Public Document Pack

Nottingham City Council
Audit Committee

Date: Friday 25 February 2022

Time: 10.30 am

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

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

Director for Legal and Governance

Governance Officer: Kate Morris **Direct Dial:** 0115 876 4353

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Nottingham City Council

Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 26 November 2021 from 10.31 am - 1.55 pm

Membership

Present	**Absent**
Councillor Audra Wynter (Chair)	Councillor Graham Chapman
Councillor Michael Edwards	
Councillor Jane Lakey	
Councillor AJ Matsiko	
Councillor Sajid Mohammed (Vice Chair)	
Councillor Anne Peach	
Councillor Ethan Radford	
Councillor Andrew Rule	

Colleagues, partners and others in attendance:

Beth Brown	-	Head of Legal and Governance
Glyn Daykin	-	Senior Accountant, Treasury Management
Elaine Fox	-	Policy Development Officer
John Gregory	-	Grant Thornton External Auditors
Clive Heaphy	-	Interim Director of Strategic Finance
Steve Oakley	-	Acting Director of Commissioning and Procurement
James Rhodes	-	Head of Analysis and Insight
Shail Shah	-	Head of Audit and Risk
John Slater	-	Group Auditor
Caroline Stevens	-	Principal Risk Specialist
Kate Morris	-	Governance Officer

42 Apologies

Councillor Graham Chapman – Council Business

43 Declarations of Interests

None

44 Minutes

The minutes of the meeting held on 24 September 2021 were confirmed as a true record and were signed by the Chair.

45 Work Programme and Action Log

The Committee noted the work programme along with the inclusion of the sixth meeting date in April 2022 along with the action log.

46 Working Group Updates

The Chair invited the leads of the Working Groups to provide a short verbal update: and the following information was given:

(a) In the absence of Councillor Graham Chapman, the Head of Audit & Risk informed the committee that the Anti-Fraud working group had developed a work plan proactively looking at fraud, work has been done around data matching focused on council tax single person discounts, and around business rates and reliefs. He highlighted that the Fraud Team identify the businesses not registered and not paying the correct business rates, they do not have the powers to enforce collection – the team will be carrying out a review to show how the service concerned has progressed issues identified;

(b) Councillor Andrew Rule advised the Committee that the Companies working group had fed back on governance arrangements for Group Companies recommended inclusion of mechanisms in articles of association that prevent companies exposing the Council to risk, such as obtaining finance, without prior approval;

(c) Councillor Michael Edwards informed the Committee that the Risk working group had seen the Corporate Risk Register and fed back to officers their thoughts on risks included. The working group has also met with IT security specialists within the Council and discussed the scale of work;

(d) Councillor Jane Lakey advised the Committee that the Capital working group had not met since the last committee but had had some internal training to allow them to better understand the finance figures, and planned to meet on 9 December 2021.

47 Update on the Audit of the Councils Statutory Accounts 201920 and 202021

Clive Heaphy, Interim Corporate Director of Finance and Resources introduced the report updating the Committee on the progress of work on the Final Accounts for 2019/20 and 2020/21. He gave the following information:

(a) External valuers for specialist assets have been appointed and their work for the 19/20 and 20/21 accounts will be underway in the New Year. Once the work for the 19/20 accounts is complete the work for the 20/21 accounts will be completed quickly as much of the information they need will already be established from work for 19/20 accounts;

(b) The outstanding issue around accounts for Robin Hood Energy (RHE) does remain an issue as no Auditors Opinion exists for the RHE 19/20 accounts, and work on the 20/21 audit cannot be completed to provide an opinion as the accounts are incomplete. Grant Thornton technical staff continue to review the work previously carried out by RHE's external auditors to establish if sufficient assurances exists for the purpose of the group accounts to satisfy audit requirements without the need for qualification;

(c) The issue with RHE accounts will not directly delay the production of the 21/22 accounts as the company was not part of the group at that point. There may however be a delay sue to the 19/20 and 20/21 accounts;

Having sought assurance on continued progress and issues the Committee noted the update on the progress of the Audit of the Statutory Accounts for 2019/20 and 2020/21

48 External Audit Update

John Gregory, Grant Thornton External Auditor provided a brief update outlining the progress made on 19/20 and 20/21 accounts as detailed in the previous minute. He informed the committee that a fully updated written report would be provided to the next meeting. During comments and questions, the following information was highlighted:

(a) Local Authorities across the country are facing significant challenges around financial stability. Core Cities are reporting that pressure on Adult Services and as a result of lost income from Covid, as well as increasing homelessness are adding to an increasingly difficult picture. The announcement of the spending settlement from central Government due in mid-December may help to alleviate some of this pressure;

(b) Nottingham is in an unusual situation due to the risks taken in the past;

(c) Officers continue to liaise with their counterparts from other Core Cities. Reviewing the positions within the Core Cities group and in comparison to similar cities.

The committee noted the update and thanked John Gregory for his attendance

49 Treasury Management 2021/22 Half Yearly Update

In a change to the published agenda the Chair took agenda item 12, Treasury Management 2021/22 Half Yearly Update, as the next item.

Glyn Daykin, Senior Accountant – Treasury Management, provided the half yearly updated required by the Chartered Institute of Public Finance and Accountancy (CIPFA). The report updates the Committee on Treasury Management activity from April 2021 to September 2021 and confirms compliance with prudential indicators. The following points were highlighted:

(a) External debt continues to be reduced through repayment at natural maturity of loans. This puts the Council in a good position to reduce external debt by the amount required by the Recovery and Improvement Board. The Council continues to work closely with the Department for Levelling Up, Housing and Comminutions (DLUHC) as part of the Recovery and Improvement Plan to reduce debt;

(b) Committee Members thanked Officers for the hard work they continue to deliver in order to reduce debt as required by the Recovery and Improvement Plan, but raised concerns that it inhibited investment in the city to tackle issues such as climate change. The Voluntary Debt Reduction Strategy is in place to

reduce debt in order to stabilise finances, the Council will then be able to look to future projects;

(c) The Council is currently fairly well protected against interest rate rises as most debt has been secured using a fixed rate of interest. The LOBO type loans have 6 monthly terms for banks to change interest rates with an option for the Council to repay at that point but these loans generally have long terms. If the opportunity to repay them at no extra cost became available, that is something the Council would welcome;

(d) The Interim Corporate Director for Finance and Resources is in regular contact with the DLUHC around the progress of the Recovery and Improvement Plan and indications are that the pace and scale of debt reduction is welcomed;

(e) A training session planned for December 2021 for Committee Members will explore the finer details of Treasury Management. Committee members were asked to provide any specific questions to officers;

Resolved to note and acknowledge the treasury management actions taken in 2021/22 to 30 September 2021.

50 Council Plan and Corporate Performance Assurance

James Rhodes, Head of Analysis and Insight, and Elaine Fox, Corporate Policy and Performance Officer, introduced the Council Plan and Corporate Performance Assurance report to the Committee describing an enhanced and refreshed look at performance. They highlighted the following information:

(a) In response to the ongoing refresh of the Council Plan and inclusion of statutory duties within the Plan, a comprehensive set of 470 Strategic Indicators have been developed looking at what is indicative of good performance for services across the Council;

(b) These additional Indicators will be incorporated into the new Performance Management Framework which in turn feeds into discussions on performance at a departmental and corporate level, better informing the Leadership of the Council on performance;

(c) The intention of the new Performance Framework is to encourage honest and accurate discussion on performance, and support the cultural change that is currently underway across the Council. This will allow for accountability and identification of issues at an early stage if targets are slipping, which in turn allows early action to be taken to correct it;

(d) The framework is a live document and will be updated as requirements emerge or change. There are 470 strategic indicators, incorporating a number on statutory duties. There is a smaller subset, considered critical which can be escalated for review by the Corporate Leadership Team and Executive if deemed necessary. In addition to these statutory duty indicators there are 145 performance indicators that are also tracked from the Strategic Council Plan to help ensure that the 11 aims and plan outcome measures are met. All indicators are recorded on the Council's performance management system and are updated each period including a RAG rating and contextual narrative;

(e) A new element to the Performance Framework is the planned introduction of Performance Clinics to allow dedicated time for robust review of indicators. These clinics will also build in accountability and consistency in approach across the Authority and encourage critical thinking;

(f) The Performance Framework is linked to the appraisal system through individual business plans and service plans. This has made it possible to identify Officers responsible for specific indicators ensuing individual teams are aware of performance against the Council Plan;

(g) As part of the Performance Framework the Chair of Overview and Scrutiny Committee will be provided with a quarterly performance monitoring report and will have the opportunity to raise queries on specific indicators. The Audit Committee are invited to let Officers have any suggestions on additional indicators, or amendments to those already in place that would help to improve assurance work;

(h) The Companies Governance Executive Committee will receive reports on the Indicators from individual Companies, to ensure oversight of company performance;

During questions from Committee members and discussion the following points were raised:

(i) The system used to capture and report performance indicator data is called Pentana and will link in other sources of data where it is available. The reports produced are Red, Amber, Green rated and give a narrative for each indicator. The system allows users to filter by directorate and portfolio allowing easier access to relevant information via a dashboard. Named Officers and Directors are responsible for adding performance data. These named individuals will receive reminder prompts from the system to input data at the right time, access to update data is restricted to the data owners;

(j) A number of other Local Authorities use the similar performance reporting frameworks to that being developed by Nottingham City Coucil. The Council use the system to collect the data and build in the custom reporting that best suits the Council. The structure of the reporting is aimed at a directorate level with the majority of indicators not needing to be escalated;

(k) There is no suggestion that information exchanged around performance in the past has not been honest, however the Council recognises that issues around some areas of performance could have been flagged for intervention at an earlier stage;

(l) The system holds a lot of information, however regular reports will not look at all indicators, only those rated Amber or Red. It can also filter the report further, to only include the critical indicators, this allows a focus on the key statutory duties. This ensures a more holistic view of the Council’s performance and gives a more rounded assessment of delivery of services;

(m) The Performance Team are aware of the pressure on staff across the authority in terms of time and workload. Updating the system has been made as easy as possible with as little time requirement as is appropriate;

(n) Accessing the Dashboard for an overview of performance within a specific area is quick and simple to achieve. Oracle also allows managers to see variances in budget and in conjunction with the performance clinics, when introduced, will allow better linkage of performance indicators with financial indicators. Managers can link this information into Departmental Risk Registers;

(o) Reporting on the indicatorsThe system is yet to go live fully, it is being introduced and should be fully onlinecommence by the beginning ofin January 2022. There will be a bedding in period, as there is with all new systems, and it is anticipated that there will need to be updates and alterations to indicators in order to extract the information required. Corporate Directors and Portfolio Holders have already seen the effects of tighter oversight by managers;;

(p) Committee members supported a move to more online reporting through this kind of system as a way of facilitating more thorough yet less time intensive performance management;

The Committee welcomed the opportunity to discuss the refreshed methodology for performance reporting and invited the Performance Team to attend the Risk Working Group for review of the Critical Indicators.

Resolved to:

(1) Note the progress made on the Council's new Performance Management Framework;

(2) Note plans for full implementation of the Performance Management Framework and improvements in performance reporting across the Council

(3) To invite corporate performance officers to attend the Risk Working group to receive feedback on the scope of the Critical Indicators; and

(4) Receive an informal Teams briefing from the Interim Corporate Director of Finance and Resources on the Oracle fusion system.

51 Internal Audit Update

Shail Shah, Head of Audit and Risk introduced the regular report to the committee, explaining that the format had been altered following requests from committee members for greater visibility of key issues and limited assurances. He informed the committee that the report is reviewed by the Corporate Leadership Team (CLT). He went on to highlight the following points:

(a) About a third of the internal audits have limited assurances and about a third of recommendations made are high priority.

(b) The CLT are supportive and focused on the bedding in of new processes to ensure departmental recommendation tracking becomes business as usual for Departments, improving assurances;

Through comments and questions from committee members the following points were highlighted:

(c) The internal audit plan focuses on areas of greater risk, this report does not indicate that a third of the Council's services/functions have limited assurance.

(d) Committee members raised concerns about a number of audits including IT security, decision making and that the procurement and contract management audit indicated a culture of departing from correct procedure and ignoring value for money. The Risk & Assurance Working Group has met with senior IT officers and discussed IT security in depth.

(e) Culture is key to improvement and there is still work to be done around that. Compliance with Policies and procedures does need to be improved;

(f) Sickness Management was raised as a concern, and the Head of Audit confirmed that a follow up Audit was due to take place shortly on this area. An update will be emailed to Committee members following the audit.

(g) The Interim Corporate Director of Finance and Resources assured the Committee that both the CLT and the Departmental Leadership teams have also raised concerns about whether issues are being dealt with in a timely way. By having a focus on this report over time CLT will be able to gain assurance over these concerns and improvements will be seen;

(h) There are action plans associated with all of the audits to support their progress through to significant assurance. These include time scales and recommendations but are not published with this report.

Resolved to:

(1) receive an update from the Head of IT and Portfolio Holder for Finance and Resources on the Limited Assurance report for IT Security at the next Audit Committee meeting;

(2) note the progress reported in respect of high priority recommendation; and

(3) note other areas marked as Limited Assurance and review these within working groups and those of particular concern be selected to come back to a future meeting for more detailed consideration.

52 Contract Management and Procurement Audits 2021

Steve Oakley, Head of Contracting and Procurement, introduced the report providing information to the Committee on 2, linked internal audits around Contract Management and Procurement Dispensations. He highlighted the following information:

(a) A number of actions were highlighted for implementation across the Council to ensure that Contract Procedure Rules are complied with and best value for money is achieved. This will bring the Authority in line with best practice recommendations and allow robust process to be implemented around contract management and procurement;

(b) The Audit of those procurements where dispensation was granted found that a significant number would have provided better value for money had it gone out to market for the full tender process. All these procurements were below Procurement Regulations thresholds;

(c) The introduction of Oracle Fusion is changing the way contract management takes place. It is now not possible for a team to spend more the £25,000 a year without the procurement and contract management team being informed so that checks to ensure that the correct tender process/quotes are in place, can be made;

(d) Procurement plans are being collated for all directorates so that there is a good understanding of what procurement activity needs to take place when to ensure continuation of service provision, but also to allow time for best value for money to be achieved. CLT and divisional meetings allow work on these procurement plans for each division to be put in place ;

(e) The team are now working with PriceWaterhouseCooper (PWC), to analyse the spend data and establish by comparison to best practice whether best value has been obtained by the method of service provision and contract or direct provision arrangements in place. The aim is to spotlight areas which require further work;

(f) Work is also underway to establish how Contract management can be done more efficiently and effectively across the Council, ensuring proactive rather than reactive working practices, with a procurement pipeline enabling the Council to get upstream of any issues and identifying areas that the procurement team needed to be aware of;

(g) The contract management audit highlighted that systems currently in place are not reflective of best practice for contract management. New ways of working are being developed and implemented to ensure that best practice in contract management is established across all teams;

(h) In recent years there has been a significant rise in the number of waivers of financial regulations to allow issuing of contracts without the full tender process taking place. A small number are for good reason, and could not have been avoided, however there are a large number that could have been avoided had best practice been in place. With the introduction of new working practices, there will be regular testing to ensure that best value for money is achieved. It will also ensure that suppliers do not get complacent and offer competitive pricing and good quality products/services;

(i) Breaches of the Financial Regulations can result in comments by external auditors and qualifications being made within their annual report. However with the introduction of the new best practice methods this should be avoided;

Committee members asked a number of questions and commented on the content of the report. The following points were highlighted throughout the discussion:

(j) Standard training for all colleagues involved in contract management and procurement is being developed with specialists being provided with training through the Government Commercial College. Training will also be available to Portfolio Holders to give a greater depth of understanding around methods and reasons for best practice;

(k) Procurement plans are being established for all directorates to ensure proactive work on procurement rather than reactive work that requires dispensation from contract procedure rules. This will ensure best value as well as ensuring continuity of services;

(l) Any contract issued with a value over £25,000 will be published on the contracts register. This is a result of the controls implemented in Oracle Fusion. In the past this has not always been the case. Officers lead the process of procurement and the contract is awarded to the most competitive bidder according to predefined criteria.

(m) There is no scope for Officers or Councillors to influence the selection or put pressure on the procuring team to choose a specific contractor. Procurement processes include declarations of interest process where there could be a perception of bias. Procurement arrangements delegate contract award to named officers.

(n) Political interference with appointment of contract providers is illegal. The Procurement and Contract Management Team regularly monitor what is happening at other councils across the country where regulators find breaches. The team then compare working practices to establish if any changes need to be made in Nottingham to fully conform to best practice;

(o) The new arrangements would enable the Council to be clear about existing and future procurement, to comply with regulations and best practice, to manage workload based on value and risk through agreed additional capacity, and to drive social and environmental value including the Council's Carbon Neutral agenda through a new Procurement Plan.

(p) The Interim Corporate Director of Finance and Resources confirmed that despite the expense of working with external partners, like PWC, it would be possible to demonstrate savings that outweigh the expense;

(q) Committee members felt that a method to review how Area Based Grants are spent and Council funding of other organisations would be beneficial. This area of spend is monitored and will be subject to the new, best practice ways of working. The Interim Corporate Director for Finance and Resources agreed that this was a good challenge from the Committee and confirmed that he would take this away and look closely at it including consideration of declarations of interest and in year review of related party transactions;

(r) Group Companies have a degree of independence, and whilst it is possible to try to establish a consistent policy through the Shareholder Unit, companies are not bound by the same rules as Local Authorities around contract

procedure. It is possible to enact a Group Standard, within which the companies have operational freedom, and act within the particular regulations that apply to them;

The Chair agreed that following on from work by PWC, Steve Oakley, Head of Contracting and Procurement, in consultation with her, would pick out high value contracts to bring back to a future committee date.

Resolved to:

(1) Note the actions already completed in response to the internal audits, and the impact of these actions on assurance;

(2) Note the actions planned and being implemented, and the impact that these will have on future assurance; and

(3) Note the use of PWC to support improvements.

53 Retender of External Audit for 2023/24 to 2027/28

Shail Shah, Head of Audit and Risk, introduced the report seeking endorsement for proposal to Council for the retender for an External Audit for 2023/24 to 2027/28. During discussion on the item the following points were highlighted:

(a) The current contract for External Audit is due for renewal and previously the Council has been part of the national procurement managed by Public Sector Audit Appointments (PSAA). Opting in to this arrangement is expected to lead to better value for money for the Councils involved;

(b) The report recommends that the Committee endorse the use of the PSAA process. This will deliver cost effective procurement for the Council;

(c) By the time the new External Audit contract is in place all matters relating to Robin Hood Energy and outstanding accounts will have been completed;

(d) Independent procurement would be very time consuming and labour intensive and runs a significant risk of failing to attract firms able to work to National standards for audit of Local Authorities determined by the National Audit Office. Some Authorities have procured as a group with the local NHS trusts, but there is no appetite from comparable organisations locally to get together for independent procurement;

Resolved to endorse the proposal to Council that it accepts Public Sector Audit Appointments invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for 5 financial years from 1 April 2023.

