>A post inspection action plan incorporating all the next steps highlighted with action milestones, assigned responsibilities and success criteria was developed, most actions were complete or part complete and reviewed in July 2019. A self-assessment report has been completed and from this an improvement plan has been devised to monitor progress.</p> <p>Prevent and learners understanding are now a formal part of learner induction and duties embedded within the learner handbook.</p> <p>All tutors access online Prevent training and this is recorded on the tutor profile proforma.</p> <p>Safeguarding on IT resources other than their own iPads is now covered in the IT twilight training sessions. Where possible all providers use CFL bank of iPads to ensure safeguarding.</p> <p>Learner profile targets and data lag had remained to be</p>

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	<p>action completion are appropriately challenging</p> <ul style="list-style-type: none"> • learners' session attendance is consistently high • managers effectively support tutors to exploit confidently the available technology so that they enhance learning during taught sessions. 	<p>completed following a change of MIS and increase in number of partners, however, MIS is now managed internally and this is a continued priority in the development plan.</p> <p>Incentives are in place to encourage attendance. The programme offer and guided learning hours were reviewed, and made slightly shorter than previous years to encourage increased attendance. Attendance rates in 2018/19 has increased by 6% above the national average.</p> <p>Monthly twilight sessions are in place to further support tutors and embed technology in classroom delivery. Sub-contractors new to delivery and the service has purchased a bank of iPads which can be loaned out.</p>
Ofsted and National Audit Office	<p>National: The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2017/18 (Ofsted) Particular concerns were raised in respect of SEND provision and off-rolling between years 10 and 11.</p> <p>National: Support for pupils with special educational needs and disabilities in England, September 2019 (NAO).</p> <p>The report assessed how well pupils with special educational needs and disabilities were being supported. The report examined the system and its outcomes, funding, spending and financial sustainability, the quality of</p>	<p>SEND Nottingham City LA has a statutory responsibility to ensure that there is sufficient, high quality provision available locally to meet the needs of learners with SEND.</p> <ul style="list-style-type: none"> • During 2018/19, consultation on a new 48 place ASD provision was undertaken, a site and provider (OFSTED outstanding) have been secured and both revenue and capital funding have been allocated and agreed. • The refurbishment of an existing building on the site was completed and the first eight learners were admitted in April 2019. All are making good progress. • The new school building has been designed and is in the build phase. The new provision will open in September 2020 with an additional eight learners being

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	<p>support and experiences of pupils and parents.</p> <p>The report's key findings included:</p> <ul style="list-style-type: none"> • The number of pupils identified as having the greatest needs had risen since 2014, increasing the demand for support. • The Department had not specified, in measurable terms, the outcomes it wanted to achieve from its support for pupils with SEND although had launched the first phase of a long-term programme of research and analysis with the aim of collecting better information in December 2018. • It was estimate that the Department provided £9.4 billion in 2018-19 specifically to support pupils with SEND. The funding mainly comprised an estimated £3.8 billion of 'schools block' funding and £5.6 billion of 'high-needs block' funding. • School funding had increased, particularly for high needs, but this had not kept pace with the rise in the number of pupils and Local authorities were increasingly overspending their budgets. • The ways in which the Department and local authorities were responding to overspending on high-needs budgets was by using dedicated schools grant reserves accumulated in previous years and most local authorities had transferred money from their schools block to their high-needs block. • In December 2018, the Department announced an extra £100 million of capital funding for SEND provision for the period 2018-19 to 2020-21. Local 	<p>admitted. This number will build up year on year.</p> <ul style="list-style-type: none"> • Work on developing a separate therapeutic provision has been paused. Changes to the Raleigh Learning Trust have provided opportunities to look at building this work into existing provision. In addition, R2I Routes to Inclusion (R2i) a toolkit has been developed by a Senior Educational Psychologist and the Behaviour Support Team Leader to support children with social, emotional and mental health (SEMH) issues. The toolkit was developed with primary SENCOs and launched with primary schools in October 2018. It aims to guide teachers and SENCOs through a systematic process to identify and support children with SEMH, starting with universal provision, various identification tools, assessment tools and evaluation tools. R2i is the process schools are asked to follow before they seek external support for a child with SEMH. • A toolkit has been rolled out in 37 primary schools to date and primary school staff meet regularly through ongoing workshops. • As part of the R2i work, a model for an Intensive Support Team (IST) has been developed to support children who have been through the R2i process but are in imminent risk of permanent exclusion from school. The purpose of the IST is for the team to work with the child, their family and the school to maintain the school place. The IST is a multi-agency team of practitioners, initially from three teams who will work collaboratively to support the placement of exceptionally challenging and vulnerable SEMH Primary aged pupils.

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	<p>authorities planned to use this money to increase the number of places suitable for pupils with SEND in mainstream schools and to create additional places in state special schools.</p> <ul style="list-style-type: none"> • Ofsted has consistently rated more than 90% of state special schools as good or outstanding. Ofsted had rated 91.8% of the state special schools open in August 2018 as 'good' or 'outstanding', compared with 85.0% of mainstream schools and 78.3% of independent special schools. • The Department had limited assurance about the quality of support for pupils with SEND in mainstream schools. • Pupils with SEND, particularly those without EHC plans, are more likely to be permanently excluded from school than pupils without SEND. • Inspections indicate that many local areas are not supporting children and young people with SEND as effectively as they should be. The Department had commissioned Ofsted and the Care Quality Commission (the CQC) to inspect the effectiveness of support for pupils with SEND provided by education, health and care services in all local authority areas and at July 2019, Ofsted and the CQC had found significant areas of weakness in 47 (50.0%) of the 94 local areas inspected. <p>A number of recommendations were made within the report for the Department of Education, relevant to Local</p>	<p>Further Assurance Activity</p> <ul style="list-style-type: none"> • The primary focus of the IST is placement maintenance within the existing setting. The work will focus on capacity building, strengthening relationships and staff wellbeing. The support will enable schools to further assess need, gather additional data, consult with staff and parent/carers and create a personalised package of support; in order to strengthen the placement and reduce the risk of exclusion plus support school. • The city's secondary schools have been split in to three different waves. With differing assessed levels of support. All secondary schools will be invited to half termly workshops to share learning. • The secondary school version of the toolkit, including the processes, the interventions and the document itself to be launched in late summer 2020 and a secondary school IST to be considered. <p>Priorities for 20/21</p> <p>A Project Board has been established to oversee the project for the time the R2i team have been released and the following areas are priorities for this academic year:</p> <ul style="list-style-type: none"> • Primary schools – further embedding and delivery of core training • Secondary schools – development of secondary school version of the toolkit • Intensive Support Team • Alignment with LA Processes – EHCP, HLN, Fair Access and Exclusions, CAMHS, BET • Assessment and Intervention Domains – as part of the

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>Authority including:</p> <ul style="list-style-type: none"> • The Department should review the incentives in the funding arrangements and the accountability system, and make changes that encourage and support mainstream schools to be more inclusive in terms of admitting, retaining and meeting the needs of pupils with SEND, whether they have EHC plans or require other support. • The Department should identify and share good practice on how mainstream schools can effectively meet the needs of those pupils with SEND who do not have EHC plans. • The Department should set out publicly the circumstances under which it considers public money should be used to pay for independent provision for pupils with SEND. • The Department should more robustly investigate the reasons for local variations, drawing on the data available and supported by its specialist advisers and NHS England, and establish the extent to which the variations can reasonably be explained. 	<p>R2i process, a further three toolkits are being developed looking at family, learning and development and speech, language and communication. These were being developed by Education Psychologists and were due to be launched to schools on 18th March 2020.</p> <ul style="list-style-type: none"> • Commercialisation – currently R2i is free to all schools, including any associated training. <p>An additional £1,000,000 has been secured for high needs, to be distributed in 20/21, through a revised system reducing bureaucracy, increasing objectivity and increasing the funding available to mainstream schools to meet the needs of learners with SEND.</p> <p>In addition, the Major Programmes team have undertaken condition surveys on all maintained schools to inform developments and opportunities and officers come together to ensure robust funding and delivery of school environmental changes to support the needs of learners with SEND. The LA has developed a 5 year SEND strategy and progress against the identified actions are monitored through the SEND Accountability Board chaired by the Director of Education. The strategy is hitting its milestones and targets.</p> <p>A series of bite size briefings about SEND on specific themes in relation to how Nottingham city local area has implemented the SEND reforms have been developed and were due to be shared with teams in April 2020.</p> <p>Off-Rolling</p>