54 Companies Governance Update

Clive Heaphy, Interim Corporate Director for Finance and Resources introduced the report updating the Committee on the improvement work around Companies Governance highlighting the following points:

(a) Work continues to take place with the Chartered Institute for Public Finance and Accountancy (CIPFA) around drawing together and implementing best practice models for the Shareholder unit. This ensures that the Council is working to nationally recognised best practice standards;

(b) A variety of controls are being introduced ranging from Director Knowledge and Skills evaluations as part of board evaluations to evaluation of finance and risk returns from each company. The controls are designed to better define roles and expectations of the companies and the way the Authority works with them;

(c) The new controls are designed to highlight at the earliest opportunity any concerns around a company's performance, allowing mitigating action to be taken at the earlier point possible. A comprehensive cycle of checks and assessments have been introduced to ensure solid, reliable information is fed to the Council in a timely manner;

During discussion the following points were made:

(d) The thorough exchange of information between group companies and the Council allows the Council to have assurance that they will be aware of issues before they develop too far. The Shareholder unit is designed to ensure that best practice is embedded into each company;

(e) The Shareholder unit will be made aware when a company director resigns. It may be prudent that they liaise with the director for feedback;

(f) The Companies Governance Executive Committee is in place to assess the information coming from the Companies. The Audit Committee's role is to seek assurance that there is a robust and comprehensive framework of controls in place to achieve this;

Resolved to note the progress and future plans for ongoing development and implementation of companies governance in accordance with the Recovery and Improvement Plan.

55 Recovery and Improvement - Culture Update

Clive Heaphy, Interim Corporate Director for Finance and Resources introduced the Recovery and Improvement Culture Update report to the Committee outlining the actions taken to embed good practice throughout the council as part of the Recovery and Improvement Programme as set out in the report. He highlighted the following points:

(a) A new Director of Transformation, Richard Grice, has been appointed and that the development of the programme of transformation was progressing at pace;

(b) There is an increased sense that a culture of challenge is being adopted and used within Nottingham City Council. Colleagues are more open and empowered to question each other and offer that check and challenge environment that is critical to the success of transformation;

Resolved to

(1) Note the actions referred to in relation to embedding good practice outlined in the Internal Review Report of Culture and Ethics brought to the Audit Committee in May 2021; and

(2) Note that future updates and assurance on the Culture workstream in the Recovery and Improvement Plan will be undertaken through the existing monitoring and assurance that take place through the Improvement and Assurance Board.

56 Risk Management and Corporate Risk and Assurance Register Update

Shail Shah, Head of Risk and Audit, and Caroline Stevens, Principal Risk Specialist introduced the report presenting the Corporate Risk and Assurance Register to the Committee advising that this register had been reviewed by the Corporate Leadership Team (CLT) The following points were highlighted:

(a) The Risk and Assurance Register has been refined and looks slightly different to the one presented previously. These changes have been made to include the relevant and essential information needed for a review at leadership level. More detailed information is held locally with officers and can be shared for closer review where necessary;

(b) Workshops have been delivered to Departmental Leadership Teams (DLT) and to CLT to begin work to establish risk appetite. There will be further workshops taking place to increase awareness of the risk appetite when agreed and newly combined Risk and Assurance register. Online training for officers has been developed and rolled out;

(c) The combined Risk and Assurance register gives a greater transparency of information to Officers and to Members. However it is not possible to predict all events;

During discussion the following points were made:

(d) The Risk Working group looks at the register and poses questions to officers to further understand details of risk and encourage critical thinking;

The Committee will review the full risk register within the exempt item.

Resolved to note the progress made to review existing processes and further embed Risk Management across the Council

57 Exclusion of the Public

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, as defined in Paragraph(s) **3** of Part 1 of Schedule 12A to the Act

The meeting was adjourned at 13:32 to allow for a short comfort break and reconvened at 13:36.

58 Exempt Minutes

In a change to the published agenda the Chair moved the exempt minutes to item 16.

The exempt minutes of the meeting held on 24 September 2021 were confirmed as a true record and were signed by the Chair.

59 Risk Management and Corporate Risk and Assurance Register Update - Exempt Appendices

The Committee considered the exempt appendices of the risk Management and Corporate Risk Assurance Register Update, presented by Caroline Stevens, Principal Risk Specialist.

Following discussions detailed in the exempt minutes the Committee noted the content of the exempt appendices.

60 Internal Audit Update - Exempt Appendix

The Committee noted the information contained with the Exempt appendix.

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Audit Committee Work Programme & Action Log

Proposed Work Programme

Key - Italicised items for noting, remainder for discussion

2022

Feb

Together for Nottingham Plan update
Treasury Mgt Strategy & Capital Strategy
AGS Process 2021-22
Update on S114 Notice
External Audit update
SEND Annual Assurance Monitoring 2021/22
Internal Audit Update including Limited Assurance audits and High Priority Recommendations
Review of Accounting Policies 2020/21

Apr

External Audit Report 2019-20
Statement of Accounts 2019-20 & Final AGS 2019-20
External Audit Report
Statement of Accounts 2020-21 & Final AGS 2020-21
Service Report on Progress following Limited Assurance IA Report (IT Security & Governance)
Annual Information Security & Compliance Assurance

Jun

Corporate Risk Update
Companies Update
Health & Safety Annual Assurance
HR & EDI Annual Assurance
Internal Audit PSIAS Peer Review
Internal Audit Update including Limited Assurance audits and High Priority Recommendations
Annual Updates from Working Groups
Service Report on Progress following Limited Assurance IA Report

Jul

- Financial Accounts Training tbc
Draft Statement of Accounts 2021-22 & Interim AGS 2021-22
Treasury Management Annual Report
IA Annual Report & Opinion including Counter Fraud Strategy
Service Report on Progress following Limited Assurance IA Report

Sep

Audit Committee Annual Report
Customer Experience/Complaints & Ombudsman Annual Assurance
EMSS Annual Report
Final Statement of Accounts 2021-22 *(subject to audit)*
Service Report on Progress following Limited Assurance IA Report

Nov

Council Plan & Corporate Performance Assurance
Companies Governance Sub-Committee Update
Treasury Management Half Year Report
Corporate Risk & Assurance Register
Internal Audit Update including Limited Assurance audits and High Priority Recommendations
Procurement of External Audit 2023-2028 update
Service Report on Progress following Limited Assurance IA Report (Procurement Dispensations & Contract Management)

Key - Italicised items for noting, remainder for discussion

Key - Italicised items for noting, remainder for discussion

Action Log

Date of meeting	Issue	Action taken	Target Date	RAG Rating
25 Sep 20	Training	Accounts training Jun tbc	Apr 2022 tbc	
	2019-20 AGS	To be considered as part of finalisation process and final report	Apr 2022 tbc	
26Feb21	Ombudsman / SEND	Audit committee to receive as a one-off in 21/22 SEND Annual Assurance Monitoring	February 2022	
	Annual Audit Committee Report	Report to be presented at full Council	March 2022	
	Treasury Management Training	Provision of training	June 2022	

Key - Italicised items for noting, remainder for discussion

Audit Committee – 25th February 2022

Title of paper:	Review of Accounting Policies 2021/22	
Director(s)/ Corporate Director(s):	Clive Heaphy - Interim Corporate Director Resources	**Wards affected:** All
Report author(s) and contact details:	Lisa Kitto – Deputy S151 Officer and Finance Strategic Lead lisa.kitto@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Finance Technical Team	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	Review and agree the Statement of Accounting Policies for inclusion in the 2021/22 annual accounts (within appendix 1).	
2.	Review and agree the proposals where International Financial Reporting Standards (IFRS) allow a degree of choice.	

1. **Reasons for recommendations**

1.1 Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.

1.2 The Regulations also require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31 July. In accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2021/22 Statement of Accounts is produced.

1.3 In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

2 Background

2.1 The draft 2021/22 accounting policies are included in Appendix 1. The finance team review the accounting policies each year to ensure that they comply with accounting standards. Any policies, which are no longer relevant or have no material effect to the Statement of Accounts for 2021/22 are removed. Following the 2021/22 review there are no significant changes to the accounting policies from 2020/21, any changes from the 2020/21 accounting policies have been marked blue.

2.2 **Accounting Policies**
The following significant accounting policies provide the fundamental bases for producing the Statement of Accounts and warrant particular consideration:

Accruals of Expenditure and Income
The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Where

income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

Government Grants and Contributions
Government Grants and contributions are credited to income in the Comprehensive Income and Expenditure Statement (CIES) only when there is reasonable assurance that any attached conditions will be met. Specific grants are credited to the relevant service line, while non-ring fenced and capital grants are credited to Taxation and Non-specific grant income.

Any grants received where conditions have not been met are carried in the Balance Sheet as creditors.

Valuation of Non-Current Assets
Generally, non-current assets are valued initially at cost and subsequently revalued at current value for operational properties and fair value for investment properties. The main exceptions are infrastructure, which are generally valued at depreciated historical cost and heritage assets, which are valued at market value by an external valuer.

Interests in Companies and Other Entities
Inclusion in the Council's Group Accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as investments and valued at cost less any provision for losses.

2.3 **Choices made under IFRS**
For some policies, International Reporting Standards provide different options that can be used. The choices made in these instances have been applied consistently over the years and will be reviewed by the external auditor but in accordance with best practice, Audit Committee are asked to consider and reaffirm the choices made. The three policies to which this applies are:

De Minimis Capital Expenditure
All assets acquired can be included in the Balance Sheet, regardless of their cost. However, where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

Componentisation
Where an asset consists of significant components that have different useful lives, these components are separately identified and depreciated over their respective useful lives. Examples of the components of property could be land, roof, walls, boilers and lifts. The Council has chosen to only apply componentisation where the value of the asset is in excess of £3m.

Depreciation (including amortisation of intangible assets)
Certain Property Plant and Equipment components and Intangible Assets are written down over time and charged to revenue. International Financial Reporting Standards

allow the Council to assess the asset life as well as the depreciation method. The following assets are depreciated on a straight-line basis over estimated useful life:

- Buildings, vehicles, plant, furniture and equipment
- Infrastructure and Community
- Intangible assets

2.4 The draft accounting policies will also be reviewed by the external auditors, Grant Thornton and so are still subject to change. Any major changes will be highlighted to Audit Committee at a future meeting.

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 Statement of Accounts 2020/21
Accounting and Audit Regulations 2015
Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

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4.1 Accounting Policies

This section explains the accounting policies applied in producing the Statement of Accounts.

4.1.1 General Principles

4.1.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003. The Statement of Accounts is prepared on a going concern basis.

4.1.1.2 Accounting Convention

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

4.1.1.3 Accounting Developments and Changes during 2021/22

The following accounting standards have been introduced by the Code for 2021/22:

- Definition of a Business: Amendments to IFRS 3 issued in October 2018. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts.
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued in August 2020. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts.

The application date and initial adoption date of the above standards is 1 April 2021.

4.1.1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

A prior period adjustment will be made to the accounts as a result of a change in accounting policies and the effect is material. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening

balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates will be accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

4.1.1.5 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31 March and the date when the Statement of Accounts is authorised for issue. The two types of events and the accounting treatment are given below:

- For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.
- Material events after the balance sheet date which concerned conditions not existing at 31 March have been disclosed as a separate note to the accounts.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

4.1.1.6 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accruals basis i.e. activity is accounted for in the year it takes place, not simply when cash payments are made or received. Further details are given below:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure in the period during which they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Expenses for goods or services are recorded as expenditure when the goods or services are received by the Council rather than when payments are made.

- Where income and expenditure has been recognised but cash has not been received or paid, an appropriate class of asset or liability for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance or contract liability) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made against the loss allowance or to revenue in Financing and Investment Income and Expenditure (where there is no specific loss allowance). Loss allowances are set up for expected future credit losses and are offset against the debtor balance on the Balance Sheet. The level of loss allowance is periodically reviewed with any movements being debited or credited to the CIES.
- Works are charged as expenditure once complete, prior to completion (work in progress) they are carried as inventories on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecast cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.
- Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.
- A de minimis level of £5k is used for accruals.

4.1.1.7 Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore, schools' transactions, cash flows and balances are

recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

4.1.1.8 Choices permitted under IFRS

For some policies, IFRS provides different options that can be used and the Council has for a number of years, chosen to apply the following:

De Minimis Capital Expenditure

All assets acquired can be included in the Balance Sheet, regardless of their cost. However, where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

Componentisation

Where an asset consists of significant components that have different useful lives and/or depreciation methods, these components are separately identified and depreciated accordingly. The Council has chosen to only apply componentisation where the value of the asset is in excess of £3m.

Depreciation (including amortisation of intangible assets)

Certain property, plant and equipment components and intangible assets are written down over time and charged to revenue. IFRS allows the Council to choose the asset life over which this write down occurs as well as the depreciation method. The following assets are depreciated on a straight line basis over their individually assessed useful life, unless otherwise stated:

- Buildings, dwellings, vehicles, plant, furniture and equipment.
- Infrastructure and Community are depreciated over 25 years.
- Intangible assets are depreciated over 5 years.

4.1.2 Policies primarily affecting the CIES

4.1.2.1 Government Grants and Contributions

Government grants and other contributions are recognised as being due to the Council when the attached conditions have been satisfied and there is reasonable assurance that the grant or contribution will be received.

Grants and contributions are credited to income when there is reasonable assurance that the attached conditions will be met. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant portfolio line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

4.1.2.2 Business Improvement Districts (BID)

A BID scheme applies across the city. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council is the BID billing authority and acts as agent under the scheme. The BID transactions are therefore not recognised in the CIES.

4.1.2.3 Operating Leases

Receivable (Council as lessor)

Where the Council has granted an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

Payable (Council as lessee)

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the CIES. Charges are made on a straight-line basis over the life of the lease, regardless of the pattern of payments.

4.1.2.4 Employee Benefits

Benefits Payable During Employment

Wages and salaries, paid annual leave and paid sick leave are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of the holiday entitlements or for any form of leave allowed under terms and conditions of service, which employees have earned during the year and are able to carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the Corporate Items line or the relevant portfolio line in the CIES (depending on reason for termination) when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or are making an offer to encourage voluntary redundancy.

NHS Pension Scheme

Pension costs relating to the NHS Pension Scheme have been treated as defined contribution schemes and the costs are charged to the relevant portfolio line in the CIES.

Teachers' Pension Scheme

Pension costs relating to Teachers' Pension Scheme have been accounted for as defined contribution schemes and the costs are charged to the relevant portfolio line in the CIES. The arrangements for the teachers' pension scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

Defined Benefit Schemes (Local Government Pension Scheme)

Within the CIES, services have been charged with their current service cost. This represents the extent to which the pension liability has increased as a result of employee service during the year.

Past service costs (the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years), and settlements have been charged to Corporate Items in the CIES.

Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority (the change during the period in the net defined benefit liability (asset) that arises from the passage of time) is charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

The CIES shows the re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

4.1.2.5 Charges to Service Revenue Accounts for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

4.1.2.6 Financing and Investment

The financing and investment line of the CIES is charged or credited for the following amounts relating to investments:

- Income, expenditure and changes in the fair value of investment properties – comprising of upward and downward movements in the value of properties, together with any gains and losses arising on disposal and rentals receivable and expenses incurred in relation to properties.
- Gains and losses of financial instruments including:
    - Interest revenue calculated using the effective interest method.
    - Gains and losses arising from de-recognition of financial assets measured at amortised cost.
    - Impairment losses (including reversals of impairment losses or impairment gains).
- Net interest on Defined Benefit Pension Schemes.

4.1.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government.
- Gains or losses on sale and de-recognition of non-current assets (excluding investment properties).
- Levies.

4.1.2.8 Overheads and Support Services

Overheads and support services are reported within portfolio lines of the CIES, based on the organisational structure under which the Council operates.

4.1.2.9 Council Tax and National Non Domestic Rates (NNDR)

As a billing authority the Council acts as agent, collecting Council Tax and NNDR on behalf of the major preceptors and central government and, as

principal, collecting rates for themselves. The Council maintains a separate Collection Fund that shows the transactions for the collection from taxpayers and distribution to preceptors, the Council and the Government of Council Tax and NNDR. The Council's share of the Council Tax and NNDR is credited to the CIES. The transactions presented in the Collection Fund statement are limited to the cash flows permitted by statute for the financial year, whereas the Council will recognise income on a full accrual basis.

There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting Council Tax and NNDR belong to the bodies (i.e. preceptors, the Council and the Government) on behalf of which the Council collects these taxes.

The Council's balance sheet includes its share of the end of year balances in respect of Council Tax and NNDR relating to the arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood that payments due under statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

4.1.2.10 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that use the assets and resources of the venturers but is not a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

4.1.2.11 Acquired Operations

Operations acquired by the Council are accounted for in accordance with the Code and are disclosed in the accounts. If these are material they will be disclosed separately in the CIES under the heading of 'acquired operations'.

4.1.2.12 Exceptional Items

Normally any material exceptional items are separately identified on the face of the CIES in order to give a fair presentation of the accounts. Where these items are less significant they are included within the cost of the relevant service.

4.1.2.13 Value Added Tax

Income and expenditure excludes any amounts related to VAT, except for input VAT that is irrecoverable under legislation which is charged to the service that incurs the cost.

4.1.3 Policies primarily affecting the Balance Sheet

4.1.3.1 Property, Plant and Equipment (PPE), Heritage Assets and Intangible Assets

PPE - Recognition

General

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

Surplus Assets

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as PPE 'Surplus', and held at fair value pending a decision on the future use of the asset.

Private Finance Initiative (PFI) and Similar Contracts

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRC 12 Service Concession Agreements. The Council is deemed to control the services that are provided under its PFI schemes and ownership will pass to the Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase). The Council carries the assets used under the contracts, on its Balance Sheet as PPE and they are accounted for in the same way as the other assets. The original recognition of assets is at fair value with a corresponding liability for the amounts due to the scheme operator.

The amounts payable to the PFI operators are comprised of 5 elements. The Current Value of Services received during the year, Finance Cost, Contingent Rent, and Lifecycle replacement costs are all posted to the CIES. The final element is a payment towards the outstanding liability on the balance sheet.

Finance Leases - General

Leases are classified as finance leases where substantially all of the risks and rewards incidental to ownership of the PPE transfer from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Finance Leases – where the Council is Lessee

The asset is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE – applied to write down the lease liability and
- A finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Finance Leases – the Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the carrying amount of the asset is written off and a long term debtor raised in the Balance Sheet.