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		<p>NCC continue to proactively tackle off-rolling through:</p> <ul style="list-style-type: none"> • Continued communication with schools • Use of Fair Access Protocols to monitor movement of children at risk of exclusion including oversight of EOTAS students • Expansion of Education Welfare Service to monitor EHE requests and provide challenge • Use of protocols to manage, control and account for moves to ensure provision is appropriate including school attendance orders, QA of Alternative Provision, Health and Safety, Safeguarding and management compliance checks for AP and DFE reporting • Revision and expansion of the Inclusion Model to devolve funding to secondary schools and active pursuit of financial models to support schools joining the Inclusion Model, developing in-house provision to reverse incentive to off roll and controlling levels of PEX. Additional High Needs Funding has been used to develop and incentivise school inclusion • Development of Routes 2 Inclusion Secondary with wave 1 and 2 academies. Continued embedding across primary phase to to support identification, assessment and intervention to support pupils with SEMH needs • Development of Local Authority internal Academies Causing Concern Network • Direct challenge to schools and Multi Academy Trusts by the Local Authority where data or evidence suggests a child may have been off rolled • New SLA with local pupil referral unit academy

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<ul style="list-style-type: none"> • Partnership activity with Nottingham City AP Free Schools/AP Academies (Stone Soup Academy, CP Riverside School) to secure appropriate educational placements for children at risk of exclusion or being off-rolled by other means • Routine analysis of exclusion data to identify trends • Development of exclusions escalation policy to provide staged support, challenge and intervention to high excluding academies • Establishment of exclusions management and scoping project to identify at risk groups for monitoring through early help to provide sharper scrutiny of potential off rolling <p>Additional responses to the NAO report have been obtained as follows:</p> <ul style="list-style-type: none"> • Nottingham uses national best practice and learning from the LGO to inform developments and has robust place and sufficiency planning in place. • Nottingham City does not use Independent provision if local provision can meet need unless directed through the SEND tribunal. • The council is very lean compared to the East Midlands in terms of spend on Independent schools as demonstrated by Tableau data
Ofsted & others	<p>National: Growing up neglected: a multi -agency response to older children (July 2018) This multi-inspectorate report highlighted learning from six inspections of local authority areas with a focus on the neglect of older children. It called</p>	<p>Nottingham City Child Safeguarding Board undertook an in-depth audit on neglect that included a focus on older children in 2018.</p> <p>Resulting learning and actions included:</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>for a greater awareness</p> <ul style="list-style-type: none"> • of the neglect of older children and a focus on trauma-based approaches to tackling it. • among professionals in adult services of the risks of neglect of older children who are living with parents with complex needs. 	<ul style="list-style-type: none"> • actions to improve understanding of the factors in neglect • actions to promote better working across teams and agencies • improvements in planning and monitoring actions • a range of actions either already taken or proposed to tackle Child Criminal Exploitation together with measures to assess the impact of these actions <p>Nottingham City Safeguarding Children’s Partnership (NCSCP) undertook a thorough audit with a focus on children subject to Child Protection plans / category Neglect / over 18 months in June 2019.</p> <p>The assessments did raise significant concerns in relation to the local approach and management of children on CP plans, under the category of neglect. This somewhat reflected the most recent Ofsted Inspection findings. It is acknowledged that the Local Authority has already begun a comprehensive response to Neglect, including an improved training offer and additional scrutiny. It will also be the focus of one of the Children’s Social Care audits during 2019. This audit reiterates the essential need for this work to be undertaken. The audit also highlighted the lack of multi-agency ownership for child protection plans.</p> <p>The following practice learning points were identified</p> <ul style="list-style-type: none"> • All agencies must take responsibility for ensuring that child protection plans are progressed and should demonstrate professional curiosity and challenge. • Assessments should always include the voice of the child (direct work or observations of pre-verbal children) and

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<p>critical decisions about the direction of a case should be informed by evidence of the child’s lived experience.</p> <ul style="list-style-type: none"> • IROs should robustly challenge drift in the implementation of child protection plans and follow escalation procedures. • GPs should be proactively involved in child protection plans by routinely contributing information to Initial Child Protection Conferences and subsequent Reviews. • Adult services should routinely apply the concept of ‘Think Family’ when working with the parents and carers of children subject to child protection plans. <p>A number of actions had already been completed, learning points identified and practice has been improved through the following:</p> <ul style="list-style-type: none"> • Practice Improvement Day (PID) was held with social work managers to set standards and expectations. • In response to the findings of Ofsted and audits two new workforce development packages during 2019: • E learning --‘Don’t Neglect The Issue’ (click here to access Learning Zone. P.S. you don’t need a separate password for LZ now) • Face to face training —‘Managing Chronic and Persistent Neglect’ launched in Sept 2019, over 30 colleagues trained to date and further courses available in 2020. • This informed a themed audit of neglect in July 2019, using our new audit templates, supporting case manager reflection and strengthening management oversight of neglect. • The findings of audits have resulted in a presentation shared with our Performance Information Management Meeting (PIMMs), which Managers from across CIS attend.