Lease rentals receivable are apportioned between the principal repayment which reduces the debtor balance and interest which is credited to the Financing and Investment Income and Expenditure line in the CIES.

Heritage Assets

Acquisitions are either purchased by the City Council or donated by a third party. Purchases are initially recorded at cost while donations are held at nil value until the assets related collection is externally valued within the heritage asset valuation cycle.

Items are omitted from the Balance Sheet where the Council is unable to obtain the valuations at a cost which is commensurate with the benefits it would provide to users of the financial statements.

Intangible Assets

Intangible assets where the Council has control of the asset through either custody or legal protection, for example software licences, are capitalised at cost.

Measurement

Assets are initially measured at cost, i.e. purchase price plus any costs incurred in bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- Community and Infrastructure assets for example parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a desktop revaluation of beacon properties by the Council's internal valuers.
- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset

is specialised in nature, Depreciated Replacement Cost has been applied.

- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at market value and have been valued periodically by an external valuer. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued. Acquisitions are held at their purchase price, adjusted annually each year (except in year of purchase), until the next valuation.
- All other assets are valued at current value.

Assets included in the Balance Sheet at current value are revalued as a minimum every 5 years. If there is evidence that there have been material changes in the value a further valuation will be undertaken.

Increases in valuations are credited to services within the CIES where they arise from the reversal of a revaluation or an impairment loss previously charged on the same asset. Any gains in excess of previous revaluation losses are matched by credits to the Revaluation Reserve.

Any revaluation losses are firstly written down against any previous revaluation gains held in the Revaluation Reserve. Where there are no previous revaluation gains, the losses are charged to the relevant portfolio line of the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Asset values are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. If there is no balance of revaluation gains the impairment loss is charged to the relevant portfolio line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant portfolio line of the CIES only.

Depreciation and Amortisation

Depreciation is provided for on all PPE assets. The annual charge to the CIES is calculated by dividing the value less any residual value of the asset by the estimated asset life. There is no depreciation on the assets in the year of acquisition, although a full year of depreciation is charged in the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land, Heritage Assets, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Buildings and Dwellings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Infrastructure and Community – straight-line allocation generally over 25 years.
- Finance leases - over the lease term. If the lease term is shorter than the asset's estimated useful life and ownership of the asset does not transfer to the authority at the end of the lease period.
- Intangible assets – amortised on a straight line basis over the economic life, which is generally assessed to be 5 years.

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Revaluation Reserve is reduced for the depreciation relating to revaluation gains with a corresponding credit to the Capital Adjustment Account.

Componentisation

Where an asset consists of significant components that have different useful lives and/or depreciation methods to the remainder of asset, these components are separately identified and depreciated. A component value must be at least 20% of the whole asset. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the parts have been grouped to determine the depreciation charge. Componentisation only applies to enhancement and acquisition expenditure and revaluations carried out from 1st April 2010 with a de-minimis level of £3m.

Fair Value Measurement

Some non-financial and financial assets of the Council are measured at fair value at the reporting date. Fair value assumes the transaction takes place either:

- In the principal market for the asset or liability, or
- The most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques are used which maximise the use of observable inputs and minimise the use of unobservable inputs. After reviewing the inputs used the valuation is categorised within the following fair value hierarchy:

Level 1 – quote prices (unadjusted) in active markets for identical assets / liabilities that can be accessed at the measurement date.

Level 2 – inputs other than quoted prices within level 1, that are observable either directly or indirectly.

Level 3 – unobservable inputs

Disposal

Assets are written out of the balance sheet on disposal through sale, granting of a finance lease, donation and transfer. This includes assets transferred because of schools academisation.

4.1.3.2 Investment Property

Investment properties are those used solely to earn rentals and/or for capital appreciation. It does not apply to properties which are being used to deliver services for the Council.

Investment properties are measured initially at cost. They are not depreciated but are revalued annually at fair value as outlined in note 4.1.3.1.

4.1.3.3 Interests in Companies and Other Entities

Inclusion in the Council's group accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as financial assets at cost, less any provision for losses.

4.1.3.4 PPE Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Assets held for sale are carried at the lower of carrying value and fair value less costs to sell.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets. They are valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

4.1.3.5 Inventories

Inventories are largely valued at latest purchase price and any difference between this and actual cost is not considered to be material. Other less significant stocks are valued at average or actual cost.

4.1.3.6 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (that is. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General

Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

The Council has extended the simplified approach to lease receivables and trade receivables and contract assets where there is a significant financing component.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a portfolio of a significant number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into three groups for assessing loss allowances:

Group 1 – these loans were made to companies under control of the Council and within the group accounts. A scoring matrix system has been used to assess the risk of default for each loan. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – these loans were made to non-controlled companies (outside of the Council group accounts). A scoring matrix system has been used to assess the risk of default for each loan. Loss allowances for these loans can be assessed on an individual basis.

Group 3 – for the residual group of loans, the Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Financial Assets Measured at Fair Value through other comprehensive income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Fair value measurements of financial assets

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council may, where it sees fit, and within the guidelines of the Code decide to designate investments in equity instruments to FVOCI or transact reclassifications, modifications or de-recognition or transfer of financial assets when applicable transactions occur.

4.1.3.7 Financial Liabilities

Financial liabilities except those held for trading are recognised on the Balance Sheet initially at fair value and carried at their amortised cost. Interest payable is charged to the Financing and Investment Income and Expenditure line of the CIES. The amount shown in the Balance Sheet is the carrying amount of the loan as at 31st March.

Financial liabilities held for trading are recognised at fair value through profit and loss.

Financial guarantees are recognised as a provision held at fair value based on the expected probability of the guarantee being called as at the balance sheet date.

Where premiums and discounts have been charged to the CIES as part of restructuring the debt portfolio, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was

repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

4.1.3.8 Provisions

Provisions have only been recognised in the accounts where there is a legal or constructive obligation to transfer economic benefits as a result of a past event and where such an amount can be reliably estimated. Provisions are charged to the CIES and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is eventually incurred, it is charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it is apparent that the provision is not required or is lower than originally anticipated, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, for example from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

4.1.3.9 Contingent Liabilities

Where a potential provision cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is instead disclosed in the notes as a contingent liability. A contingent liability also occurs where a liability may arise but is dependent upon the outcome of future events before it can be confirmed.

4.1.3.10 Defined Benefit Schemes (Local Government Pension Scheme)

For defined benefit schemes, pension fund assets are accounted for at fair value.

Pension liabilities are measured on an actuarial basis, using an assessment of the future payments that will be made for retirement benefits earned to date by employees. This assessment includes assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the Single Equivalent Discount Rate which uses the annualised Merrill Lynch AA rated corporate bond yield curve and assumes the curve is flat beyond the 30 year point. The estimate of the Council's past service liability duration is 20 years.

4.1.3.11 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the general fund balance. Transfers to and from reserves are shown in the MIRS and not within services. When expenditure to be financed

from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the general fund balance so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and are not usable resources for the Council.

4.1.4 Policies affecting the Cash Flow Statement

4.1.4.1 Cash and Cash Equivalents

The Council's Cash Flow Statement reflects the movements in cash and cash equivalents during the year and is shown net of bank overdrafts that are repayable on demand. Cash is represented by cash in hand and deposits with the Council's own bank. Cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours. This includes Council deposits in other UK bank call accounts and Money Market Funds.

4.1.5 Policies used to account on a Funding Basis

In a number of areas statutory provisions require the Council to account for transactions relating to the General Fund (and subsequently the amount to be raised from Council Tax) differently from the treatment required by IFRS. In each case the adjustment required is offset by a transfer to a specific reserve. The adjustments are shown within the MIRS as adjustments between accounting basis and funding basis under statutory provisions.

4.1.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

Instead of these charges the Council is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (in line with the Council’s published Minimum Revenue Provision policy). The difference between the two transactions is adjusted within the Capital Adjustment Account.

For the HRA, depreciation is replaced by a contribution to the Major Repairs Reserve.

4.1.5.2 Gains and Losses on Sale of Assets

Where sale proceeds are in excess of £10k, the gain or loss on sale or disposal (including finance leases) is removed from the CIES and adjusted with the Usable Capital Receipts Reserve (sale proceeds) and the Capital Adjustment Account (carrying value in the Balance Sheet).

A proportion of receipts relating to HRA disposals is payable to the Government and a corresponding sum is therefore transferred back from the Capital Receipts Reserve to the General Fund.

4.1.5.3 Capital grants

Capital Grants are reversed out of the General Fund to the Capital Grants Unapplied Account. When the grant is applied to fund capital expenditure, it is posted to the Capital Adjustment Account.

4.1.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Certain items of expenditure and related grant funding charged to the CIES under IFRS may be treated as capital for funding purposes. A transfer is made between the General Fund and the Capital Adjustment Account reserve for these items.

4.1.5.5 Employee Benefits

Accruals made for holiday entitlements or leave are reversed out of the General Fund to the Accumulated Absences Account.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

4.1.5.6 Termination Benefits - Pension Enhancements

Pension costs calculated according to IAS 19 are replaced by the actual pension payment for the year. The difference between the two transactions is transferred between the General Fund and the Pensions Reserve.

4.1.5.7 Financial Liabilities

Where premiums and discounts have been charged to the CIES as part of restructuring the debt portfolio, regulations allow the impact on the General Fund to be spread over future years. The gain or loss is spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between the two approaches is transferred between the General Fund and the Financial Instruments Adjustment Account.

4.1.5.8 Financial Assets

Statutory provisions allow the General Fund to be charged with the actual interest receivable for the financial year. The adjustment to the CIES for soft loans is therefore removed and adjusted within the Financial Instruments Adjustment Account.

4.1.5.9 Use of Reserves

The Council may make a charge against the General Fund to set aside specific amounts as reserves for future policy purposes or to cover contingencies. The Council may then also choose to use these reserves to reduce the impact on the General Fund when the expenditure is incurred.

4.1.6 Accounting Policies not relevant or not material

The accounting policies are reviewed each year to assess whether it is appropriate for individual policies to be included. There are a number of accounting policies that have not been included above, because the statements are not materially affected by their implementation or they are not relevant. These policies include:

- Use of capital receipts to fund disposal costs
- Intangible Assets – Recognition of website development and other internally generated assets
- The treatment of bonds
- Community Infrastructure Levy
- Subsequent revaluation of assets held for sale
- Provision for back pay arising from unequal pay claims
- Treatment of foreign currency translations
- Discontinued operations
- Contingent Assets

Audit Committee – 25 February 2022

Title of paper:	**Annual Governance Statement – Process For Producing 2021/22 Statement**	
Director(s)/ Corporate Director(s):	Clive Heaphy Corporate Director of Strategy and Resources	**Wards affected:** All
Report author(s) and contact details:	Shail Shah shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note the process and timetable for compiling and completing the 2021/22 Annual Governance Statement, as detailed in the report and Appendix 1.	

1. **Reasons for recommendations**

1.1 This report supports main purposes of the Audit Committee as set out in its terms of reference which include to:

c. Provide independent review of the Council's governance, risk management and control frameworks.
d. Oversee the financial reporting and annual governance processes.
g. Oversee proposed and actual changes to the council's policies and procedures pertaining to governance.

1.2 The associated functions are to:

a. Review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
b. 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
s. approve the Council's Statement of Accounts and associated governance and accounting policy documents.

1.3 This report sets out the process for compiling the 2021/22 Annual Governance Statement (AGS).

1.4 The National Audit Office's 2019 report on Local Authority Governance notes three key challenges:

- Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures.
- Local checks and balances need to be effective in a more complex and less well-resourced context for local decision-making.
- Effective governance arrangements are an important aspect of ensuring financial control at a time of financial pressure.

1.5 Important changes to the governance of the Council have been established during 2020-21, and 2021-22 as a result of the Public Interest Report received in August 2020 and the Non-Statutory Review Report received in December 2020.

1.6 These include the establishment of the Governance Improvement Board and external challenge from the Improvement and Assurance Board chaired by Sir Tony Redmond. The Together for Nottingham Plan addresses the significant issues identified in our previous Annual Governance Statement and sets out a structure, priorities, accountabilities and milestones for improvement incorporating and developing the recommendations made in the Public Interest and Non-Statutory Review reports.

1.7 The Audit Committee has received updates on progress of the Together for Nottingham Plan during the year including at this meeting. Any further report of significant weaknesses identified by Grant Thornton as the Council's external auditors will be considered for incorporation into the Together for Nottingham Plan.

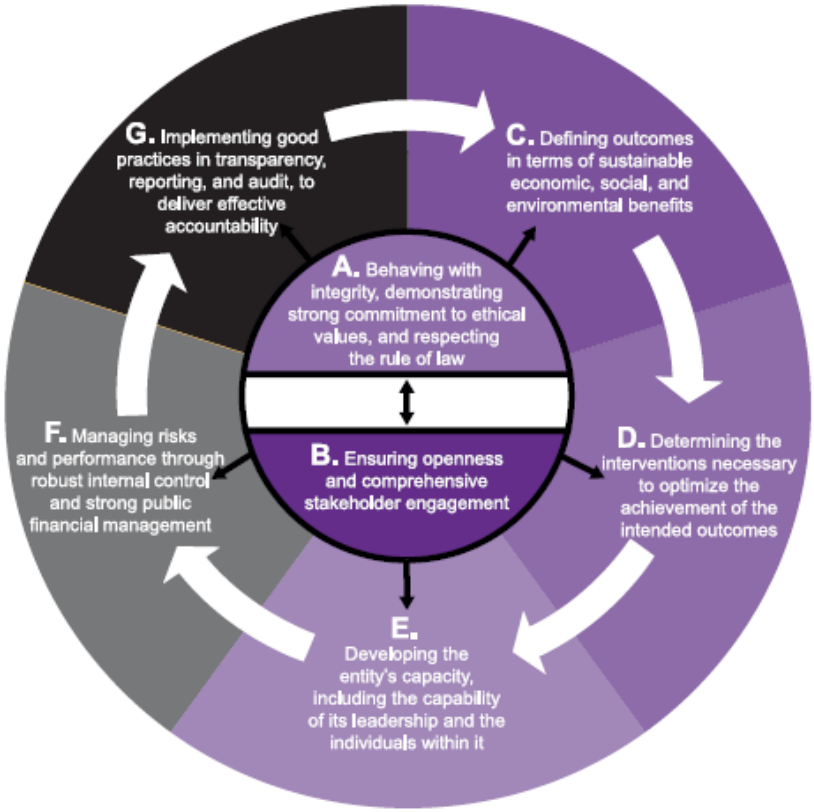
1.8 As part of ongoing work to confirm that the Council's financial governance and practices were fully compliant, an issue was identified in respect of transactions connected to the Housing Revenue Account. In December 2021 the Council's Section 151 Officer and Monitoring Officer issued legal notices to the Council advising that the Council had identified transactions involving funds from the Council's Housing Revenue Account being incorrectly credited to the General Fund for all council services, which was unlawful.

1.9 This is a new significant issue and the Council has already committed to remedying the issue and taking steps to ensure such a situation cannot be repeated. Once these steps have been determined there will be consideration as to whether they are incorporated into the Together for Nottingham Plan.

1.10 The Annual Governance Statement for 2021/22 should include the overall conclusion of an assessment of the organisation's compliance with the principles of the Financial Management Code. This is a self-assessment completed by the Finance Division comparing the Council's financial management arrangements to the principles set out by CIPFA.

1.11 The Council's local corporate governance code was updated in February 2017. The diagram below, taken from the International Framework, illustrates the various principles of good governance incorporated in the local code.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



2. Process for the Production of the AGS 2021/22

2.1 It is intended that the production of the AGS 2021/22 will follow the process of previous years as closely as possible, and the timetable is given at Appendix 1. The process will be managed by the Corporate Governance Steering Group (CGSG) as endorsed by the Executive Board on 20 May 2008 and which consists of senior colleagues representing Council services. It will incorporate assurances provided through the Together for Nottingham Plan. In addition, a set of assurances will be obtained from the Leader of the Council, key colleagues including Corporate Directors, individuals with statutory roles, significant group companies and significant partnerships.

2.2 The assurances will come from a self-assessment based on customised questionnaires targeted at the appropriate assurance givers, together with other information provided in support of the AGS. The questionnaires will be based on the Council's Code of Corporate Governance and on the relevant best practice developed produced by CIPFA/SOLACE.

2.3 Completed questionnaires will be supplemented by other governance related information extracted from Council policies and strategies, internal and external assurance providers, Council, Board and committee minutes.

2.4 The final AGS will be an account of the Council's governance arrangements in a format addressing the principles embodied in the Local Code of Corporate Governance. It will reflect the failings identified and note actions put in place to address them. This will be discussed by members of Corporate Leadership Team and will be presented to the Audit Committee for approval, and the document, when approved, will be published with the City Council's Statement of Accounts.

3. Background

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

3.2 The publication of an AGS is required by the Accounts and Audit Regulations 2015. The Council is required to conduct a review, at least annually, of the effectiveness of its internal control and prepare a statement in accordance with proper practices. The 2007 CIPFA/SOLACE (updated 2016 - effective for 2017/18 statement) publication "Delivering Good Governance in Local Government Framework" provided the principles by which good governance should be measured. This was adopted as the Council's Local Code of Corporate Governance at the Executive Board meeting of 20 May 2008.

3.3 In 2016 CIPFA/SOLACE produced an updated guidance note covering the delivery of good governance in local government and how an authority's arrangements can be reflected in the AGS. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.

3.4 Included in the Audit Committee's terms of reference is the core objectives that it should "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."

3.5 In order to produce the AGS, an annual timetable is required to ensure key tasks are undertaken in time to deliver it alongside the Council's Statement of Accounts. The timetable (Appendix 1) will be used to monitor the progress of the AGS.

3.6 The Committee has delegated authority for the formal approval of the AGS. The AGS is signed by the Leader of the Council and Chief Executive and published alongside the Statement of Accounts. Whilst a draft AGS for 2019/20 and 2020/21 has been published and considered by the Committee, final versions will accompany the final Statements of Accounts for 2019/20 and 2020/21 which await completion of the statutory audit.

3.7 The AGS reflects the governance framework operating within the Council and includes group entity activities where significant. The issues identified and the consequent plans for their mitigation are used to direct corporate resources, including those of Internal Audit.

3.8 In ascertaining the significance of the control issues, CIPFA defines a series of factors to be considered, as follows:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.

- The Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- The 2018/19 AGS also reported on issues of note which do not merit categorising as significant but require attention and monitoring to maintain and improve the system of internal control. As with significant issues these may have been brought forward from previous statements if the issues have not been finally resolved.

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

4.1 None

5. **Published documents referred to in compiling this report**

5.1 Accounts & Audit Regulations 2015
5.2 CIPFA/SOLACE - Delivering Good Governance in Local Government Framework, 2016
5.3 CIPFA Bulletin 06 - Application of the Good Governance Framework 2021/22
5.4 CIPFA - Clarification on compliance with Financial Management Code to reflect COVID pressures
5.5 Executive Board 20 May 2008 - Local Code of Corporate Governance
5.6 Executive Board 21 Dec 2021 – Refresh of the Nottingham City Council Recovery and Improvement Plan
5.7 Nottingham City Council - Draft Statement of Accounts 2019/20, Draft Statement of Accounts 2020/21
5.8 Interim Annual Governance Statement 2019/20, Interim Annual Governance Statement 2020/21
5.9 NAO – Local Authority Governance (15th January 2019)
5.10 Report to all Councillors of Nottingham City Council under s.114 of the Local Government Finance Act 1988 (15th December 2021)

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Annual Governance Statement 2021 / 2022 Process **Appendix 1**

Action	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022		Sep 2022		Dec 2022	Jan 2023	Feb 2023
Meet Directors, Departmental Management Teams and Company Representatives													
Plan the process for obtaining assurances from Corporate Directors and other significant partners													
Review Significant Issues as part of Together for Nottingham Plan and take update to Audit Committee													
Set out AGS process and timetable and report to Audit Committee													
Update to Corporate Governance Steering Group													
Confirm significant partners and groups													
Revise and circulate questionnaires to obtain assurance													
Produce Internal Audit Annual Report with Head of Audit opinion													
Review extent to which the Council complies with the Local Code													
Review of Assurance sources available • Partnership arrangements • Corporate Director Assurance Statements • Statutory Officers - S151 Officer, Monitoring Officer, Head of Paid Service • Other sources of assurance including: o Key officers, including those with responsibility for Internal Audit, Performance, Risk and HR o External Assurances including external inspections													
Draft AGS, outlining the governance environment and any significant governance issues that need to be disclosed													
Take report to Audit Committee as the committee responsible for monitoring compliance with the Local Code													
Consider Issues from External Audit Annual Letter													
Report Final AGS to Audit Committee with Statement of Accounts													

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Audit Committee – 25 February 2022

Title of paper:	Internal Audit Update	
Director(s)/ Corporate Director(s):	Clive Heaphy – Interim Corporate Director of Finance and Resources	**Wards affected:** All
Report author(s) and contact details:	Shail Shah Head of Audit & Risk	
Other colleagues who have provided input:	None	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note the progress reported in respect of high priority recommendations and determine any focus for intervention if considered necessary.	
2.	To note the areas marked as Limited Assurance and determine, if necessary, any intervention required.	
3.	To note the progress made on the Internal Audit Plan 2021/22	

1. **Reasons for recommendations**

1.1 This report provides objective assurance that Nottingham City Council (NCC) activities meet their objectives. It brings together:

- a summary of final Internal Audit reports issued in 2020-21 and up to 21 January 2022;
- tracking of completion of high priority recommendations by the service areas concerned; and
- a summary of the position against the updated Internal Audit Plan 2021/22

1.2 The report enables Audit Committee to gain assurances and determine the focus for any interventions necessary.

2. **Background**

2.1 Internal Audit carries out a programme of audits each year including key financial systems, IT, and governance. This can include project or service audits or themed audits across the Council. In reporting its conclusions for these audits Internal Audit will recommend any actions it considers necessary to meet key objectives for the system, and aims to agree an action plan with the audit client.

2.2 Annexe A1 is a summary of the audits concluded in 2021-22 and reported since our last Internal Audit update report to the Audit Committee. Annexe A2 is a summary of the audits concluded in 2020-21 and Quarter 1 - 3 2021-22 to 21 January 2022 including those reported in Annexe A1.

2.3 Annexe B is tracked high priority recommendations reported in 2020-21 and Quarter 1-3 2021-22 to 21 January 2022

2.4 Annexe C is executive summaries for audits identified in Annexes A and B.

2.5 Annexe D sets out the definitions for assurance levels and recommendation categories.

2.6 Annexe E is a summary of the position against the Internal Audit Plan 2021/22.

2.7 Audit Committee's attention is required to ensure that improvement is achieved in a timely manner, and to identify where further support or direction is needed. In many instances the areas identified for improvement will underpin the ability to improve across the Council.

2.8 Internal Audit 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. The Public Sector Internal Audit Standards sets out the role of the Audit Committee in relation to Internal Audit and includes to receive reports from Internal Audit on significant risk exposures and control issues.

2.9 The Accounts & Audit Regulations 2015 Part 2 sets out that:

> 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.

Public Sector Internal Audit Standard (PSIAS)

2.10 The Internal Audit (IA) 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.

2.11 The last external assessment of Nottingham City Council (NCC) Internal Audit in March 2017 found that the service substantially complied with the principles contained in the Public Sector Internal Audit Standards (PSIAS), which is a requirement of the Account and Audit Regulations 2015, and associated regulations, in respect of the provision of an IA service.

2.12 We have recently undertaken a self-assessment against the requirements of the standards and consider that we are largely compliant.

2.13 In December 2021, we submitted our self-assessment and associated evidence to the Head of Internal Audit at Sheffield City Council, to allow the latest external assessment to take place. We await feedback on our submission and expect meetings to take place with certain officers and councillors within NCC as part of the assessment process. We will report back to this Committee on the results of the assessment in due course.

Progress on 2021/22 Internal Audit Plan

2.14 Table 1 shows that actual days achieved to date are currently on track but we note that the available days will be impacted by some long-term sickness.

TABLE 1: ACTUAL v PLANNED AUDIT DAYS		
Total Planned Days	**Actual to date**	**Comments**
2318	1746	Final outturn at Q4 may be impacted by staff sickness

Table 2 shows that in the year to date, acceptance of audit recommendations is above the target of 95% for all recommendations and is meeting the 100% target for high recommendations.

TABLE 2: RECOMMENDATIONS ACCEPTED				
	To Date		**Period**	
	All	**High**	**All**	**High**
Total new recommendations made	87	28	87	28
Rejected	0	0	0	0
Total recommendations accepted	87	28	87	28
% accepted	100%	100%	100%	100%

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 The Accounts & Audit Regulations 2015
4.2 Internal Audit Plan 2021/22
4.3 Public Sector Internal Audit Standards (2017 update)
4.4 Internal Audit Standards Advisory Board (IASAB) - Conformance with the PSIAS during the coronavirus pandemic
4.5 CIPFA Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies (November 2020)

Annexe A1 – Summary of Audits concluded in 2021-22 and reported since last update

Department	Division	Activity	Level of Assurance	DOT	High	Medium	Low
Finance & Resources	**HR, Equalities, Diversity & Inclusion**	Pay Policy Compliance - Overtime	Moderate Assurance	↔	0	2	0
		Sickness Management Follow-up 2021-22	Limited Assurance	↑	2	3	0
	Procurement & Commissioning	Procurement Dispensations	Limited Assurance	↔	3	0	0
		Contract Management follow-up	Limited Assurance	↔	5	2	0
	Strategic Finance	Civica - Income Management - application review	Significant Assurance	-	1	2	0
	Strategy, Performance, Marketing & Comms	IT Change Management - Follow-up	Significant Assurance	↔	0	0	0
		ICT Procurement 2021-22	Limited Assurance	↔	3	11	0
		Use of Social Media - Follow-up	Significant Assurance	-	0	3	0
Finance & Resources Total					**14**	**23**	**0**
Growth & City Development	**Major Projects & Public Transport**	Transforming Cities Fund 2021-22 (Tranche 2)	Moderate Assurance	↓	4	1	0
Growth & City Development Total					**4**	**1**	**0**
People	**Children's Integrated Services**	Fostering Adoption & Placements Follow-up 2021-22	Moderate Assurance	↑	2	5	1
People Total					**2**	**5**	**1**
Resident Services	Sports, Culture & Parks	Theatre Royal & Concert Hall Follow-up 2021-22	Limited Assurance	↑	9	5	2
Resident Services Total					**9**	**5**	**2**
Total					**29**	**34**	**3**

Annexe A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Medium	Low
NCC Corporate	HR, Equalities, Diversity & Inclusion	Gifts & Hospitality 2020-21	Limited Assurance	↔	2	2	0
	Legal & Governance	Decision Making	Limited Assurance	-	3	0	0
NCC Corporate Total					**5**	**2**	**0**
Finance & Resources	**HR, Equalities, Diversity & Inclusion**	Pay Policy Compliance - Overtime	Moderate Assurance	↔	0	2	0
		Sickness Management	Limited Assurance	-	2	2	1
		Sickness Management Follow-up 2021-22	Limited Assurance	↑	2	3	0
		Disciplinary Process Follow-up 2021-22	Limited Assurance	↑	2	5	0
		NCC Payroll & HR 2020-21	Moderate Assurance	↔	0	2	0
		Coronavirus Job Retention Scheme (Furlough)	Significant Assurance	-	0	0	2
	HR, Equalities, Diversity & Inclusion Total				**6**	**14**	**3**
	Procurement & Commissioning	Procurement Dispensations	Limited Assurance	↔	3	0	0
		Contract Management follow-up	Limited Assurance	↔	5	2	0
	Procurement & Commissioning Total				**8**	**2**	**0**
	Strategic Finance	NCC Accounts Payable 2020-21	Significant Assurance	↔	0	0	0
		NCC Accounts Receivable 2020-21	Significant Assurance	↔	0	0	0
		Budget Monitoring 2020-21	Moderate Assurance	↓	0	1	0
		Bank Reconciliation 2020-21	Significant Assurance	↔	0	0	0
		Main Accounting 2020-21	Significant Assurance	↔	0	0	0
		Housing Benefits 2020-21	Moderate Assurance	↑	3	1	1

Annexe A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Medium	Low
		Council Tax 2020-21	Moderate Assurance	↓	0	10	1
		Business Rates 2020-21	Limited Assurance	←→	2	6	4
		Treasury Management 2020-21	Significant Assurance	←→	0	0	0
		PCI Compliance - Follow-up 2020-21	Limited Assurance	↓	4	8	1
		Civica - Income Management - application review	Significant Assurance	-	1	2	0
		Capital Programme 2020-21	Moderate Assurance	↑	6	7	0
		Harvey Hadden Stadium Trust 2020-21	Independent Examiner's Report	-			
		Highfields Leisure Park Trust 2020-22	Independent Examiner's Report	-			
		LA Bus Subsidy Grant Claim 2019-20	Grant Claim	-			
		LA Bus Subsidy Grant Claim 2020-21	Grant Claim	-			
		NPIF Grants Audit 2019-20	Grant Claim	-			
		Local Transport Capital Grant 2019-20	Grant Claim	-			
		Local Transport Capital Grant 2020-21	Grant Claim	-			
		Better Care Fund - DFG 2019-20	Grant Claim	-			
		Better Care Fund - DFG 2020-21	Grant Claim	-			
		Future Transport Zones Fund	Grant Claim	-			
		Travel Demand Management	Grant Claim	-			
	Strategic Finance Total				**16**	**35**	**7**
	Strategy, Performance, Marketing & Comms	IT Change Management	Significant Assurance	←→	0	1	3
		IT Change Management - Follow-up	Significant Assurance	←→	0	0	0
		Cloud based applications (*Software as a Service*)	Moderate Assurance	-	4	8	0
		ICT Procurement 2021-22	Limited Assurance	←→	3	11	0
		IT Security 2020-2	Limited Assurance	←→	6	11	0

Annexe A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Medium	Low
		IT - Service Desk	Significant Assurance	-	0	1	1
		Use of Social Media - Follow-up	Significant Assurance	-	0	3	0
		Performance Management 2019-20	Moderate Assurance	←→	1	3	0
	Strategy, Performance, Marketing & Comms Total				**14**	**38**	**4**
Finance & Resources Total					**44**	**89**	**14**
Growth & City Development	Carbon Reduction, Sustainability & Energy	NCC Carbon Neutral Plan 2020-21	Limited Assurance	-	6	14	0
	Carbon Reduction, Sustainability & Energy Total				**6**	**14**	**0**
	Planning Regeneration & Housing	Housing Rents 2020-21	Moderate Assurance	↓	1	4	0
	Planning Regeneration & Housing Total				**1**	**4**	**0**
	Major Projects & Public Transport	Public Transport follow-up	Limited Assurance	←→	10	3	0
		Public Transport Smart Ticketing Procurement follow-up	Limited Assurance	←→	3	0	0
		Transforming Cities Fund 2020-21 (Tranche 1)	Significant Assurance	-	0	0	0
		Transforming Cities Fund 2021-22 (Tranche 2)	Moderate Assurance	↓	4	1	0
	Major Projects & Public Transport Total				**17**	**4**	**0**
	Economic Development & Property	Corporate Property Maintenance	Significant Assurance	←→	1	5	0
	Economic Development & Property Total				**1**	**5**	**0**
	Traffic & Transport	Traffic & Safety Capital Projects 2020-21 Follow-up	Limited Assurance	←→	6	1	0
	Traffic & Transport Total				**6**	**1**	**0**
Growth & City Development Total					**31**	**28**	**0**
People	Education	Nottingham Schools Trust follow up 2020-21	Moderate Assurance	↑	4	4	0
	Education Total				**4**	**4**	**0**

Annexe A2 – Summary of Audits concluded in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Medium	Low
	Children's Integrated Services	Supporting Families (*summary of controls opinion from quarterly grant claims*)	Significant Assurance	←→	0	0	0
		Fostering Adoption & Placements Follow-up 2021-22	Moderate Assurance	↑	2	5	1
	Children's Integrated ServicesTotal				**2**	**5**	**1**
People Total					**6**	**9**	**1**
Resident Services	Community Protection	Selective Landlord Licensing Follow-up 2020-21	Moderate Assurance	↑	4	5	1
		ECINS Application Review	Limited Assurance	-	8	9	0
	Community Protection Total				**12**	**14**	**1**
	Neighbourhood Services	Parks & Open Spaces Contracts	Moderate Assurance	-	0	6	3
		Governance & Use of Telematics	Significant Assurance	-	0	1	0
	Neighbourhood Services Total				**0**	**7**	**3**
	Sports, Culture & Parks	Theatre Royal & Concert Hall Follow-up 2021-22	Limited Assurance	↑	9	5	2
	Sports, Culture & ParksTotal				**9**	**5**	**2**
Resident Services Total					**21**	**26**	**6**
Total					**107**	**154**	**21**

Denotes reported for the first time here

Annexe B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 21Jan2022

						Audit Assessed			Management Assessed		
Department	**Division**	**Activity**	**Level of Assurance**	**DOT**	**High**	**Complete**	**Not Yet Due**	**Overdue**	**Complete**	**Overdue**	**Trend**
NCC Corporate	HR, Equalities, Diversity & Inclusion	Gifts & Hospitality 2020-21	Limited Assurance	↔	2	1	1	0		0	↑
	Legal & Governance	Decision Making	Limited Assurance	-	3			3	1	2	
	Total				**5**	**1**	**1**	**3**	**1**	**2**	
NCC Corporate Total					**5**	**1**	**1**	**3**	**1**	**2**	
Finance & Resources	HR, Equalities, Diversity & Inclusion	Pay Policy Compliance - Overtime	Moderate Assurance	↔	0						
		Sickness Management	Limited Assurance	-		see line below					
		Sickness Management Follow-up 2021-22	Limited Assurance	↑	2		2	0		0	↑
		Disciplinary Process Follow-up 2021-22	Limited Assurance	↑	2			2		2	
		NCC Payroll & HR 2020-21	Moderate Assurance	↔	0						
		Coronavirus Job Retention Scheme (Furlough)	Significant Assurance	-	0						
	HR, Equalities, Diversity & Inclusion Total				**4**		**2**	**2**		**2**	
	Procurement & Commissioning	Procurement Dispensations	Limited Assurance	↔	3		1	2		2	↑
		Contract Management follow-up	Limited Assurance	↔	5		5	0		0	↑
	Procurement & Commissioning Total				**8**		**6**	**2**		**2**	
	Strategic Finance	NCC Accounts Payable 2020-21	Significant Assurance	↔	0						
		NCC Accounts Receivable 2020-21	Significant Assurance	↔	0						
		Budget Monitoring 2020-21	Moderate Assurance	↓	0						
		Bank Reconciliation 2020-21	Significant Assurance	↔	0						

Annexe B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Complete	Not Yet Due	Overdue	Complete	Overdue	Trend
		Main Accounting 2020-21	Significant Assurance	←→	0						
		Housing Benefits 2020-21	Moderate Assurance	↑	3	1		2		2	
		Council Tax 2020-21	Moderate Assurance	↓	0						
		Business Rates 2020-21	Limited Assurance	←→	2			2		2	
		Treasury Management 2020-21	Significant Assurance	←→	0						
		PCI Compliance - Follow-up 2020-21	Limited Assurance	↓	4	1		3		3	↓
		Civica - Income Management - application review	Significant Assurance	-	1			1		1	↓
		Capital Programme 2020-21	Moderate Assurance	↑	6	3	1	2		2	
		Harvey Hadden Stadium Trust 2020-21	Independent Examiner's Report	-							
		Highfields Leisure Park Trust 2020-22	Independent Examiner's Report	-							
		LA Bus Subsidy Grant Claim 2019-20	Grant Claim	-							
		LA Bus Subsidy Grant Claim 2020-21	Grant Claim	-							
		NPIF Grants Audit 2019-20	Grant Claim	-							
		Local Transport Capital Grant 2019-20	Grant Claim	-							
		Local Transport Capital Grant 2020-21	Grant Claim	-							
		Better Care Fund - DFG 2019-20	Grant Claim	-							
		Better Care Fund - DFG 2020-21	Grant Claim	-							

Annexe B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Complete	Not Yet Due	Overdue	Complete	Overdue	Trend
		Future Transport Zones Fund	Grant Claim	-							
		Travel Demand Management	Grant Claim	-							
	Strategic Finance Total				**16**	**5**	**1**	**10**		**10**	
	Strategy, Performance, Marketing & Comms	IT Change Management	Significant Assurance	←→		see line below					
		IT Change Management - Follow-up	Significant Assurance	←→	0						↑
		Cloud based applications (*Software as a Service*)	Moderate Assurance	-		see line below					
		ICT Procurement 2021-22	Limited Assurance	←→	3		2	1		1	↓
		IT Security 2020-2	Limited Assurance	←→	6			6	5	1	
		IT - Service Desk	Significant Assurance	-	0						
		Use of Social Media - Follow-up	Significant Assurance	-	0						
		Performance Management 2019-20	Moderate Assurance	←→	1			1	1	0	
	Strategy, Performance, Marketing & Comms Total				**10**		**2**	**8**	**6**	**2**	
Finance & Resources Total					**38**	**5**	**11**	**22**	**6**	**16**	
Growth & City Development	Carbon Reduction, Sustainability & Energy	NCC Carbon Neutral Plan 2020-21	Limited Assurance	-	6		1	5	1	4	
	Carbon Reduction, Sustainability & Energy Total				**6**		**1**	**5**	**1**	**4**	
	Planning Regeneration & Housing	Housing Rents 2020-21	Moderate Assurance	↓	1			1		1	
	Planning Regeneration & Housing Total				**1**			**1**		**1**	
	Major Projects & Public Transport	Public Transport follow-up	Limited Assurance	←→	10	4		6	3	3	
		Public Transport Smart Ticketing Procurement follow-up	Limited Assurance	←→	3	2		1		1	