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<ul style="list-style-type: none"> • Management oversight has been improved on key processes where chronic neglect can be made more visible (e.g. Public Law Outline Panels) • A growing awareness in the wider system has been led using funding to help the partnership to recognise the role and impact of neglect in children’s experiences <ul style="list-style-type: none"> - trauma informed practice for partners working on Serious Youth Violence and Exploitation, - pathways of support for children where Speech and Language development is a concern <p>The Nottingham City Safeguarding Children Partnership (NCSCP) is developing a Neglect Strategy for the partnership. This is anticipated to be in place by October 2020.</p> <p>The directorate is continuing to drive learning and improvement in this area which is needed as also noted in the recent focused visit by Ofsted.</p>
LGA - Modern Slavery Case Studies	<p>National:</p> <p>Local Government Association - Modern Slavery Case Studies, September 2019</p> <p>Estimated numbers of those in modern slavery in the UK ranges from 13,000 (Home Office) to ‘tens of thousands (National Crime Agency) and as high as 136,000 (www.globalsslaveryindex.org). The Modern Slavery Act was introduced in England and Wales in 2015 providing the legal and policy framework for responding to modern slavery.</p>	<p>The Council has a Modern Slavery statement for the period 1 April 2019 - 31 March 2020 which was published on our website in August 2020. This statement sets out Nottingham City Council's actions to understand all potential modern slavery risks related to its business and to put in place steps aimed at ensuring there is no slavery or human trafficking in its own business and its supply chains.</p> <p>The Council has a corporate responsibility to safeguard our citizens directly via interventions by our Community Protection and Social Care functions, and where citizens utilise Council property and services. The Council’s Community Protection</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>The Local Government Association report published in September 2019 builds on the guidance published in 2017 for councils on the role that they can play in responding to modern slavery by providing a series of council case studies which demonstrate the wide range of activity now underway within local government.</p> <p>Councils can play a number of different roles in relation to modern slavery including:</p> <ul style="list-style-type: none"> • identifying and referring potential victims • supporting victims • disrupting modern slavery • ensuring supply chains are free from modern slavery 	<p>function shares intelligence and information and participates in joint investigations with Nottinghamshire Police and other law enforcement partners regarding issues of modern slavery or human trafficking. Adult Social Care is one of a number of agencies who have a responsibility as First Responder to refer people to the National Referral Mechanism if concerns of Modern Slavery have been identified and the person has provided their consent for this support.</p> <p>Nottingham has had a team working with victims of modern slavery as part of a pilot scheme funded by the Home Office.</p> <p>Nottingham City Council is a partner in the local Modern Slavery Partnership that delivers annual awareness sessions and information and updates to front line staff and third sector organisations. A Modern Slavery training plan has been implemented to ensure that all colleagues and partners have access to general awareness training</p> <p>Community activity and events have been supported via the Greater Nottinghamshire Modern Slavery Forum Network and Nottingham Survivors Network in this reporting period (2019/20) including the observance of National Modern Slavery Day in October 2019 and delivery of an event entitled 'Survivors Speaking Out'. Planned events with the Albanian and Vietnamese communities that were scheduled for March 2020 have been postponed due to the Coronavirus pandemic</p> <p>Modern Slavery eLearning is available to staff on the Council's Learning Zone. The module is designed to raise awareness of modern slavery (including human trafficking) and to help staff recognise their role in identifying and reporting concerns.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		The Council raised awareness of slavery and all its work in relation to modern slavery on anti-slavery day by sending an email to all colleagues.
ASC Peer Review	<p>Nottingham Adult Social Care Peer Review, May 2019</p> <p>A peer review team visited Nottingham Adult Social Care between 22nd and 24th May 2019. This was part of the Council's regional programme of ASC sector-led improvement. The team were asked to review progress in developing strengths-based practice and community-led support. And also how the Council was working with citizens who faced risk but found it difficult to engage with services.</p> <p>Highlights from the report included:</p> <ul style="list-style-type: none"> • All staff spoken to are passionate and committed about working for NCC and improving outcomes for citizens • Clear golden thread across ASC from top down about importance of independence, empowerment and strengths based approach and language and culture is shifting; more work to do with partners and wider system but moving in right direction and progress to date is solid • Workers within teams are committed, tenacious and resilient. • Workers and front line managers are confident in positive risk taking, but cases are becoming increasingly more complex. 	<p>The report findings and recommendations were presented to CLT in July 2019. The following priority actions were agreed:</p> <ol style="list-style-type: none"> 1. Review and agree next steps with Our Practice 2. Review and agree next steps for CTS using WIT learning history via Team ASC: pathways, community networks, building the team, impact, member links 3. Adoption of national strengths-based framework and action plan for delivery 4. Set plan for team manager leadership and support 5. Work with PH on needs analysis: currently looking at long term opiate users 6. Engage with strategic group on Rough Sleeping and Homelessness to build relationships, shared understanding and to consider panels 7. Engagement plan for improving understanding of ASC 8. NCC policy about Rough Sleeping <p>Update January 2020:</p> <p>Our Practice sessions continue to be held monthly. There have been workshops facilitated by a Practice Change manager and HR colleagues on distributed leadership & supporting frontline colleagues with leading Our Practice sessions. These sessions</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>Recommendations were made around:</p> <ul style="list-style-type: none"> • Maintaining a strengths based approach • Work with providers • Applying SBA in panel processes • Needs analysis • Mapping of panels • Engagement with Housing and Police • ASC role and remit • Opportunity to review approach • Council policy 	<p>are a combination of peer support, peer supervision & sharing of best practice & include colleagues external to ASC, such as the health social prescribers, community connectors & other relevant organisations to share knowledge & enable consistency in terms of safeguarding adults thresholds & duties, care act eligibility & duties, a community led support approach, broadening opportunities for citizens & taking a holistic & inclusive approach to improving health & wellbeing</p> <p>There will be no additional Community Together Surgery (CTS) set up this year by Adult Social Care due to lack of resources to staff these. Instead, other organisations are being encouraged to set up and lead CTS in other parts of the City. Existing CTS closed at the start of the pandemic and it is not clear when these will re-open due to social distancing measures.</p> <p>Leadership training has been commissioned for all Managers in February/March 2020.</p>
LGA - Early Years Peer Challenge	<p>Nottingham</p> <p>Local Government Association Peer Challenge Programme October 2019.</p> <p>The Local Government Association's (LGA) Peer Challenge programme came to Nottingham from 15-18 October 2019. A team of five peers spent four days in Nottingham, focusing on speech, language and communication in the early years of a child's life (0-5). The Peer Challenge is part of the DfE's Unlocking Talent, Fulfilling Potential: a plan for improving social mobility through education programme, and ambition one is to close the word gap in the early years.</p>	<p>In response to the report, an action plan is currently being populated by the members of the 0 – 5 Strategic Systems Change Board and will be monitored by that group in 2020. As part of the Peer Challenge process, the Peer Team had been scheduled to return to Nottingham on 1st December 2020 for a two day mini challenge to check on progress, however, this is now unlikely to happen and online solutions are being explored instead.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>The programme found that Nottingham City Council has a very strong and well informed political leadership and management who are championing the early years agenda for the city. There is a committed workforce across the Council, partners and the private, voluntary and independent childcare sector. There is clear evidence of integration across the city, however there are opportunities for providers and commissioners to further develop this work and the need for a city-wide speech, language and communication strategy to provide greater clarity on pathways for families, appropriate referrals to services and more timely interventions.</p> <p>It was recognised, that given the exceptionally strong political commitment there is a real opportunity for the Council and partners to be more ambitious in their planning and develop a 0 – 5 integrated Early Years strategy.</p> <p>The following were the peer team’s key recommendations to the Council:</p> <ul style="list-style-type: none"> • Develop an area wide 0 – 5 Early Years Strategy with a particular focus on speech, language and communication including a shared outcomes framework and data dashboard and a clear offer from children’s centres • Co-produce a parenting journey from a child’s conception through to school • Review the Speech and Language Therapy (SALT) offer to include group sessions (‘Chatterbox’ or ‘Home Talk’) with the aim of supporting triage, upskilling wider workforce, 	

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>avoiding unnecessary assessments and providing input whilst awaiting specialist assessment</p> <ul style="list-style-type: none"> • Review the use of children’s centres as venues for childminder groups, voluntary sector, peer led groups, other partners and more universal provision • Accelerate the integrated approach for the 2 ½ year checks – pilot with nurseries and CityCare the joint completion of the check • Increase the take up of 2, 3 and 4 year old funding, working with partner agencies to identify eligible children and parent champions to engage families • Review the approach to identifying and addressing needs of targeted cohorts not reaching GLD through effective data analysis • Consider developing a local authority cohort tracker for the return of summative EYFS data to evidence progress and inform intervention • Ensure that speech, language and communication needs inform Integrated Care System (ICS) long term planning to improve children’s outcomes and reduce inequalities • Creation of moderation hubs across the city • Use the documents that were provided for this peer challenge as the basis for a resource for your own workforce 	

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
Office of the Public Guardian	<p>The Office of Public Guardian (OPG) inspect and audit Local Authority Deputyship Services every 3 years. This is a detailed inspection over 3 days by 3 OPG Officers.</p> <p>OPG Inspection took place in December 2018, the Outcome was issued in January 19. The Deputyship service was compliant.</p>	<p>No further assurance required.</p> <p>The next inspection is anticipated to take place in 2021, however this can be brought forward at any time by the OPG.</p>
Nottingham City Safeguarding Adults Board	<p>A Performance Assessment Tool is completed by all agencies who are members of the Nottingham City Safeguarding Adults Board (NCSAB) on an annual basis. This informs the annual action plan.</p>	<p>In addition to confirming the work of partners in contributing towards the Board's Annual Action Plan via the Performance Assurance Tool (PAT), Nottingham City Safeguarding Adults Board also sought and gained assurance on the following during the 19-20 financial year:</p> <ol style="list-style-type: none"> 1. That Greater Nottingham CCG's LeDeR review programme remained on schedule 2. That Nottingham City Adult Social Care (ASC) and the CCG remained assured of their monitoring arrangements in respect of local care home and home care providers 3. That Nottingham ICS and ICP had considered adult safeguarding when formulating their work plans 4. In light of the 'Whorlton Hall' scandal, that 'out of area' placements commissioned by the CCG were safe and well monitored 5. That partners were aware of, and where applicable, had updated their procedures following publication of the new guidance issued by the national Restraint Reduction Network (RRN) 6. That partners were aware of, and where applicable, had updated their procedures following publication of the

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<p>new safeguarding procedure issued by the Office of the Public Guardian (OPG)</p> <ol style="list-style-type: none"> 7. That the CCG were satisfied their DNACPR guidance in respect of their duty to consult an IMCA remained accurate 8. That POhWER advocacy services were undertaking their responsibilities as commissioned 9. Annual assurance reports were also received from the 'Prevent' Partnership Steering Group; Suicide Prevention Partnership; FGM Steering group, Nottingham Council's Homelessness Strategy Manager and the CDP's Domestic Violence & Sexual Abuse (DVSA) Strategic Lead, all of which provided assurance regarding these areas of relevance to adult safeguarding
NSPCC	<p>Harmful Sexual Behaviour Audit</p> <p>The Nottingham City Safeguarding Children Partnership commissioned an independent audit from the NSPCC into Harmful Sexual Behaviour across the partnership, following a recommendation from the independent inquiry into child sexual abuse (IICSA). This audit included health, education, social care, police, youth justice and the voluntary sector.</p> <p>The following highlights were noted:</p> <ul style="list-style-type: none"> • The quality of responses were good, agencies provided clear, honest feedback. • The returns reflected well on the strengths within the local system and highlighted a few areas for improvement. 	<p>A HSB multi-agency draft action plan is being developed which will be quality assured during consultation with partner agencies, children and families to ensure the action plan is fit for purpose. The NCSCP will monitor the HSB Action Plan and ensure that the plan is implemented.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> • Generally there was a good shared understanding of HSB in Nottingham. • There was consistent evidence of robust systems, panels and practice in place. Nottingham’s responses indicated that the workforce has confidence in local systems, especially the ASHA Panel, and that knowledge of thresholds, and how to access support was well understood across most key sectors. Awareness could be better among some schools & early years providers. 	

Levels of Assurance Definitions & Classification of Internal Audit Recommendations

Appendix F

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

Significant Assurance There is a generally sound system of control designed to meet the organisation's objectives and that controls are being applied consistently in the areas reviewed.

Moderate Assurance Generally a sound system of internal control designed to achieve the organisation's objectives with some exceptions and / or evidence of non-compliance with some controls that may put some of the system objectives at risk

Limited Assurance Weaknesses identified in the procedures and controls in key areas and / or non-compliance with key procedures and controls which constitutes a risk to the achievement of the organisation's objectives

No Assurance Poor system of internal control or consistent non-compliance with key controls which could result in failure to achieve the organisation's objectives

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

High Priority A weakness where there is substantial risk of loss, fraud, impropriety, poor VFM or failure to achieve organisational objectives. Such risks could lead to an adverse impact on the business

Medium Priority A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor VFM. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

Low Priority Weaknesses that individually have no significant impact but where management would benefit from improved controls and / or have the opportunity to achieve greater effectiveness and / or efficiency.

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Audit Committee – 25 September 2020

Title of paper:	Have Your Say Complaints Annual Assurance Report – Including Local Government Ombudsman Annual Letter 2019-20	
Director(s)/ Corporate Director(s):	Richard Henderson, Director of HR & Customer	Wards affected: All
Report author(s) and contact details:	Vanessa Jenkins – Customer Experience Lead vanessa.jenkins@nottinghamcity.gov.uk Tel: 0115 87 61527	
Other colleagues who have provided input:	Dominic O’Melia – Customer Experience Manager Patrick Skeete – Social Care Complaints and Representations Manager Dave Halstead – Director of Neighbourhood Services	
Recommendation(s):		
1	Councillors are asked to note the contents of this report	

1. Reasons For Report and Recommendations

1.1 This report provides a reflection on the complaints received

- under the Have Your Say (HYS) process
- under the statutory Social Care complaints process
- about the School Admissions appeals process

and the decisions made on these complaints about Nottingham City Council by

- Nottingham City Council (NCC)
- the Local Government and Social Care Ombudsman (LGSCO or LGO)

for the period of 1st April 2019 to 31st March 2020. The information is taken from NCC records and the LGO Annual Letter, which is issued to all Councils and is published on the Ombudsman’s website.

1.2 Capturing customer experience and learning from complaints is important, it enables the Council to reflect on feedback about its services and facilitate service improvements and innovation. An outcome of an upheld complaint could be identifying a recommendation for a service or process improvement, which is welcomed as another source of reflection and learning for the organisation. The Council’s Customer Charter promises that we will use customer feedback to improve our services, and the Have Your Say feedback plays a vital role in achieving this.

1.3 Whilst it is important to capture customer experience, we also need to be mindful that each complaint represents time which the officer investigating and responding could have used on other activities. This is particularly relevant as the Council’s resources are shrinking. The Customer Experience team therefore aim to support colleagues to achieve lower complaint rates, by acting on insight and increase productivity, to help services get things right the first time and in keeping with the Council’s Customer Charter. This report helps to identify the level of success in achieving this aim within Council services.

1.4 We also note that a citizen’s opinion of Council services in general can be affected by their experiences with an individual service, so by providing a satisfactory service (and in some cases by effective communication of a well-organised, complete, and timely complaint investigation), colleagues can improve the Council’s reputation and future contact with citizens.

1.5 We continue to maintain a good working relationship with the LGO Assessment and Investigation teams. The Customer Experience Lead acts as a Link Officer between the LGO and NCC to liaise with Council services and ensure deadlines are met.

2. Background

2.1 To enable Nottingham City Council to deliver high quality services it is important that we record and listen to feedback from people using Council services. Through the Have Your Say (HYS) process, we aim to handle comments, complaints and compliments in a fair and consistent way, maintaining openness and transparency. Complaints can help us identify any trends in service failures and make improvements by learning from root cause analysis.

2.2 There are currently two complaints teams within Nottingham City Council. One team handles the statutory complaints in relation to Children and Adults Social Care Services, and the HYS team handles the complaints and feedback for all other Council services. There are some areas that cannot be dealt with by the HYS complaints process as they are covered by another process or legal procedure. These exemptions include:

- Appeals against refusal of planning permission or against conditions placed on a grant of planning permission
- A complaint about social care services (children and adults)
- A school admission or exclusion appeal
- A complaint about a school
- A complaint from a City Council employee about an employment matter
- An appeal against the issue of a penalty charge notice by the parking enforcement team and the recovery process which follows
- Dispute a fixed penalty for environmental crimes (including dog-fouling)
- Dispute a penalty charge notice for Bus Lane Contravention
- Any appeal against the exercise of a police power
- A complaint about the refusal of disabled badges for parking exemption
- A complaint about the independent Rent Officer
- A complaint about Anti-Social Behaviour
- A complaint about Nottingham City Homes
- Appeals regarding Resident Permits/Dispensation Access Permits

2.3 The LGO oversee some but not all of the HYS exemptions. This includes Social Care complaints and School Admissions appeals. They do not oversee the exemptions where there is a right to appeal or take legal action, such as Housing Benefit tribunals.