Annexe B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Complete	Not Yet Due	Overdue	Complete	Overdue	Trend
		Transforming Cities Fund 2020-21 (Tranche 1)	Significant Assurance	-	0						
		Transforming Cities Fund 2021-22 (Tranche 2)	Moderate Assurance	↓	4			4		4	
	Major Projects & Public Transport Total				**17**	**6**		**11**	**3**	**8**	
	Economic Development & Property	Corporate Property Maintenance	Significant Assurance	←→	1			1		1	
	Economic Development & Property Total				**1**			**1**		**1**	
	Traffic & Transport	Traffic & Safety Capital Projects 2020-21 Follow-up	Limited Assurance	←→	6		1	5	3	2	
	Traffic & Transport Total				**6**		**1**	**5**	**3**	**2**	
Growth & City Development Total					**31**	**6**	**2**	**23**	**7**	**16**	
People	Education	Nottingham Schools Trust follow up 2020-21	Moderate Assurance	↑	4	2		2	1	1	
	Education Total				**4**	**2**		**2**	**1**	**1**	
	Children's Integrated Services	Supporting Families (*summary of controls opinion from quarterly grant claims*)	Significant Assurance	←→	0						
		Fostering Adoption & Placements Follow-up 2021-22	Moderate Assurance	↑	2			2		2	
	Children's Integrated Services Total				**2**			**2**		**2**	
People Total					**6**	**2**	**0**	**4**	**1**	**3**	
Resident Services	Community Protection	Selective Landlord Licensing Follow-up 2020-21	Moderate Assurance	↑	4	4		0		0	↑
		ECINS Application Review	Limited Assurance	-	8			8		8	↓
	Community Protection Total				**12**	**4**		**8**		**8**	
	Neighbourhood Services	Parks & Open Spaces Contracts	Moderate Assurance	-	0						
		Governance & Use of Telematics	Significant Assurance	-	0						
	Neighbourhood Services Total				**0**			**0**		**0**	

Annexe B – Tracking of High Priority Recommendations Issued in 2020/21 & 2021/22 to 21Jan2022

Department	Division	Activity	Level of Assurance	DOT	High	Complete	Not Yet Due	Overdue	Complete	Overdue	Trend
	Sports, Culture & Parks	Theatre Royal & Concert Hall Follow-up 2021-22	Limited Assurance	↑	9	4		5		5	
	Sports, Culture & ParksTotal				**9**	**4**		**5**		**5**	
Resident Services Total					**21**	**8**	**0**	**13**	**0**	**13**	
Total					**101**	**22**	**14**	**65**	**15**	**50**	
Previous total					*78*	*15*	*2*	*59*	*18*	*41*	

Annexe C – Audit Executive Summaries issued since last update

Pay Policy Compliance - Overtime

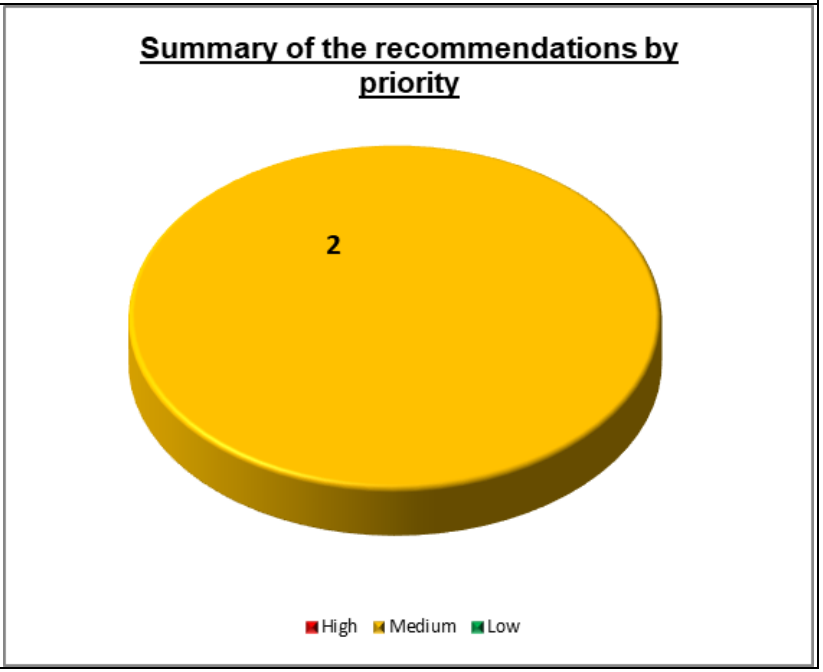
Department: HR and EDI	Overall Opinion: **Moderate Assurance**	Direction of Travel: No Previous Review

Scope and Approach: This review considered the following aspects:

- Analysis of overtime payments to employees Grade G and above
- Challenge Directors / Heads of Service and establish the existence of business cases to justify the payment of overtime rather than TOIL.

High Priority Recommendations

No high priority recommendations



Annexe C – Audit Executive Summaries issued since last update

Sickness Management Follow-up 2021/22

Directorate Finance & Resources Division HR, Equality Diversity and Inclusion Previous review: 20th May 2020	Overall Opinion: **Limited Assurance**	Direction of Travel: Limited progress has been made in completing each set of actions but actions have been commenced for nearly all recommendations

Scope and Approach: Follow up of the recommendations raised in the report dated 20th May 2020

High Priority Recommendations

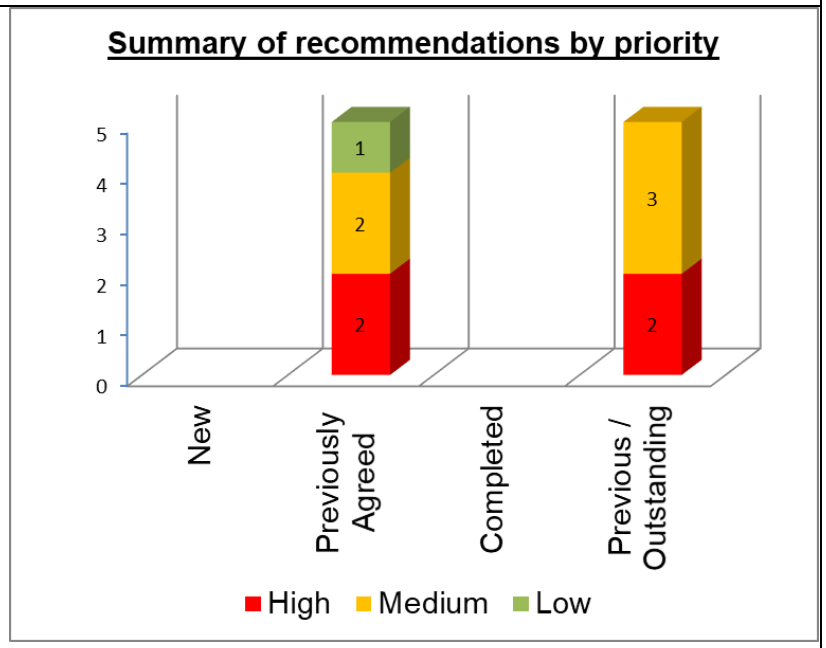
2019-20 R2 HR should obtain management information on managers' receipt of absence management training and report it to corporate management for action which HR should track. This will ensure that managers are equipped to fulfil their role in relation to management of staff absence.

2019-20 R5 HR should ensure that Sickness Absence figures are:

- collated, reported and challenged at board level
- scrutinised by Councillors, Corporate Leadership Team, Departmental Management Teams, Health and Safety meetings to identify areas for improvement .

We are aware that sickness absence has been a core element of Covid-19 dashboard to leadership – it should continue as part of post-Covid-19 resumption of BAU. In addition, an annual report on the sickness absence should be produced and discussed at CLT and Audit Committee. This should include assurance reporting on KPIs

Sickness absence data should be used in a holistic way to ensure that the Council's objectives are met.



*One recommendation priority raised from Low to Medium

Annexe C – Audit Executive Summaries issued since last update

Disciplinary Process Follow-up 2021/22

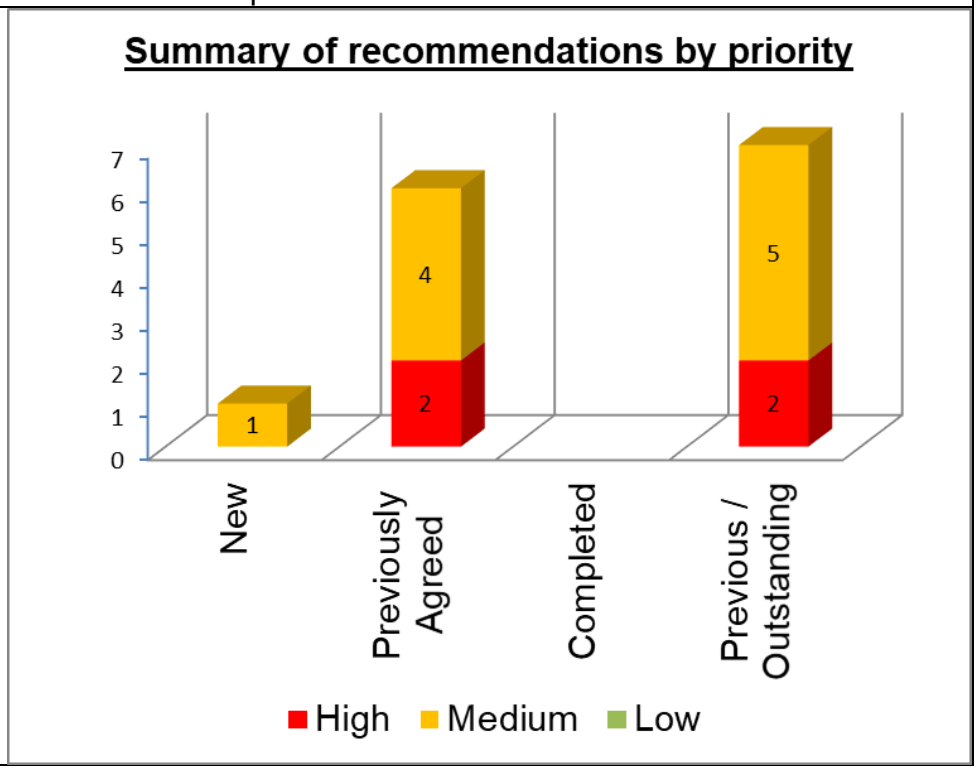
Department: Finance & Resources Previous review: Disciplinary Process 30 November 2020	Overall Opinion: **Limited Assurance**	Direction of Travel: **Improving**

Scope and Approach: Follow up of the recommendations made in the 2020/21 report

High Priority Recommendations

2019/20 R2 HR should ensure all case files are complete and adequately organised.

2019/20 R5 HR officers should undertake a greater role in providing quality control for all aspects of their allocated cases.



Annexe C – Audit Executive Summaries issued since last update

Procurement Dispensations

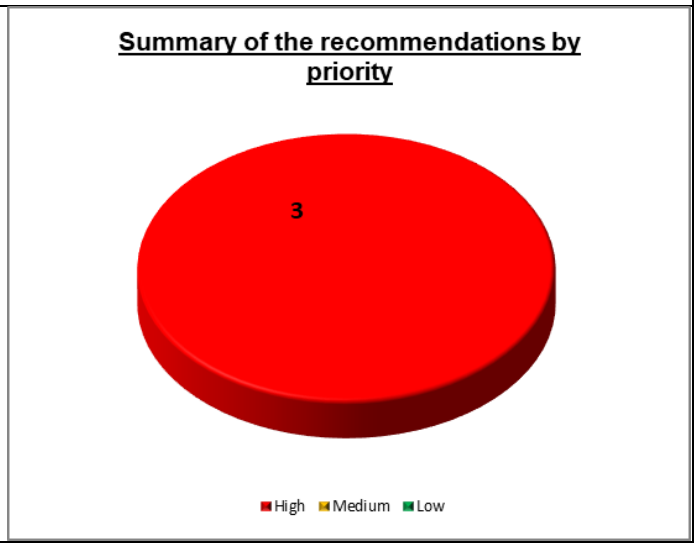
Directorate: Finance & Resources Division: Procurement and Commissioning Previous review: Procurement 2019-20 Contract Management 2019-20 Contracting and Procurement 2017-18	Overall Opinion: **Limited Assurance**	Direction of Travel: No improvement

Scope and Approach: This review considered the following aspects of procurement:

- A review of Financial Regulations dispensations related to procurement activity taken since January 2021, including procurement/funding approvals.
- A review of departmental actions taken as a consequence of dispensations related to procurement activity.

High Priority Recommendations

2021-22 R1 – Parties providing advice, in particular, Legal, Finance and Procurement, must provide critical advice and challenge decisions put forward that do not comply with financial regulations. If a decision is proposed that recommends the council does not comply with laws & regulations applying to the council, then advisors must not approve these decisions within their advice.
2021-22 R2 – We recommend CLT take action to ensure Directors in all areas of the Council comply with Financial Regulations and Contract Procedure Rules.
2021-22 R3 – A role is developed to focus on monitoring compliance, holding the organisation to account and providing assurance to CLT of compliance with Financial Regulations.



Annexe C – Audit Executive Summaries issued since last update

Contract Management Follow-up 2020-21

Directorate: Finance & Resources Previous reviews: Contract Management 2019/20	Overall Opinion: **Limited Assurance**	Direction of Travel:

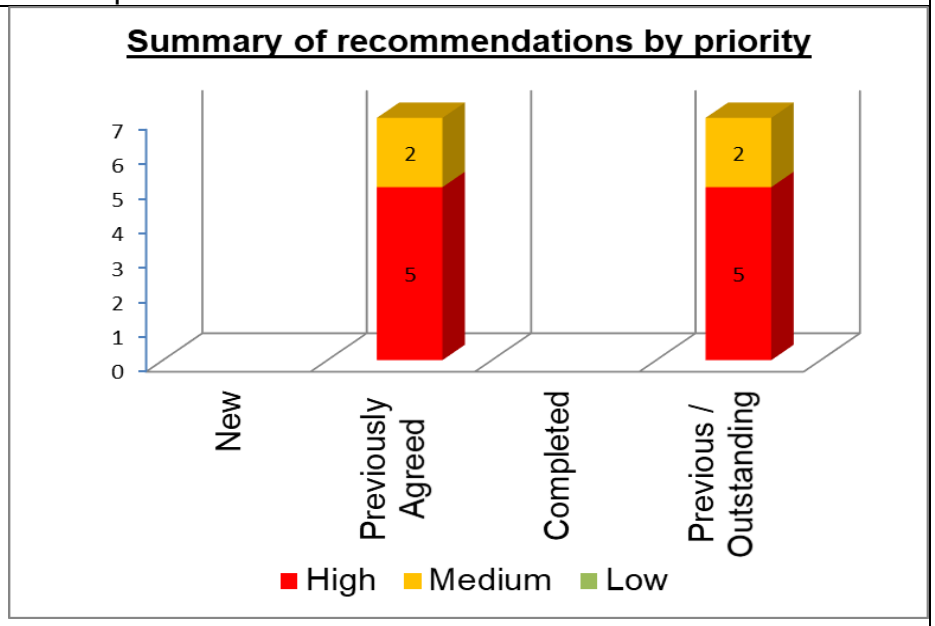
Scope and Approach:

Follow up of the recommendations in the 2019/20 Contract Management audit report

High Priority Recommendations from our 2019/20 Audit

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.
- Implement corporate oversight by portfolio to provide assurance that clear contract management plans are in place and contracts are well-constructed and performance based.
- 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.
- 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.

Annexe C – Audit Executive Summaries issued since last update

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

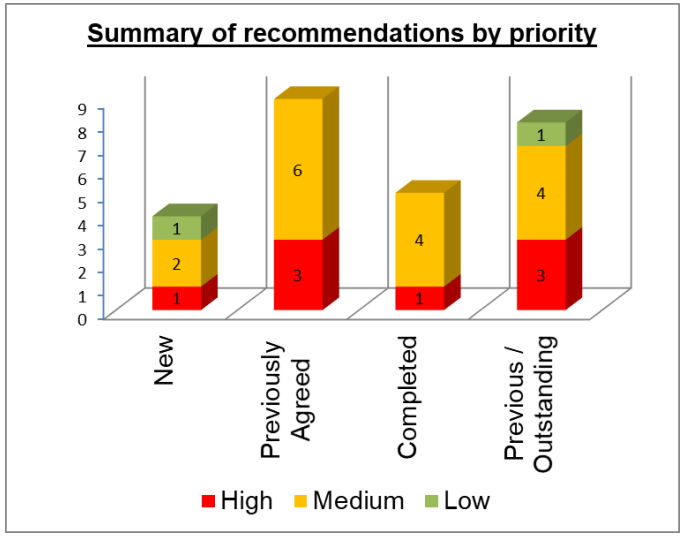
Annexe C – Audit Executive Summaries issued since last update

PCI Compliance – Follow-up 2020-21

Directorate: Finance and Resources Previous review: PCI Compliance 2015/16 PCI Compliance 2019/20 – Follow-up	Overall Opinion: **Limited Assurance**	Direction of Travel: Due to a number of factors the level of control in this area has reduced.

Scope and Approach: This review follow-up outstanding recommendations with regard to the Council's compliance with the Payment Card Industry standards.

High Priority Recommendations



2021-22 R3 A checklist should be devised which pulls together the following areas to provide an level of assurance:

- Procurement – in terms of validations of PCI compliance where new systems have been procured.
- Contract managers where system already exist
- IT Services as to the ongoing security arrangements that support the Council's IT Compliance
- The level of PCI Compliance, as determined by Income Management, including assurances concerning the completion of quarterly vulnerability scans and the resolution of any issues.

Upon completion the checklist should be signed by a responsible officer and formally presented to the Information Compliance Board and the Council's Senior Information Risk Officer.

2018-19 R1 The City Council should set out its expectations as part of its Financial Regulations and IT Security Policy.

2015-16 R2 A firm proposal and business case should be developed to replace the existing arrangements with a more secure means accepting payments over the telephone.