2.4 Refreshed in 2016, the HYS service operates a two-stage complaints handling process. At Stage 1, the customer's feedback is triaged to the appropriate service for investigation and response/remedy. If the customer remains dissatisfied once the complaint has completed the first stage of the process, they can request a review of the complaint handling at Stage 2, which is carried out by the Customer Experience Lead. Prior to 2016, there was a lengthier 4 stage complaints handling process, which was reviewed and replaced with the current 2 stage model, which enables the Council to act on customer insight and improve the outcomes for citizens through analysing feedback..

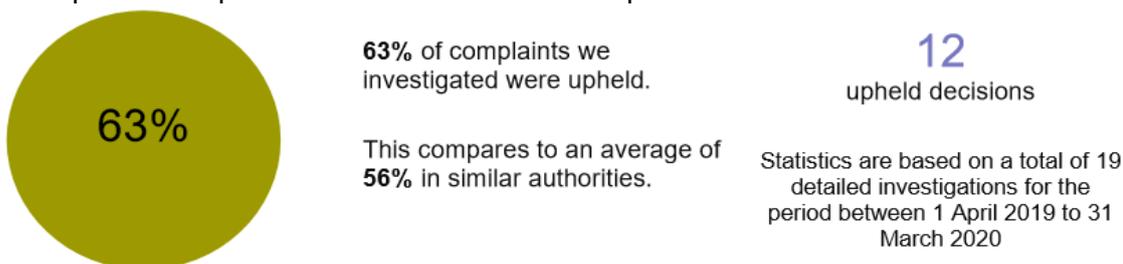
2.5 The following analysis is reported by volume of complaints so that Councillors can understand better the experience of customers.

3. The Local Government Annual Review

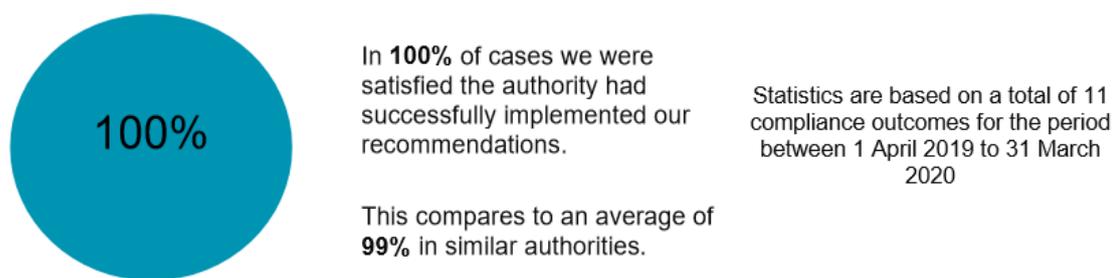
3.1 On July 29th 2020 the LGO launched their annual review of local government and social care complaints for 2019-20. Following from last year they have provided data to show how they are helping to improve local services. They are now showing data for compliance with recommendations they have made, and the number of cases where each authority has

provided a satisfactory remedy before the complaint reached the LGO. This section looks at the overall LGO data compiled in these years Annual Review Letter, and further sections give further context of how overall, this data is a very small percentage of the actual complaint handling dealt with by Nottingham City Council.

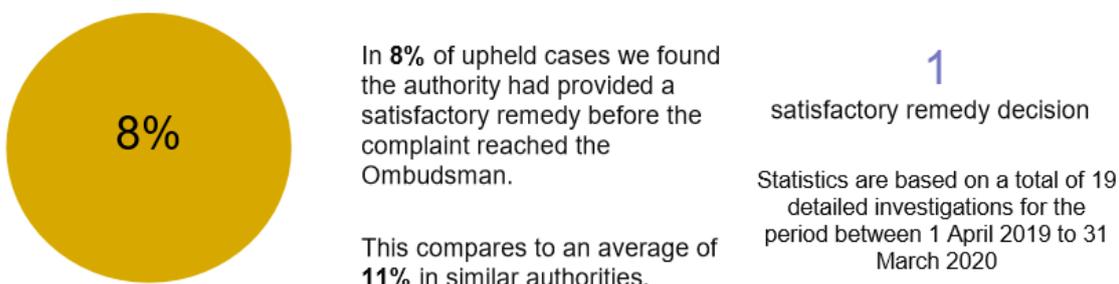
- 3.2 Nationally the LGO received 17,019 complaints and enquiries about councils in England (it does not cover Scotland or Wales). Of those complaints 4,217 had detailed investigations and 61% were upheld. This compares to 16,899 complaints and enquires received in 2018-19, of which 4,232 had detailed investigations and 58% were upheld.
- 3.3 This year's LGO Annual Review statistics tells us that over a third of the complaints and enquiries they received were about Education and Children's Services. The highest proportion of complaints they investigated relate to Adult Social Care and the fewest complaints investigated were about Benefits and Tax.
- 3.4 The LGO publishes the information for the Annual Review on an interactive map, which is called 'Your Council's Performance.' This tool, which was implemented in 2019, gives a snapshot of the service improvement recommendations and highlights the key statistics and how they compare to similar authorities.
- 3.5 The link to the council performance interactive map is as follows:
<https://www.lgo.org.uk/your-councils-performance/nottingham-city-council/statistics>
- 3.6 The snapshot data published on the interactive map for NCC is shown as:



This is an improvement to last year where there were a higher number of detailed investigations of 26 cases, and 69% of these were upheld.



Nottingham City Council also achieved 100% satisfactory compliance outcomes last year.



This is an improvement on last year in which Nottingham City Council had provided a satisfactory remedy in 6% of cases before the complaint had reached the LGO.

3.7 The following key facts and figures will provide an in-depth analysis of the LGO's data published for NCC so that Councillors can identify areas that are performing well and areas for improvement considerations as well as see the root causes for these trends.

4. LGO Review Letter – Key Facts And Figures

4.1 The LGO Annual Review Letter shows that they received 75 complaints and enquiries about NCC for the 1st April 2019 to 31st March 2020 period and 86 were assessed and issued with decisions (this number is higher due to decisions issued to any cases pre-dating the 2019-20 financial year period). 29 were treated as premature, 2 were requests for advice, 3 were either incomplete or invalid and 33 were closed after initial enquiries. 19 complaints involved detailed investigations by the LGO and 12 of these were upheld.

4.2 This data shows a decrease in upheld complaints from last year. The table below outlines the results of the LGO Annual Review for 2020 in comparison to the previous three years:

Annual Letter	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Received	100	103	104	75
Decided	98	98	98	86
Upheld	8	4	18	12
Not Upheld	15	11	8	7
Closed	75	83	72	67
Uphold Rate	35%	27%	69%	67%

4.3 We recognise that the 19 cases investigated is a very small sample of all complaints dealt with by NCC and that statistically it may not be representative of our complaints process. However we have attempted to identify any learning applicable.

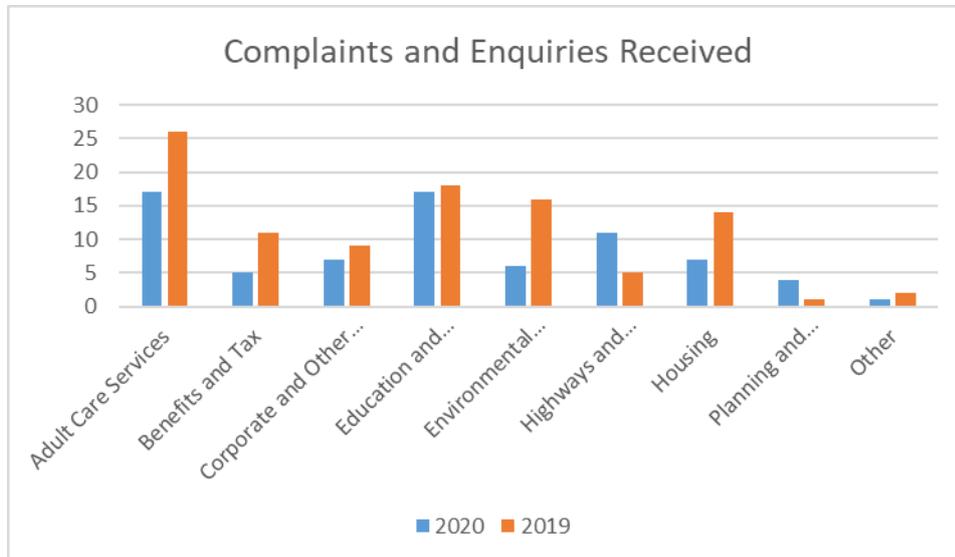
4.4 Looking at the figures above, we can see that the upheld decisions in 2019 and 2020 were higher than previous years. These upheld decisions were predominantly in Social Care cases, 8 out of 12 in 2020, and which will be reflected on in their section of this report.

4.5 The LGO categorise the complaints they receive. Looking at the 2020 data in more detail, a breakdown of the information published in by the LGO in their given categories is shown as follows:

Service Category	Received	Decided	Upheld	Not Upheld	Premature/Closed/ Incomplete/Invalid
Adult Care Services	17	20	6	1	13
Benefits and Tax	5	7	2	1	4
Corporate and Other Services	7	10	0	1	9
Education and Children's Services	17	17	2	3	12
Environmental Services and Public Protection and Regulation	6	8	2	0	6
Highways and Transport	11	12	0	1	11
Housing	7	8	0	0	8

Planning and Development	4	3	0	0	3
Other	1	1	0	0	1
Total	75	86	12	7	67

4.5 This compares to last year's annual review as follows:



4.6 It is important to note that the categories defined in the LGO review data do not accurately reflect the department and service area that the complaint would relate to within NCC. For example, 2 cases that was categorised by the LGO as 'Highways and Transport' actually related to complaints submitted about the Community Protection and Insurance and Risk Services.

4.7 To better understand the areas for focus from the LGO statistics, it is important to look at the complaints decision statements and public reports in more detail in order to define the service area that it falls within at NCC.

4.8 In some cases the LGO will not publish the decision statement for an investigation. We also do not have all data on complaints to the LGO that were incomplete/invalid or premature so this report will reflect in more detail on the data for the 52 decisions that were published.

4.9 After reviewing each individual case's decision statement summaries, the complaints have been identified as follows:

NCC Service	Decision Statement	Public Report	Upheld	Not Upheld	Closed after initial enquiries
Adult Social Care	14	0	6	1	7
Children's Integrated Service	7	0	1	3	3
Commercial Infrastructure & Energy Services	2	0	0	0	2
Community Protection	4	0	1	1	2
Education Strategy	4	0	1	0	3
Housing Aid	3	0	0	0	3
HR & Customer	2	0	0	1	1
Legal & Governance	3	0	0	0	3
NCH	1	0	0	0	1
Neighbourhood Services	3	0	0	0	3
Planning	2	0	1	0	1

Revenue & Benefits	5	0	2	1	2
Sports, Culture & Parks	1	0	0	0	1
Traffic & Transport	1	0	0	0	1
Total	52	0	12	7	33

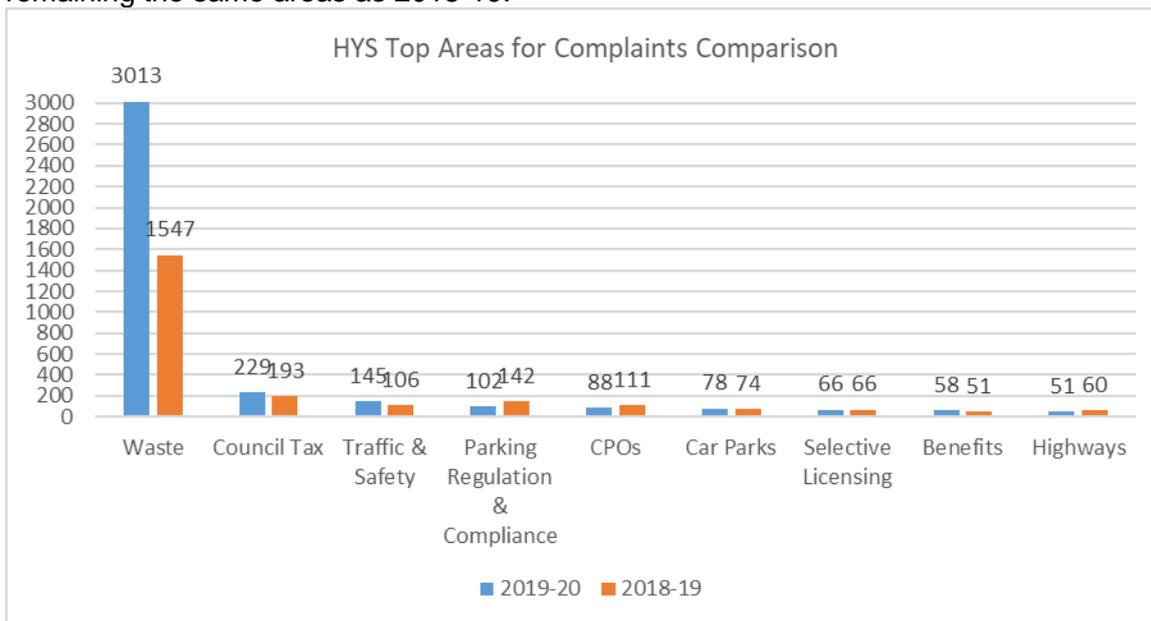
- 4.10 This breakdown of the data gives a clearer picture about which Council service the LGO complaints and outcomes relate to, and allow us to accurately identify service failures and improvements by carrying out root cause analysis.
- 4.11 Reflecting on the information breakdown and the 52 cases issued with a decision statement, we can identify that the services with the most upheld cases are within Adult Social Care, with an 86% uphold rate. The number of upheld complaints has decreased from last year, which is an improvement, but remains higher than the three years prior to that. From this analysis of the data, the increase in upheld complaints are within Adult Social Care and School Admissions which are not areas currently covered by the HYS Complaints Process. The HYS process covered 26 of the cases with a 15% uphold rate.
- 4.12 Since April 2018, it is reported the Council has agreed to make improvements to services following an investigation from the LGO on 9 cases. This includes 5 for Social Care, 3 for School Admissions and 1 for Safer Housing. These are highlighted on the Council's performance page on the LGO website here:
<https://www.lgo.org.uk/your-councils-performance/nottingham-city-council/serviceimprovements>
- 4.13 In the last five years the LGO have published 1 Public Interest Report against Nottingham City Council. This related to a complaint investigation concerning a Schools Admissions Appeal. The full report can be viewed here:
<https://www.lgo.org.uk/information-centre/news/2018/jul/city-council-told-to-reconsider-school-admission-appeal-after-ombudsman-investigation>
- 4.14 A closer look at the complaints data held by NCC will help us to understand the complaints trends and address where things have gone wrong. This will be broken into the HYS complaints, Social Care complaints and School Admissions complaints.