Annexe C – Audit Executive Summaries issued since last update

Civica Application Review 2020-21

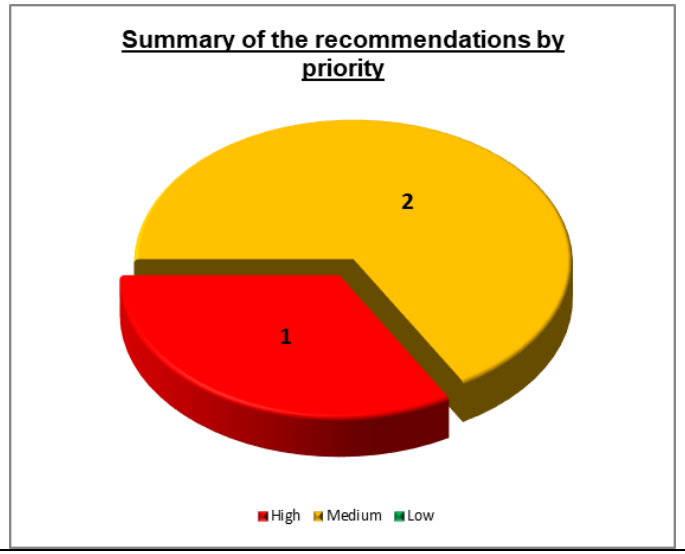
Directorate: Finance and Resources Previous review:	Overall Opinion: **Significant Assurance**	Direction of Travel: This is the first time that this application has been reviewed.

Scope and Approach: This review considered the following aspects of The scope of the audit will involve the reviewing the following areas:

- PCI DSS Compliance
- User Management and training
- Ledger Reconciliation
- Feeder file reconciliation
- Business continuity and disaster recovery

High Priority Recommendations

2021/22 R2 Strategic Finance should review their BCP and consider the risks associated with the loss of IT network, key vendors or loss of data.



Annexe C – Audit Executive Summaries issued since last update

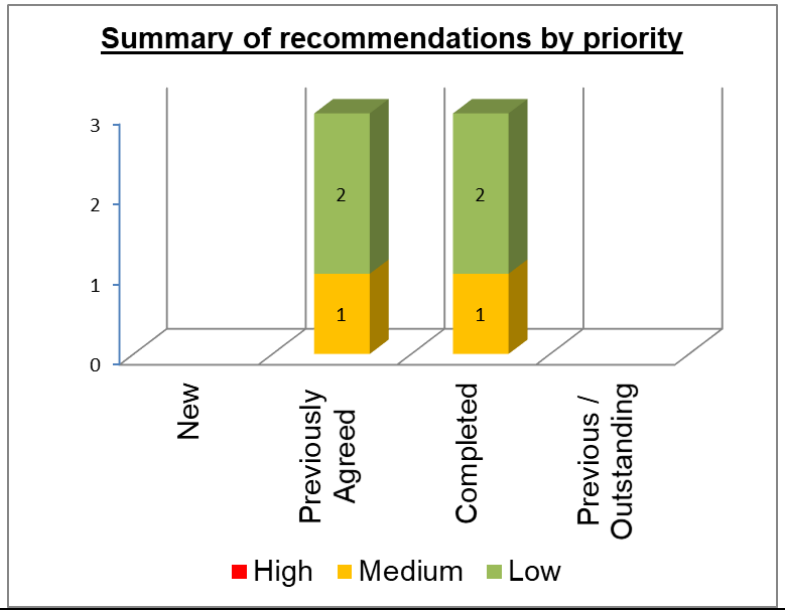
IT Change Management Follow-up

Directorate: Strategy & Resources Previous review: IT Change Management – June 2017 IT Change management – March 2020	Overall Opinion: **Significant Assurance**	Direction of Travel: The level of control over the change process is being maintained and therefore no cause for concern.

Scope and Approach: This review followed-up on outstanding recommendations from reviews completed during 2016/17 and 2020/21.

High Priority Recommendations

There are no high priority recommendations.



Annexe C – Audit Executive Summaries issued since last update

ICT Procurement 2021/22

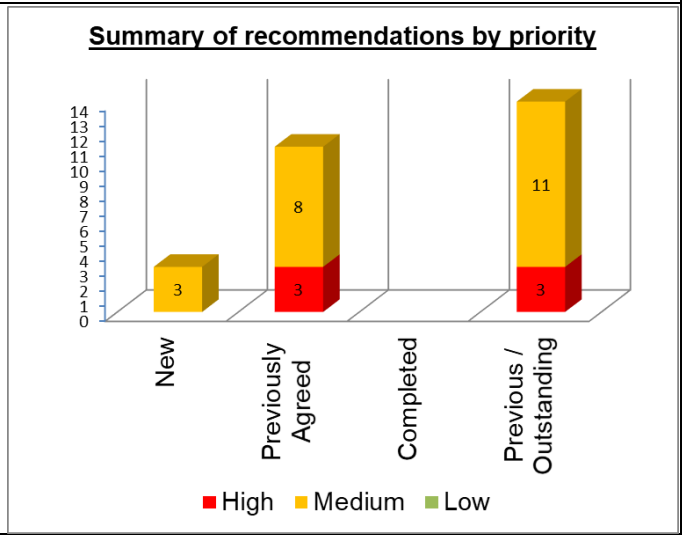
Directorate: Finance and Resources Previous review: Cloud based application 2019/20 – 7th December 2020	Overall Opinion: **Limited Assurance**	Direction of Travel: Previous recommendations remain outstanding.

Scope and Approach: This review considered the following aspects of ICT Procurements:

- Review and document the process as it relates to IT related procurements
- IT security and technical requirements – including due diligence requirements i.e. validation of accreditations.
- Analytical review of all procurement data and ICT category data to ensure that IT related expenditure is being appropriately recorded.
- Follow-up on the Cloud Application Audit Report recommendations

High Priority Recommendations

2019/20 R5	A comprehensive asset register should be compiled to ensure that there is a clear accountability for all the assets owned and managed by the City Council. The register should include all applications, their owners, location and level of residual risk. In addition, the register should be linked to the completed DPIA's, ISRA's and contracts register in order that a complete record is available and appropriate assurances provided to management.
2019/20 R7	IT costs should be reviewed and where found to have been incorrectly allocated, corrected to ensure that the Council's financial records are accurate and complete.
2019/20 R8	Budget holders should be instructed as to the correct codes to be used when procuring IT applications and renewing licence agreements.



Annexe C – Audit Executive Summaries issued since last update

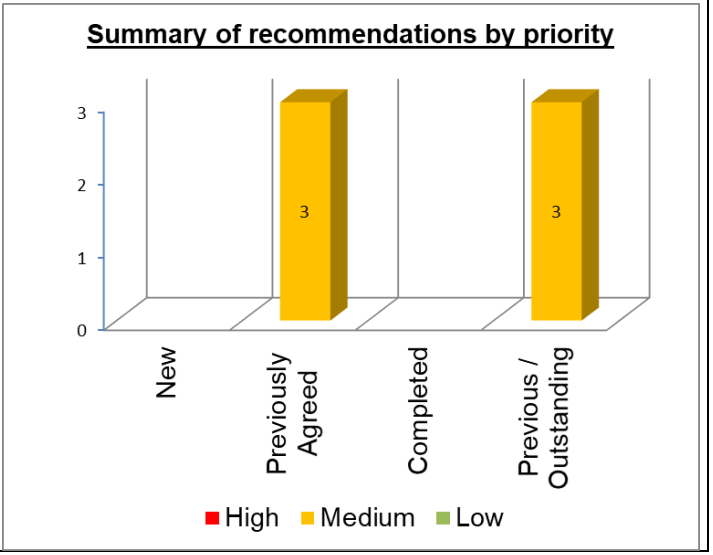
Use of Social Media – Follow-up

Department: Strategy and Resources Previous review: Social Media Report 2019/20	Overall Opinion: **Significant Assurance**	Direction of Travel: This is the first time that this area has been reviewed.

Scope and Approach: 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.

High Priority Recommendations

There are no high priority Recommendations



Annexe C – Audit Executive Summaries issued since last update

Transforming Cities Fund 2021/22

Department: Growth & City Development Previous review: Transforming Cities Fund 2020/21	Overall Opinion: **Moderate Assurance**	Direction of Travel:

Scope and Approach: The scope of the audit will involve the review of the following using elements of the NAO's Framework to Review Programmes Update (April 2021):

- Delivery and Variation Management
- Aspects of VFM

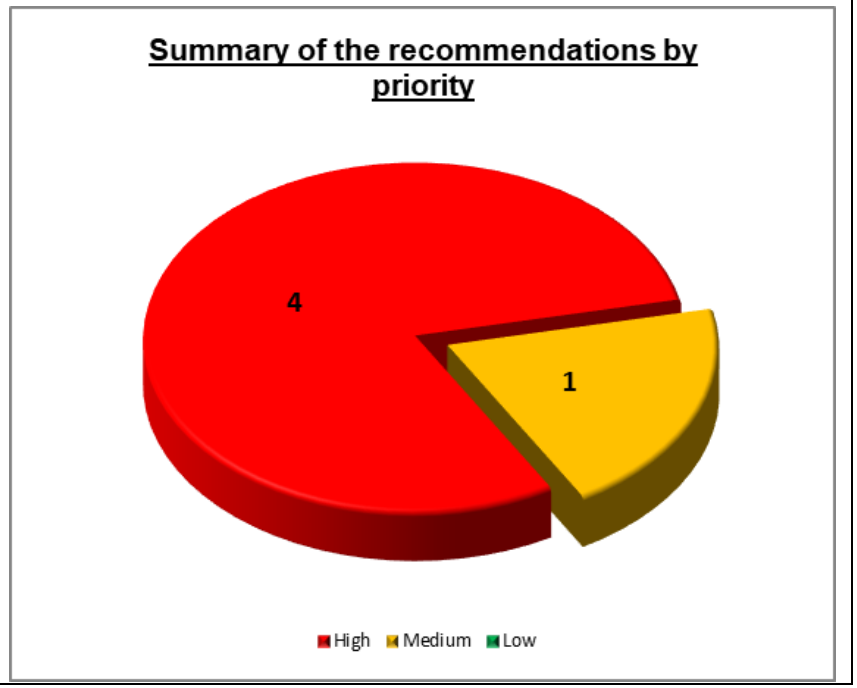
High Priority Recommendations

2021/22 R1 - Projects should consider their benefit realisation needs outside the evaluation of TCF, discuss this with BAU teams and agree responsible officers. This information should be collated by the Programme Manager and shared with the PMO.

2021/22 R2 - A strategy should be prepared to balance risk and incentives for potential Operators. This should include:
• Appropriate method for calculating the maintenance budget required.
• Options for ensuring a maintenance provision is available for the full term of the project including use of hire income.
• Investigating if required Operator data/performance can be independently checked.
• Considering if penalties for poor performance are appropriate.

2021/22 R4 - The change control approval process should be mapped and clearly define the thresholds for each approval route including the transfer of budgets between packages/projects.

2021/22 R5 - Scenario planning requirements should be considered across the programme.



Annexe C – Audit Executive Summaries issued since last update

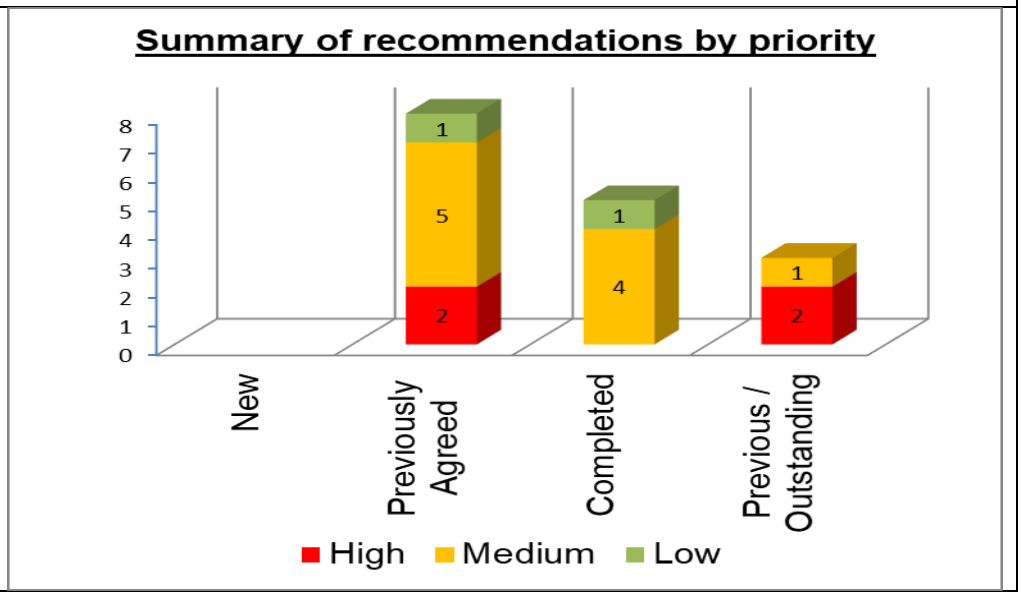
Fostering, Adoption and Placements Follow-up 2021-22

Department: People **Previous reviews**: Fostering, Adoption and Placements issued 23 December 2019.	Overall Opinion: **Moderate Assurance**	Direction of Travel:
	Scope and Approach: The scope of the audit was a review of the implementation of the recommendations raised as part of the 2019/20 audit report.	

High Priority Recommendations

R8 All future IPAs should be signed and dated by both parties and NCC should chase up to obtain a signature from the IFA in all cases

R6 All records and decisions should be recorded on Liquidlogic to ensure that overpayments are not created.



Annexe C – Audit Executive Summaries issued since last update

Theatre Royal & Concert Hall Follow Up 2021-22

Department: Resident Services Previous review: Royal Centre 2019/20 Procurement 2019/20	Overall Opinion: **Limited Assurance**	Direction of Travel:

Scope and Approach:

- Follow up of recommendations made in the Royal Centre 2019/20 report.
- Follow up of recommendations made in the Procurement 2019/20 report pertaining to TRCH

High Priority Recommendations

Royal Centre

2019/20 R4 Management should ensure that procurement and approval routes are complied with.

Procurement

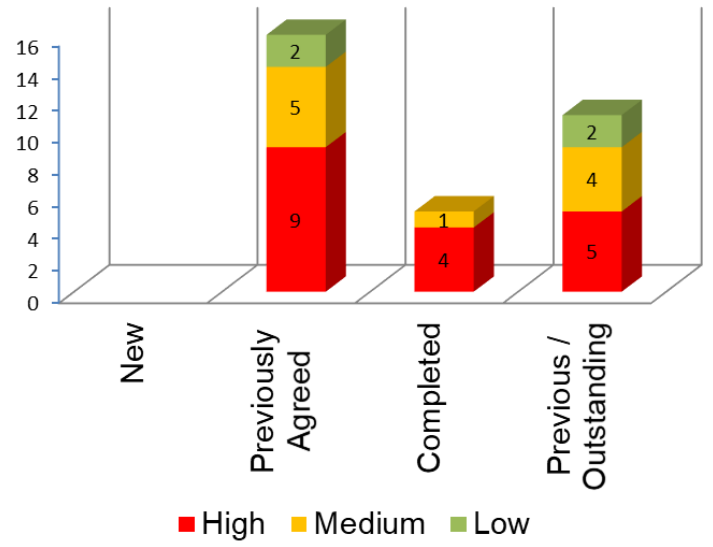
2019/20 R17 TRCH should ensure approval is sought for all expenditure in line with the thresholds outlined in the Council's Financial Regulations and Contract Procedure Rules. NCC Spend Approval Requirements set out these requirements

2019/20 R18 TRCH should ensure consultation with the Procurement Team occurs in line with the Council's Financial Regulations and Contract Procedure Rules. NCC Procurement Route Requirements set out these requirements

2019/20 R19 TRCH should ensure compliant procurement exercises are undertaken in line with the Council's Financial Regulations and Contract Procedure Rules. NCC Procurement Route Requirements (Appendix B) set out these requirements

2019/20 R20 TRCH should ensure appropriate contracts are established with suppliers in line with the Council's Financial Regulations and Contract Procedure Rules. NCC Contract Requirements set out these requirements

Summary of recommendations by priority



Annexe D – Definitions for Assurance Levels and Recommendation Categories

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

Categorisation of Recommendations

Recommendations within reports have been categorised by Internal Audit as:

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.

Annexe D – Definitions for Assurance Levels and Recommendation Categories

Key to Opinion & Direction of Travel

Overall Opinion	Direction of Travel
Significant Assurance	Improving
Moderate Assurance	No changes
Limited Assurance	Deteriorates
No Assurance	

Annexe E – Summary of the position against the Internal Audit Plan 2021/22

Audit Title	Planned Days2	Actual Days
Governance	275	204
Organisation	155	95
Key Financial Systems	185	35
Procurement & Projects Programme Management	70	74
Big Ticket / Risk Based Service Reviews	120	118
Compliance / Challenge	130	64
ICT and Information Governance	174	110
Counter Fraud	400	460
Corporate Fraud Strategy	85	13
Companies / Other Bodies	189	96
Consultancy, Advice and Support	375	365
Development , Redesign & Quality	160	111
Total Days	**2318**	**1746**

Grant Thornton

Nottingham City Council

Update report to Audit Committee

Years ended 31 March 2020 and 31 March 2021

February 2021

Contents

Your key Grant Thornton team members are:

Andrew Smith
Key Audit Partner
T 0161 953 6472
E andrew.j.smith@uk.gt.com

John Gregory
Associate Director
E john.gregory@uk.gt.com

Helen Lillington
Senior Manager
T 0121 232 5312
E helen.m.lillington@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Summary

We have produced this report to formally update the Council's Audit Committee on the progress of our external audits and to place on record the areas which are of most concern to us. The delays to the audits of the Council's accounts mean that it is some time since we last summarised our views.

One specific reason for producing this report is in order to comply with the guidance issued by the National Audit Office (NAO) in relation to the new approach to Value for Money (VfM) work for audit years from 2020/21 onwards: this guidance requires that where auditors have significant concerns about a council's arrangements, they should report them promptly, rather than waiting for all of the audit work for the particular year to be completed.

Accounts audit

We gave our opinion on the Council's accounts for 2018/19 in March 2021 and issued an adverse VfM conclusion in early April. We have not yet completed the audit of the Council's accounts for 2019/20 because the Council has had to commission new valuations for its specialist properties, due to the internal team which carried out the original valuations being disbanded and its records not being available. This audit was also delayed by uncertainties regarding how we could gain assurance in relation to the figures for the Council's former subsidiary Robin Hood Energy, given that the administration of the Company meant that its auditors never concluded their audit.

More recently, we have had to revisit our risk assessment in light of the matters which led to the issuing of the section 114 report, in relation to transactions between the Council and Nottingham City Homes. This has resulted in us needing to carry out further focused work in areas such as related party transactions and management override of controls.

The Council has not yet been able to produce and formally publish its full Statement of Accounts for 2020/21, because it is waiting for new valuations to be carried out on the specialist properties and has been exploring how it can obtain financial results for RHE for the nine months of the year prior to its administration, which it is required to consolidate. We have not therefore commenced our substantive audit work.

VfM and wider responsibilities

Due the delays in the accounts audit, we have not completed our VfM work for either year, although we have previously indicated that our VfM conclusion for 2019/20 would be likely to be qualified as the Council had not yet addressed the issues which led to the 2018/19 qualification.

Under the new VfM approach for 2020/21, however, we are required to report to you on any significant weaknesses in arrangements as soon as we are aware of them. It is clear from monitoring progress on issues raised in 2018/19, as well as our wider engagement with the Council, that there are weaknesses for us to report.

Summary (continued)

We are not at this stage seeking to comment on all of the issues which the Council faces, which are primarily being addressed through the Recovery and Improvement Plan. The Plan represents a very challenging agenda for the Council, which it is working hard to address, and it is clear that significant improvements have been made. However, there is still considerable further effort required and some aspects of the Plan were always intended to have longer timescales. We will continue to monitor progress and liaise with the Council and the Improvement and Assurance Board and consider the implications for our VfM reporting.

We have to date identified significant weaknesses in three areas in 2020/21, which we are reporting to you through this report:

- financial sustainability
- company governance
- delays to annual accounts production and finalisation.

We will report on any further areas which we consider to be significant weaknesses once we have completed our wider audit work on the 2020/21 accounts, while at the same time providing our commentary on your VfM arrangements are required by the new approach.

2019/20 accounts

Our 2018/19 audit, our first since being appointed as the Council's auditors, was delayed due mainly to the time taken for Robin Hood Energy's own auditors to finalise their audit of the Company's accounts and the demands on our time of producing our Report in the Public Interest in relation to the Council's relationship with RHE. We gave an unqualified opinion on 26 March 2021.

We commenced our audit of the 2019/20 accounts in accordance with the usual timescale. However, this audit has been delayed for two main reasons:

The Council has 75 specialist properties which are required to be valued on a depreciated replacement cost basis, with a value last estimated as £714m. It has been forced to commission new valuations for these specialist properties from an external provider. This is in part due to the internal team which carried out the original valuations being disbanded as part of the emergency budget process in Autumn 2020 and in part due to the Council not being able to locate the records supporting the original valuations.

The Council has commissioned the new valuations on a multi-year basis so that there can be no recurrence of this issue in future year's accounts, and the cost of reperforming the 2019/20 valuations is a notional part of this multi-year contract.

The results are still awaited, and once officers have the results, they will then need to assess whether they are materially different to the figures currently included in the draft accounts and, if as seems likely, they are, will need to rework various elements of the accounts, which we will then need to audit.

The other main source of delay was caused by RHE entering administration in January 2021. At that time, while RHE's auditors had carried out their detailed work on the 2019/20 accounts of the Company, they had not issued their audit opinion. In addition, the accounts had been prepared on a 'going concern' basis, but by this time it was clear that RHE was not a going concern.

The lack of a finalised Company audit for us to rely on meant we had to reconsider whether, and how, we could gain sufficient assurance over the RHE figures consolidated into the Council's groups accounts. We also had to consider the implications of it no longer being appropriate for RHE to be accounted for on a going concern basis. We are hopeful that we have now resolved these 2019/20 RHE-related issues.

2019/20 accounts (continued)

More recently, we have had to revisit our risk assessment for the 2019/20 as a result of the issues which led to the recent s114 report issued by the statutory Chief Financial Officer., relating to transactions between the Council and Nottingham City Homes. While the Council is continuing to investigate the exact circumstances which led to the unlawful transactions, the existence of these transactions require us to reflect an enhanced risk of similar transactions existing which were designed to protect General Fund balances and reduce the need to make savings.

We acknowledge that the particular pattern of transactions is part of a historic pattern which began in 2014/15, and although the amounts involved were not material (by our measures), we have to consider the possibility that there may be other similar historic patterns.

We will report to you fully in our Audit Findings Report the additional work undertaken as a result of this enhanced risk, but it involves revisiting our work in areas such as related party transactions and adjustment journals. We will undertake this additional work at the same time as the other remaining 2019/20 work once the new valuations have been obtained and reflected I the accounts.

In addition to the powers and duties which the s151 officer and Monitoring Officer have in relation to unlawful transactions, we also have powers under the Local Audit and Accountability Act 2014 to apply to the High Court that an item of account is unlawful. We are not currently minded to do so in this case, as it seems that little purpose would be served and the cost would be significant. We are also aware that the Council is taking the matter seriously and taking actions to identify what happened, to identify whether there are any other similar circumstances and to prevent recurrence. We reserve the right to reconsider this matter in the light of any new information or challenge by a local elector.

Not directly related to our accounts audit, we also received an objection from a local elector in relation to the 2019/20 accounts. This relates to the Council's licensing scheme for private landlords. We have yet to undertake the necessary investigations due to the other issues we have had to consider in relation to your audit, but now have resources in place to do so in the near future.

2020/21 accounts

Like all councils, you were required to publish your 2020/21 accounts, signed by 'section 151' officer as giving a true and fair view, by 31 August 2021. While you did place a set of accounts on your website by 31 August, it had not been signed by the s151 officer and you published a note alongside which stated that the accounts were not complete, for two reasons:

The 2019/2020 valuation issue also meant that no valuations of the specialist properties have yet taken place as at 31 March 2021, and the external valuers are now undertaking these alongside their new valuations at 31 March 2020. This issue should be resolved once these new valuations are obtained and the impact on the draft statement of accounts is worked through.

The Group Accounts do not currently include any financial results for RHE, whereas IFRS (International Financial Reporting Standard) 10 requires that controlled companies are consolidated up to the point at which control is lost – which in this case means for the nine months up to the administration process in early January 2021. Despite the Council's processes for monitoring the performance of its controlled companies, which were in theory enhanced during 2020/21, and despite the particular sensitivities concerning RHE, the Council appears to hold no reliable information on the Company's performance in 2020/21, even at the relatively high level warranted by materiality levels for the group accounts. We are very concerned about this omission.

If no financial results for RHE for 2020/21 can be obtained or compiled, the s151 officer will need to consider the implications of the best available accounts not presenting a true and fair view, and we will in turn need to consider the implications for our audit work and opinion.

More positively, we understand that the Council has recently obtained a transaction download for RHE from the administrators and officers are now analysing this to establish whether it can be used to provide sufficiently robust information to consolidate into the Council's group accounts. We will in turn then need to review the work carried out and consider the implications for our opinion.

Value-for-money and wider audit responsibilities

The reporting of our 2018/19 Value-for-Money work was delayed until 7 April 2021, as a result of our issuing our Report in the Public Interest in August 2020 in relation to the Council's relationship with RHE. As a result of our report, the Council agreed to undergo a non-statutory Best Value inspection, led by Max Caller, on behalf of the then MHCLG (now DLUHC). This reported in December 2020 and in turn led to an external Improvement and Assurance Board being set up to oversee implementation of the resultant Improvement Plan and to report to ministers on progress. The inspection report echoed concerns we had identified from our VfM work as well as raising wider issues.

As a result, our VfM conclusion for 2018/19 was adverse, meaning that the Council did not have adequate arrangements in place for ensuring economy, efficiency and effectiveness in the use of resources. As part of our reporting, we also made clear that it was likely that our VfM conclusion for 2019/20 would similarly be adverse, as the timing of events meant that the Council had not had the opportunity to make the necessary improvements during that year.

As a result, we did not carry out further detailed VfM work for 2019/20, but have continued to monitor the situation through liaison with Council officers and with the Chair and finance lead of the Improvement and Assurance Board, as well as review of key documents.

A new Code of Audit Practice applies to the 2020/21 audit, and this involves a new approach to VfM work. A key difference is that there is no longer a binary VfM conclusion which sets out whether or not arrangements are satisfactory. Instead, we are required to produce a commentary which covers the areas within the scope of our VfM work, and to make recommendations for improvement where applicable (see Appendix), and particularly in relation to significant weaknesses.

The new VfM approach requires us to report significant weaknesses promptly, rather than waiting for all the audit work to be completed. As part of preparing this report, we have therefore considered whether there are any significant weaknesses we need to report to you at this stage. At the same time, we are well aware that you are already facing a very demanding change agenda and that it is desirable, as far as possible, for our comments to be aligned to this.

On this basis, we have set out on the next page those areas where we believe significant weaknesses exist, whilst at the same time acknowledging that the Council is undergoing a significant change programme which impacts on these areas, as well as on other areas which our work has not yet considered, such as culture change and putting in place a stable senior officer team.

Reporting on significant weaknesses in value for money arrangements

Area of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability	We identified this as a significant risk in our 2018/19 VfM work and it was one of the reasons for issuing an adverse VfM conclusion. Since then, we have continued to monitor, through discussions and document review, developments in the Council's budget performance and its efforts to move towards a sustainable financial position. We have also discussed the position with members of the Assurance and Improvement Board. During 2020/21, the Council's finances faced a number of challenges and it was not in a financially sustainable position. The situation was not helped by the Covid pandemic, but the Council was in a difficult position because of its previous strategy of reliance on income from its companies and commercial properties. The failure of RHE exacerbated the situation and led to the Council requesting a £35m capitalisation direction, of which £20m has been approved and drawn down, as well as 'borrowing' from its own reserves which had been set aside for other purposes.. Since then, the Council has begun to make significant improvements to its arrangements, with a more robust analysis and understanding of its financial position. A transformation programme has been put in place to identify future savings, and business cases for the individual schemes are currently being worked up for approval. The updated MTFS currently includes a gap of £15.7m for 2022/23, although this has since been reduced as a result of a more favourable funding settlement. The need to repay the £14m of HRA funding wrongly used for general fund purposes also has to be factored in. The Council's in-year financial performance has seen a considerable swing in projected outturn from a expected £10.9m overspend as at 30 June reduced to £2m at 30 September. This is in part due to enhanced spending controls which have been introduced, but also raises questions about the forecasting approaches across different departments.	While the Council has taken significant steps towards securing a sustainable financial position, this is still work-in-progress and the extent of uncertainty and risk means we consider this to remain a significant weakness for the 2020/21 audit.	Key recommendation – as part of its continuing efforts to achieve financial sustainability, the Council should ensure that: - Additional savings schemes are identified to bridge remaining gaps in the MTFS - The current work to build up and assess the business cases for savings proposals is continued at pace - The reasons for wide variations in in-year performance in 2021/22 are investigated and actions taken to improve forecasting in the relevant areas and prevent recurrence.

Reporting on significant weaknesses in value for money arrangements

Area of significant weakness	Procedures undertaken	Conclusion	Outcome
Company governance	We identified the Council's governance arrangements for its companies as a risk in our VfM planning for 2018/19, and this risk was confirmed through our Report in the Public Interest on RHE in August 2020. Since then, and particularly since January 2021, the Council has started a wide-ranging programme to improve company governance and review its company structures. We have continued to monitor through discussions and document review. Unfortunately, the need to address urgent issues in relation to some companies has meant the programme has not had the hoped-for clear flow, but good progress has been made on some wider issues while addressing the more pressing challenges such as bringing EnviroEnergy in-house and dealing with the impact of Covid on some of the companies.	While the Council has taken some important steps to improve its company governance arrangements, there remain much to do and the extent of all of this work reinforces the deep-seated issues which previously existed in this area.	Key recommendation The Council should maintain the momentum it has now achieved in rationalising its company arrangements and improving governance. As part of this, it should: - Ensure that the planned increase in resources in this area, particularly in the form of the shareholder team, is effective and sufficient. - Continue efforts to ensure that the Council is appropriately represented on the boards of its subsidiaries and associates and that its representatives fully understand their role as directors and their responsibilities towards the company. - Put in place an overall strategy for its involvement in companies, building on the guiding principles which have recently come into use.

Reporting on significant weaknesses in value for money arrangements

Area of significant weakness	Procedures undertaken	Conclusion	Outcome
Delays in finalisation of annual accounts	As noted on pages 5-8, delays have been caused primarily by the need to commission new valuations of specialist property and issues relating to the consolidation for RHE in the group accounts. However, the Council's complex nature means there will often be difficult issues to consider when compiling the accounts, and the need for involvement with outside parties as well as other internal departments. It is therefore important that the function has adequate resources available to it and is given sufficient priority. More specifically, officers need to strengthen arrangements to ensure that there can be no repeat of the valuations issue.	The delays to the finalisation of the 2019/20 accounts and production of a full set of 2020/21 accounts represent a significant weakness in the Council's arrangements.	Key recommendation The Council should ensure that sufficient resources and priority are given to the accounts preparation process, commensurate with a council of Nottingham's complexity and challenges. Improvement recommendation Officers should strengthen arrangements to ensure that there can be no repeat of the loss of crucial valuation records, which resulted in delays to the accounts and the incurring of significant sums on a repeat valuation process.

Audit Fees

The scale fee set by Public Sector Audit Appointment Ltd (PSAA) for your audit each year is £132,531. Members are aware, however, that audit fees across all local authorities have had to increase significantly beyond the scale fees, due primarily to increased work requirements (eg the new VfM approach), new auditing standards and increased regulator expectations in areas such as the audit of land and building valuations. The issues we have had to deal with in your audit also lead to additional fees, but all fee variations have to be approved by PSAA.

As set out in our VfM audit findings Report in March 2021, our final fees for 2018/19 included an additional fee of £93,500. This was mainly due to the Report in the Public Interest but also included elements which are common to all authorities.

While we cannot propose the final fees for 2019/20 and 2020/21 until work is completed, it is clear that we will again need to agree significant fee variations for both years. The table overleaf highlights the areas which are likely to lead to variations, as well as giving an early view on issues impacting on 2021/22 fees. Asterisked items are those which apply to all local government bodies.

All proposed fees will need to be agreed by the s151 officer and reported to the Audit Committee, but the final determination falls to PSAA.

Audit fees (continued)

Year	Accounts issues	VFM and wider issues
2019/20	Increased regulator expectations* Auditing in Covid * Assurance on RHE figures DRC valuations issues Revised risk assessment following s114	Objection to the accounts – landlord licensing scheme Heightened VfM risk level
2020/21	Increased regulator expectations* New auditing standards – accounting estimates etc *	New VfM approach* Liaison with AIB and other stakeholders Large number of potential VfM risks
2021/22	Increased regulator expectations * New general ledger Changes in group structure eg EnviroEnergy	Liaison with AIB and other stakeholders Large number of potential VfM risks

Appendix
The scope of the auditor's work on value for money arrangements 2000/21 audits onwards.

Revised approach to value for money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of value for money.

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria
- Auditors undertaking sufficient analysis on the [type of body]'s value for money arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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Audit Committee – 25 February 2022

Title of paper:	Treasury Management Strategy 2022/23 and Capital Strategy 2022/23	
Director(s)/ Corporate Director(s):	Clive Heaphy, Corporate Director of Finance and Resources and Section 151 Officer	**Wards affected:** All
Report author(s) and contact details:	Glyn Daykin, Senior Accountant – Treasury Management & Thomas Straw, Senior Accountant – Capital Programme Email: glyn.daykin@nottinghamcity.gov.uk and Thomas.straw@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Members of Treasury Management Panel: Clive Heaphy, Strategic Director of Finance Lisa Kitto, Deputy S151 Officer and Strategic Finance Lead Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader	

Does this report contain any information that is exempt from publication?
An appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the register of service and commercial investments and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the register shown in Appendix D contains commercially sensitive information that maybe used by competitors and harm future negotiations.

Recommendation(s):

1.	To consider the Treasury Management Strategy for 2022/23, attached as Appendix 1, and, in particular: a. the strategy in relation to debt repayment (Minimum Revenue Provision Statement) in 2022/23 (section 5.2); b. the Borrowing Strategy for 2022/23 (section 3.4); c. the Investment Strategy for 2022/23 (section 4); d. the Prudential Indicators and Limits for 2022/23 to 2024/25 (section 5.1);
2.	To consider the Treasury Management Policy Statement (section 5.3).
3.	To consider the Capital Strategy 2022/23 (Appendix 2) including the Voluntary Debt Reduction Policy Statement and Debt Policy (Appendix B).

1. Executive Summary

1.1 The Audit Committee holds the responsibility for providing the effective scrutiny of treasury management policies and practices. The approval of a Treasury Management Strategy by Full Council is a legal requirement. This report sets out the proposed Treasury Management Strategy 2022/23 and the Capital Strategy for 2022/23 ahead of the seeking approval at Full Council on 7 March 2022.

1.2 The Treasury Management Strategy (TMS) sets out the Treasury Management, Treasury Investment, Borrowing and Debt Repayment strategies for 2022/23 and includes the associated Prudential Indicators, Debt Policy and Treasury Management Policy Statement.

1.3 The Investment Strategy for 2022/23 includes some changes to counterparty and investment limits as detailed in section 4.1 of Appendix 1.

1.4 The Capital Strategy sets out the framework for the Council's capital investment and financing decisions aligned to the City Council's corporate priorities over the medium term and includes the Voluntary Debt Reduction Policy Statement.

1.5 The two strategies are intrinsically linked, as the Capital Strategy defines the capital expenditure plans of the Council including the element that is to be financed by borrowing. The Treasury Management Strategy defines how the associated cash flows from this borrowing requirement are to be managed.

1.6 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published on the 17th December. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.

1.7 Following the review, the Council published the Nottingham City Council Recovery and Improvement Plan 2021 – 2024. This plan has now been refreshed, renamed as the Together for Nottingham plan and was approved at a meeting of Full Council on the 10 January 2022. As part of this plan the Capital Strategy and this Treasury Management Strategy continue with the aim to support the Council returning to financial and operational stability.

1.8 The borrowing and debt management strategies intended to provide a sound framework for managing debt, to reduce the Council's future requirement to overall borrowing requirement (known as the Capital Financing Requirement (CFR)) and to reduce the level of debt held by the Council. The CFR is forecast to reduce by around £248m in the period 2022/23 to 2026/27 as covered by these strategies. This represents an improved position against the original forecast in debt reduction policy reported 12 months ago.

2. Reasons for recommendations

2.1 Approval of a Treasury Management Strategy is a legal requirement, to comply with:

- Financial Regulations and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management by submitting a policy and strategy statement for the ensuing financial year;
- guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April;
- guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 which requires the preparation of an annual statement of the Council's policy on making a Minimum Revenue Provision (MRP) for the repayment of debt.

2.2 The Capital Strategy is a requirement to comply with:

- the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the Code of Practice on Treasury Management;
- regulations requiring the Council to have regard to the Code are issued under section 1 of the Local Government Act 2003.
- guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April.

2.3 The Treasury Management Code of Practice and Prudential Code (2017 editions) are both adopted by the Council. There is a requirement for authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity, policies and practices, and given the interrelationship of treasury management and capital planning, the requirements of both codes will best be met by aligning the scrutiny of both Treasury Management and Capital strategies. It is considered that the City Council's Audit Committee is the most appropriate body for this function.