5. HYS Complaints – Key Facts and Figures

- 5.1 Here at Nottingham City Council we work very hard to deliver a huge range of services to high standards, but inevitably in a city of 300,000 residents, we won't always get it right or meet everyone's expectations.
- 5.2 The Have Your Say complaints process focuses on early resolution and as such the vast majority of issues are resolved in this way. We have helped to minimise the number of cases being referred to and upheld by the Local Government Ombudsman by also offering people who remain unsatisfied an independent review to resolve things, before involving the Ombudsman.
- 5.3 The latest figures of upheld complaints from the Ombudsman represent just 0.2% of the complaints received by NCC and this demonstrates our commitment to working positively with citizens and is one of the lowest rates amongst core cities
- 5.4 From April 1st 2019 to 31st March 2020 the HYS service have processed 5163 Stage 1 complaints and 99 Stage 2 complaint reviews.
- 5.5 The top ten areas for complaints dealt with by HYS were:

- Waste 3013
- Council Tax 229
- Traffic and Safety 145
- Parking Regulation & Compliance 102
- CPO's 88
- Car Parks (Pay+Display/Barriers/Contracts) 78
- Selective Licensing 66
- Benefits 58
- Events 54
- Highways 51

5.6 This is comparable to the previous year's reporting, with nine of the top ten areas for complaints remaining the same areas as 2018-19.



5.7 Comparing to last year's figures, we can see there has been a significant increase in the volume of complaints dealt with by HYS from 3328 Stage 1's in 2018-19 to 5163 in 2019-20. And 69 Stage 2 Complaint Reviews in 2018-19 to 99 in 2019-20.

5.8 Looking at the top areas for complaints we can see that the level of complaints have remained on par with last year in most areas, and the increase has been in the number of complaints relating to the Waste service.

5.9 The high volume of HYS complaints for waste are primarily residents complaining about issues with their bin collection. It is important to note that these are not missed bin reports (which are logged as a service request not as complaints) but are complaints about frequently missed collections, the Assisted Pull Out service and replacement bins. The highest volume of complaints were in relation to missed recycling and garden bin collections.

5.10 This area of complaints is currently being reviewed by the Neighbourhood Services Senior Management team who have since established a weekly Task and Finish group with Customer Services to look at Waste complaints. They have provided observations for this report to reflect on the complaints data, focussing on the areas that saw the highest increases as follows:

5.11 Replacement bin complaints up from 226 to 380

This year, NCC introduced a charge for replacement bins which customers have raised objections to. A further issue is that with this charge, customers feel the service they receive around the timeliness of receipt of new bins is not acceptable. This has largely been caused by

stock control issues.

5.12 **Missed Bin Failures complaints up from 138 to 330**

Staff absences have impacted missed bin collections and a resourcing review and monitoring will be a priority for the service once the Covid-19 pandemic allows.

5.13 **Missed domestic bins complaints up from 157 from 393**

The Waste Service are working with Customer Services to analyse reports and complaints using management information and data to understand issues and use this insight to further improve services to citizens. For context there are almost 9.5m kerbside collections every year, with 99.6% success.

5.14 **Missed recycling and garden bins complaints up from 234 to 590**

Complaints around non collection of contaminated recycling bins is the main factor in this category and significant work is underway to improve understanding amongst customers around recycling and to further analyse hotspots such as student and HMO areas. Changes to garden waste collections for Oct/Nov 2019 also created confusion with customers and it takes time to embed new collection regimes.

5.15 We can identify from the HYS data that the primary reason for complaints over the last three years continues to be around service delivery by Neighbourhood Services. However as there were no detailed investigations by the LGO for complaints within this service area, it is evident that the complaints were **resolved** at stage 1 or stage 2 within the HYS process.

5.16 The Have Your Say team provides monthly reports to Heads of Services regarding customer feedback statistics, to highlight any trends in complaints and assist with root cause analysis.

5.17 Of the 5163 Stage 1 complaints handled through the HYS process, 99 were reviewed by the Customer Experience Lead at Stage 2. With only 2% of the total complaints progressing to Stage 2, this demonstrates that overwhelming majority of complaints were resolved at the early stages and that the HYS quality assurance of complaint responses is an effective process.

5.18 There were 4 upheld decisions for LGO complaints that were covered by the HYS process. This is a good indicator that the HYS two-stage complaint handling process ensures most complaints are remedied at the early stages. Only a very small percentage (0.5%) of the total complaints dealt with have been investigated and upheld by the LGO.

6. **Social Care Complaints – Key Facts and Figures**

6.1 The Social Care Complaints Service manages the statutory social care complaints procedure for both Children and Adult services. The statutory processes are different for both service areas.

6.2 **Children's integrated Services**

6.3 In 2019/2020 a total of 240 new complaints were received and considered about Children's Integrated Services. This is a slight increase compared with the previous reporting period when 232 complaints were received.

6.4 The children's statutory social care procedure has three distinct stages; local resolution, investigation and independent review.

6.5 At the first stage, (local resolution) the Social Care Complaints Service refers complaints onto operational managers in order for them to consider and respond to the complaint. The Social Care Complaints Service records and monitors these responses. As with previous years, over 90% of complaints were resolved at this stage.

- 6.6 At stage 2 the Social Care Complaints Service allocates an independent investigator to look into the complaint. There were 8 stage 2 investigation requests received during the last reporting period, compared with 11 in the previous year. Following a gradual improvement over the last few years, this year, for the fourth year in succession, 100% of the investigations were completed within the statutory timescale, which marks a significant improvement made over the last few years, and one which we hope will be sustained.
- 6.7 The final stage is an Independent Complaints Review Panel comprising of three Independent People. There were only 2 stage 3 panels during the last reporting period. The panels agreed with the Independent Investigators' findings and recommendations, and made no further recommendations.

Resolutions offered

- 6.8 Stage 1:** Stage one complaints received a written explanation and where a complaint was upheld or partly upheld an apology was also provided. New or review assessments were undertaken in some instances.

Stage 2: Of the 5 stage two investigations where an element of the complaint was partly upheld, all were offered an apology.

Stage 3: the 2 panels accepted the investigators' findings, and made no additional recommendations.

Local Government Ombudsman investigations

- 6.9 Complainants can make a complaint to the Ombudsman at any time but the Ombudsman will usually ask complainants to complete the local authority complaints process before considering complaints himself.
- 6.10 The Ombudsman considered six new complaints. There was no finding of fault against the council in any of the new complaints reviewed by the Ombudsman. The one upheld complaint that is referred to on page 5 of this report relates to an investigation undertaken in the previous year but where the decision was issued during this reporting period.
- 6.11 The Ombudsman's consideration of one further complaint has been delayed by the ongoing coronavirus pandemic.

Adult Services

- 6.12 In 2019/2020 a total of **213** complaints were considered about adult social care services, which is a reduction from 278 in the previous year.
- 6.13 This is the second year the figure has exceeded 200, but it still represents a marked reduction on the previous reporting period.
- 6.14 The Adult procedure has a one-stage process, which allows flexibility within the management of a complaint. The Complaints Team usually refers complaints in the first instance to operational managers or commissioned services for their consideration and response. Where the complaint has potentially serious implications for either an individual or the Department or it is complex, it may be necessary to undertake/commission an investigation.

Category Of Complaint	Number
Unwelcome or disputed decision	74 (151)
Concern about the quality or appropriateness of the service	55 (67)
Delay in Decision Making	8 (4)
Delivery or non-delivery of services including complaints procedures	7 (11)
Quantity, frequency, change or cost of a service	2 (1)
Attitude or behaviour of staff	27 (22)
Application of eligibility and assessment criteria	0 (0)
Impact on an individual of a local authority policy and Assessment, care management and review	1 (4)
Not Recorded	39 (18)

Note: Previous reporting period's figures in brackets

- 6.15 Complaints about unwelcome decisions and the quality and/or appropriateness of a service continue to be the most common complaints.
- 6.16 The breakdown of complaints was broadly similar to that of the previous reporting period. Where the category of complaint was "not recorded" it is because these were mostly out of jurisdiction complaints, including complaints made by professionals; complaints about other agencies e.g. the NHS or another council; complaints where a citizen's consent was not forthcoming; and complaints made by those who lacked the sufficiency of interest to be able to make a complaint on someone else's behalf etc.
- 6.17 24% of complaints about Adult Social Care were either fully or mostly upheld, which is similar to previous years.
- 6.18 Complaints are often resolved by way of a written response, investigation or mediation, with the exception of 16 that were considered by the Ombudsman, which is a slight decrease from 19 considered by the Ombudsman during the previous year. The six upheld complaints referred to on page 5 include a number of decisions issued in respect of complaints investigated by the Ombudsman in the previous year 2018/2019. Of the new complaints made to the Ombudsman during 2019/2020 the majority were not upheld.

7. School Admissions – Public Interest Report 2018

- 7.1 School Admissions appeals are covered by a separate process not covered by HYS or Social Care complaints. However, it is mentioned within this report due to the volume of complaints about this appeals process investigated by the LGO.
- 7.2 On 5th July 2018 the LGO published a Public Report dated 17th May 2018 further to a complaint investigation about a schools admissions appeal. (See paragraph 4.12).
- 7.3 Further to this report, and other LGO investigations about this service area, the School Admissions team have reviewed their Appeals process and made changes which reflect the recommendations set out by the LGO. The report was also brought before Audit Committee and discussed in closed session in July 2018.

7.4 The LGO have been provided with the evidence that the remedies have been carried out which is reflected in NCC's 100% compliance with LGO recommendations.

8. National Comparisons

8.1 Although there are many differences in how local authorities across England will deliver their services, and in the varying demographic of customers they serve, it is still important to consider how we compare to other city councils.

8.2 Comparisons for complaints as whole are currently available. We will continue to seek to source this data.

8.3 Nottingham is 1 of 10 core cities in the UK (8 in England). Due to the low numbers of complaints investigated for each core city, the variation year on year in upheld rate can be significant and a city can go from best to worst performing on this statistic or vice versa in successive years, without the underlying performance of the systems concerned being responsible. The table below shows a comparison of Nottingham City Council's LGO statistics against the other core city authorities of Birmingham, Bristol, Manchester, Liverpool, Leeds, Sheffield and Newcastle:

	Nottingham City Council	Birmingham City Council	Bristol City Council	Manchester City Council	Leeds City Council	Sheffield City Council	Newcastle upon Tyne City Council	Liverpool City Council
Total LGO Investigations	19	153	33	29	49	38	18	25
Total Upheld Decisions	12	119	20	17	31	34	12	22
% Upheld	67%	78%	61%	59%	63%	89%	67%	88%
Total Satisfactory Remedies	1	5	2	2	4	5	3	4
% Remedied	8%	4%	10%	12%	13%	15%	25%	18%
Total Compliance Outcomes	11	114	7	18	24	15	9	17
% Compliance	100%	100%	100%	100%	100%	100%	100%	100%

8.4 As reflected in the Annual LGO Letter and Council Performance Map, Nottingham City Council has performed on par with authorities deemed similar, with there being an overall average of 99% compliance outcomes, 56% upheld decisions and 11% satisfactory resolutions.

9. Summary and Action

9.1 The information compiled in this report aims to provide a clearer understanding of the published LGO statistics for Nottingham City Council in 2019/20. It is important to remember, when looking at the figures, that the Annual Review should form the start of the conversation about measuring corporate health, and low/high volumes do not solely indicate good or bad performance.

9.2 On reflection of the key facts and figures, it is clear that actually NCC resolve the vast majority of the complaints it receives at the early stages. Although the LGO statistics show a complaint as upheld it may have already been resolved by the Council. The Customer Experience Lead previously raised this with the LGO who provided comment in 2019:

‘A complaint is upheld where there is evidence of maladministration, this is normally following a detailed investigation. However, there are cases where an authority will have already accepted fault and without needing to carry out a detailed investigation we decide the authority has done all it can to put things right. We still mark these cases as upheld, because fault has been identified in a complaint that has come to us. The decision statement, your annual statistics and our interactive map all reflect these cases in a positive light. While the complaint was upheld, the authority provided a satisfactory remedy before the complainant reached the Ombudsman. If an authority has 10 upheld complaints, but has satisfactorily remedied 8, we see that as a positive message where the authority is putting things right early. By then using the learning from upheld complaints, the authority can continue to improve its local services to prevent the same thing happening again.’

9.3 The Customer Charter commits to Citizens that we will listen to them and use their feedback to improve services across the Council, work together as one Council, and aim to get it right first time. It is important we utilise the Have Your Say data to effectively deliver those commitments and continuously improve Council services. Looking at the areas of high complaints, such as those in Waste, Customer Service is actively engaging with Service Heads to identify complaint trends and root causes to improve the customer experience and reduce complaint figures for the next reporting period.

9.4 The Customer Experience Lead has attended the LGO open course on Effective Complaint Handling and has worked to develop a complaint handling training course for Nottingham City Council. This will aim to increase colleague understanding of the HYS process and to develop a more consistent approach to complaint handling across all council services. The e-learning course on the Council’s complaint handling and HYS process went live in July 2020 and is available on the intranet for all Council employees. The Customer Services Management team also helped develop and deliver a new and improved face to face Customer Service training session to both new starters and current employees across all service areas. Support and Information is available on the Intranet to all colleagues and the Have Your Say team continues to support services with complaint handling processes.

9.5 Customer Services are in the process of reviewing how HYS captures data about the comments, compliments and complaints in order to develop more efficient methods to analyse and identify trends.

10. Published Documents

10.1 The published documents referred to in this report are:

- The Local Government & Social Care Ombudsman Annual Review Letter 2020
Published 29th July 2020
- The Local Government & Social Care Ombudsman Review of Local Government Complaints 2019-20
Published 29th July 2020

Audit Committee Work Programme

Proposed Work Programme

2020

Sep

Report in the Public Interest
External Audit update
Draft Statement of Accounts 2019-20
Draft AGS 2019-20
Audit Committee Annual Report
*IA Annual Report & Opinion including
Counter Fraud Strategy & Whistleblowing Policy
Customer Experience / Complaints and Ombudsman
Annual Assurance
EMSS Annual Report*

Nov – training session (separate meeting)

Audit Committee Training
- Treasury Management Scrutiny
- Financial Accounts Training

Nov

Report in the Public Interest update
External Audit Report
Statement of Accounts 2019-20
Final AGS 2019-20
Treasury Management Half Year
High level corporate risk register update
Companies risk registers overview

TBC Risk training session (separate meeting)

2021

Feb

Report in the Public Interest update
AGS actions update & 2020-21 process
External Audit plan
Treasury Management and Capital Strategy
Internal Audit Update
Information Governance & Information Security Annual Assurance
Brexit Update
Covid-19 & Emergency Plan Review

Mar

Report in the Public Interest update
Non-Executive Amendments to the Constitution
Council Plan & Corporate Performance Assurance
Partnership Governance Framework & Annual Health Checks
Review of Accounting Policies 2020/21
Health & Safety Annual Assurance

Apr / May

Report in the Public Interest update
Equality & HR Assurance
Risk Management & Corporate Risk Register Update
Audit Committee Terms of Reference & Work Programme

2021

Jun

IA Annual Report & Opinion

EMSS Annual Report

Accounts Update & Draft Statement of Accounts 2020-21

Interim AGS 2020-21

Treasury Management Annual Report

Governance and Accountability of 3rd Party Arrangements

Jul

Audit Committee Annual Report

External Audit Report

Statement of Accounts

Final AGS 2019-20

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