3. Background

3.1 Treasury management is a term used to describe the management of an organisation's borrowing, investments and other financial instruments, their associated risks and the pursuit of optimum performance or return consistent with those risks.

3.2 The Treasury Management Strategy (TMS) as set out in **Appendix 1** sets the strategic context, within the Council's planning cycle, for how treasury management activity will take place. The various aspects of the strategy require approval by Full Council these include the Treasury Management and Treasury Investment strategies for 2022/23, the Debt Repayment Strategy, the Borrowing Strategy, the Prudential Indicators and the associated treasury policies.

3.3 The Treasury Management budget (the cost of servicing our debt) for 2022/23 is £53.953m and is based on the financial implications of the various proposed strategies, as detailed in Appendix 1, and has been included within the Medium Term Financial Plan (MTFP).

3.4 The Capital Strategy as set out in **Appendix 2** provides the Council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term and includes the Voluntary Debt Reduction Policy Statement and the Debt Policy. This strategy requires approval by Full Council.

3.5 The treasury management and capital functions are governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the Council must have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council formally adopts the requirements of these codes (as updated in 2017) as part of its Treasury Management Policy Statement and its Capital Strategy. The update to the codes released in December 2021 will be formally adopted before the commencement of financial year 2023/24 as required by the guidance.

3.6 The Treasury Management Strategy 2022/23 and Capital Strategy 2022/23 will be considered by Executive Board on the 22 February 2022 and considered for approval by Full Council on the 7 March 2022.

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

4.1 PWLB records, working papers
4.2 Nottingham City Council Project Management Handbook

5 Published documents referred to in compiling this report

5.1 Money Market and PWLB loan rates
5.2 Treasury Management in the Public Services Code of Practice 2017–CIPFA
5.3 Prudential Code 2017-CIPFA
5.4 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA
5.5 Statutory guidance on local government investments 3rd Edition 2018
5.6 Statutory guidance on Minimum Revenue Provision (MRP) 2018
5.7 Treasury Green Book
5.8 Corporate Asset Management Plan
5.9 The Strategic Council Plan 2021-2023
5.10 Together For Nottingham plan
5.11 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG/DLUHC

Appendix 1

Nottingham City Council

Treasury Management Strategy 2022/23

INDEX

1. Introduction

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future Treasury Management Strategy reports and the risk management framework.

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy which are taken to Full Council for approval and for related monitoring reports during the financial year.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As this Treasury Management Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as non-treasury investments including investments in commercial property have implications for cash balances managed by the treasury team, a high level summary of the impact that these investments have, or may have, within the 5 year time horizon of this report will be incorporated in future reports.

Councillors will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA define treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

The Government commissioned a non-statutory review of the Council in November 2020 with the findings published on the 17th December 2020. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.

Following the review, the Council published the Nottingham City Council Recovery & Improvement Plan 2021 – 2024. This plan has now been refreshed, renamed as the '*Together for Nottingham'* plan and was approved at a meeting of Full Council on the 10 January 2022. As part of this plan the Capital Strategy and this Treasury Management Strategy continue with the aim to support the Council returning to financial and operational stability. The borrowing and debt management strategies are to reduce the Council's future requirement to borrow, known as the Capital Financing Requirement (CFR) and to reduce the level of debt held by the Council. The CFR is forecast to reduce by around £248m in the period 2022/23 to 2026/27 as covered by these strategies. This represents an improved position against the original forecast in debt reduction policy reported 12 months ago.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected councillors on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The Capital Strategy is reported individually, but alongside the Treasury Management Strategy Statement at Audit Committee, Executive Board and Full Council; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

- The corporate governance arrangements for these types of activities;
- The service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

If any existing non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

1.2.2 Treasury Management reporting

The Council (delegated to Executive Board except the approval of a new strategy) is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update councillors on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Executive Board and/or Full Council. The mid-year report and the annual report are taken to Executive Board and the Treasury Strategy report is taken to Executive Board and Full Council. This scrutiny role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy including debt management;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- investment policy including creditworthiness; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management receive adequate training in treasury management. This especially applies to councillors responsible for scrutiny. The Audit Committee received a Treasury Management training session delivered by Link Group on 2 December 2021. Further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management advisors

The Council uses Link Treasury Solutions (part of the Link Group) as its external treasury management advisor. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and ensures that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 The Capital Prudential Indicators 2021/22 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	112.456	74.953	152.729	57.574	17.210	16.326	14.581
HRA	37.513	44.050	71.003	54.264	44.642	31.099	29.882
TOTAL	**149.969**	**119.003**	**223.732**	**111.838**	**61.852**	**47.425**	**44.463**

The above capital expenditure figures reflect the 2022/23 Capital Strategy, which seeks to use effective prioritisation to deliver an affordable capital program by limiting expenditure and increasing capital receipts to align the capital plans to the financial context of the Council.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of Capital Expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Receipts	11.930	7.643	27.241	26.051	11.746	7.151	5.703
Capital Grants & Contributions	37.518	61.371	113.655	38.919	9.836	8.975	8.913
Capital Reserves (MRR)	18.706	27.816	40.885	37.563	33.061	31.064	29.847
Revenue Resources	0.063	1.167	7.138	1.901	0.286	0.235	-
Capital expenditure to be financed by borrowing	**81.752**	**21.006**	**34.813**	**7.404**	**6.923**	**-**	**-**
TOTAL	**149.969**	**119.003**	**223.732**	**111.838**	**61.852**	**47.425**	**44.463**

As explained in the Capital Strategy the General Fund has forecast expenditure finance by borrowing relating to existing residual commitments in 2022/23 with no further borrowing forecast in years 2023/24 onwards, with the balance of borrowing attributed to Housing capital expenditure as shown in the table below.

Split of Capital expenditure to be financed by borrowing £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	71.442	13.003	22.698	-	-	-	-
HRA	10.310	8.003	12.115	7.404	6.923	-	-
TOTAL	**81.752**	**21.006**	**34.813**	**7.404**	**6.923**	**-**	**-**

2.2 The Council's financing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness i.e. the underlying borrowing need. Any capital expenditure above, which

has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI/lease provider and so the Council is not required to separately borrow for these schemes. The Council has £170.2m of such schemes within the CFR as at 31 March 2022.

The CFR projections are shown below:

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement (£m)							
CFR – General Fund	1,113.563	1,082.112	1,057.744	1,002.608	943.444	889.508	836.840
CFR – HRA	298.047	300.767	307.399	309.017	309.969	303.825	297.681
Total CFR	**1,411.610**	**1,382.879**	**1,365.143**	**1,311.625**	**1,253.413**	**1,193.333**	**1,134.521**
Movement in CFR		**(28.731)**	**(17.736)**	**(53.518)**	**(58.212)**	**(60.080)**	**(58.812)**

Movement in CFR represented by (£m)							
Net financing need for the year (above)	81.752	21.006	34.813	7.404	6.923	0.000	0.000
Less MRP/VRP and other financing movements		49.737	52.549	60.922	65.135	60.080	58.812
Movement in CFR		**(28.731)**	**(17.736)**	**(53.518)**	**(58.212)**	**(60.080)**	**(58.812)**

Note: the MRP / VRP will include PFI / finance lease annual principal payments and a known increase of £4.7m in MRP from 2024/25 as part of a previous decision to change the MRP Policy.

The capital programme and the 2022/23 Capital Strategy support the objectives in the Council's *Together for Nottingham* plan including limiting expenditure financed by borrowing and the increase in capital receipts to reduce the Council's forecast requirement to borrow. This has resulted in a reduction in debt levels and will support achieving long-term financial stability. There is a forecast £248.4m overall reduction in the Council's requirement to borrow, known as the CFR, from 2021/22 to 2026/27 which is the sum of the 'Movement in CFR' in the table above and reflects decisions made to date towards the debt reduction objectives within the Debt Policy shown in section 3.4.

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for resources and anticipated day-to-day cash flow balances.

Year End Resources £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Total core funds inc reserves, capital receipts & provisions	**278.6**	**350.4**	**332.3**	**317.7**	**326.3**
Working capital*	**178.4**	**200.0**	**120.0**	**80.0**	**60.0**
Under/(over) borrowing	297.5	311.7	318.9	301.4	276.5
Expected investments	**159.5**	**238.6**	**133.5**	**96.3**	**109.8**

*Working capital balances shown are estimated year-end; these may be higher mid-year and balances include Government Grants received in advance and so balances held will reduce as expenditure occurs.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2021 and for the position as at 31 December 2021 are shown below for both borrowing and investments.

Treasury Portfolio				
	actual	actual	current	current
	31.3.21	**31.3.21**	**31.12.21**	**31.12.21**
Treasury investments	£m	Ave rate %	£m	Ave rate %
banks	20.000	0.28%	119.783	0.25%
local authorities	95.000	0.26%	99.000	0.16%
DMADF (H.M.Treasury)	-	-	20.000	0.05%
money market funds	35.600	0.03%	71.700	0.06%
Total treasury investments	**150.600**	**0.21%**	**310.483**	**0.16%**
Treasury external borrowing				
local authorities	17.000	0.22%	2.000	0.25%
PWLB	866.549	3.39%	850.157	3.38%
market loans inc LOBOs	49.000	4.35%	49.000	4.35%
other	0.233	0.33%	0.233	0.47%
Total external borrowing	**932.782**	**3.38%**	**901.390**	**3.43%**
Net treasury investments / (borrowing)	**(782.182)**		**(590.907)**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt and other long-term liabilities (PFI & lease liabilities) against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

It should be noted that the forecast under borrowing position is supported by the Council balance sheet i.e. reserves and working capital balances, as these balances reduce further borrowing will be required and additional costs of financing will be incurred. This should be seen in context of the Council's overall budget position and current level of budget flexibility.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt at 1 April	1,074.5	932.8	900.9	888.0	864.0	843.5	824.6
Expected change in Debt	(141.7)	(31.8)	(12.9)	(24.0)	(20.5)	(18.9)	(26.4)
Other long-term liabilities inc PFI	191.4	181.3	170.2	158.3	146.2	133.4	119.8
Expected change in OLTL *	(10.0)	(11.1)	(12.0)	(12.0)	(12.8)	(13.6)	(12.0)
Gross debt at 31 March	**1,114.1**	**1,071.2**	**1,046.3**	**1,010.2**	**976.9**	**944.4**	**906.0**
Capital Financing Requirement (CFR)	**1,411.6**	**1,382.9**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**
Under / (over) borrowing	**297.5**	**311.7**	**318.9**	**301.4**	**276.5**	**248.9**	**228.5**

* (OLTL) – Other Long Term Liabilities

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and expects to remain compliant against the future estimates below. This view takes into account current commitments, existing plans, and the proposals in this report and the Capital Strategy for 2022/23.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,206.9	1,165.4	1,120.0	1,073.5	1,026.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,415.2**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,236.9	1,195.4	1,150.0	1,103.5	1,056.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,445.2**	**1,395.1**	**1,341.6**	**1,283.4**	**1,223.3**	**1,164.5**

Abolition of HRA debt cap. Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime. (*) In October 2018, the Government announced a policy change of abolition of the HRA debt cap.

Following this change, any new HRA borrowing should now be compliant with the Prudential Code i.e. prudent, affordable, sustainable and in proportion with the available resources. The Council's plans are reflected in the housing sections of the Capital Strategy, which is again limiting future capital expenditure financed by borrowing in line with the objectives in the Council's *Together for Nottingham* plan.

The planned HRA borrowing is shown below against the now abolished debt cap:

HRA Debt Indicator £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt cap (abolished)	319.8	319.8	319.8	319.8	319.8	319.8
HRA CFR	300.8	307.4	309.0	310.0	303.8	297.7
Difference to notional cap	19.0	12.4	10.8	9.8	16.0	22.1

The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next five financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

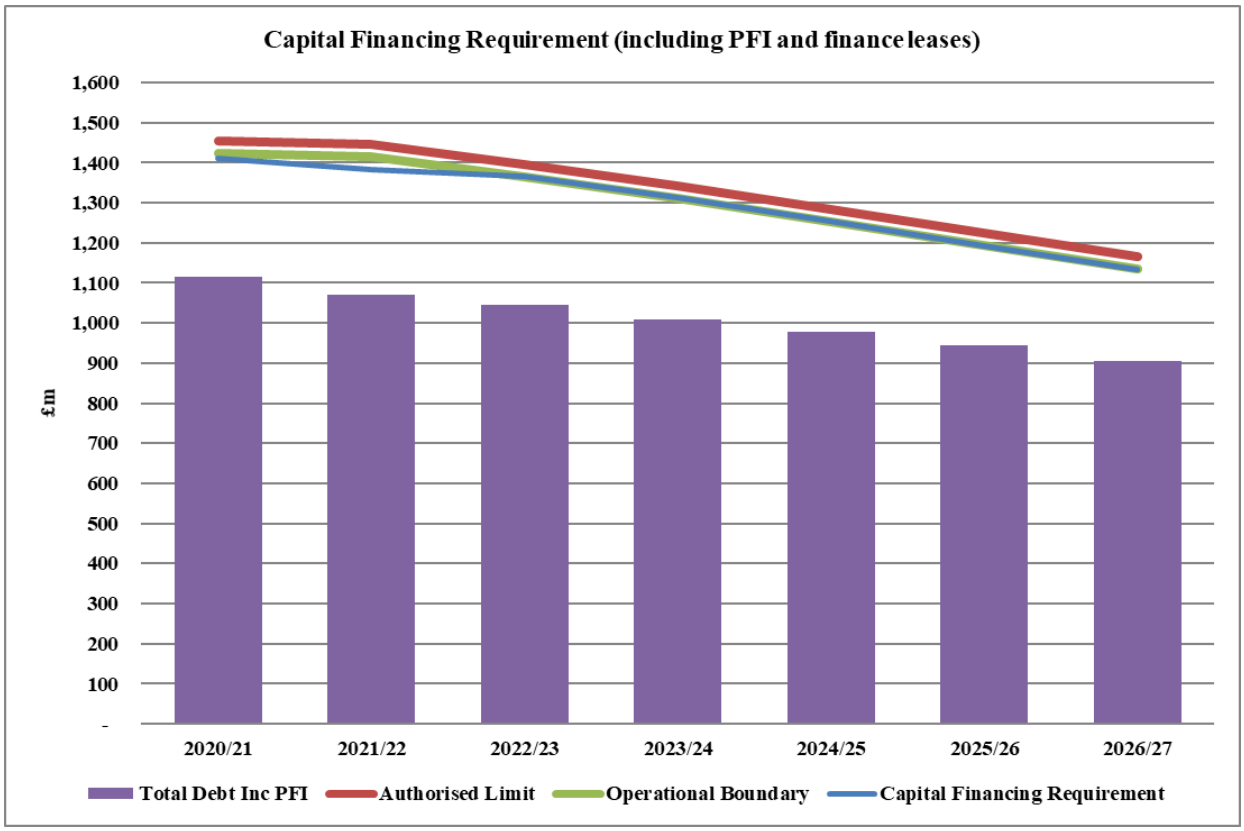
£m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Variable rate debt	300.0	200.0	200.0	200.0	200.0	200.0

The level of variable rate debt as at 31 December 2021 was £41.3m.

Debt limits against the CFR: - The following table and graph discloses how the indicators on the limits to borrowing compare to actual external debt and the forecast capital financing requirement (CFR). The difference between the CFR and the forecast total debt represents the level of under borrowing expected over the forecast period which is cost efficient, but does increase the Council's exposure to interest rates.

Capital Financing Requirement (including PFI and finance leases)							
	Actual 2020/21	Est 2021/22	Est 2022/23	Est 2023/24	Est 2024/25	Est 2025/26	Est 2026/27
	£m	£m	£m	£m	£m	£m	£m
HRA CFR	298.0	300.8	307.4	309.0	310.0	303.8	297.7
General Fund CFR	1,113.6	1,082.1	1,057.7	1,002.6	943.4	889.5	836.8

Total CFR	**1,411.6**	**1,382.9**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**
External Borrowing	932.8	900.9	888.0	864.0	843.5	824.6	798.2
Other long term liabilities	181.3	170.2	158.3	146.2	133.4	119.8	107.8
Total Debt	**1,114.1**	**1,071.2**	**1,046.3**	**1,010.2**	**976.9**	**944.4**	**906.0**
Under/(over) borrowing	**297.5**	**311.7**	**318.9**	**301.4**	**276.5**	**248.9**	**228.5**
Authorised Limit	1,453.4	1,445.2	1,395.1	1,341.6	1,283.4	1,223.3	1,164.5
Operational Boundary	1,423.4	1,415.2	1,365.1	1,311.6	1,253.4	1,193.3	1,134.5



3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7th February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps. The Interest rate forecast below should be considered alongside the detailed economic background and forecast commentary provided in section 5.4.

Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

The above forecasts for 3-12 month average earnings previously had been referenced to the London Inter-Bank Offered Rates (LIBOR), however LIBOR and LIBID rates ceased from the end of 2021 and replaced with a rate linked to the Sterling Overnight Index Average (SONIA). The forecasts are now based on expected average earnings by local authorities for 3 to 12 months.

Investment and borrowing rates

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021 and again to 0.50% at its meeting on 3rd February 2022.

- Investment returns are linked to the short term rates shown in the forecast table above, shows Bank Rate now at 0.50% with the forecast for further increases, one by March 2022 to 0.75%, then by June 2022 to 1.00% and finally by December 2022 to 1.25%. The expected duration for the Bank Rate increases has shortened due to the MPC currently focusing on combating inflation which is forecast to peak at 7.25% in April 2022.

- Borrowing interest rates are shown in the interest rate forecast table for PWLB certainty rates above. There is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

- There are significant upward risk exposure to the forecasts for long term PWLB rates detailed in section 5.4.

- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

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

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

- Borrowing for capital expenditure. Link Group's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

- The cost of carry (the difference between higher borrowing costs and lower investment returns) will be considered alongside the mitigation of interest rate risk on any new long or medium-term borrowing decision that cause a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy including debt management

The Council's policy on borrowing is to limit planned expenditure financed by borrowing and to seek to reduce the level of debt held by the Council in line with the objectives in the published Together for Nottingham plan.

The Capital Strategy includes the Voluntary Debt Reduction Policy Statement (Appendix B) including a debt policy in respect of new capital expenditure. The debt policy section is shown below:

- 2021/22 - ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. No new schemes financed by borrowing). The Capital Programme has been reduced to existing commitments and no schemes added funded by borrowing.
- 2022/23 - 2026/27 - ***Nil new borrowing throughout the period***. No new schemes financed by borrowing to be added to the Capital Programme, unless the scheme is required to enable compliance with legal or statutory duties (e.g. Health and Safety). Whereby any borrowing will be capped by the forecast headroom as indicated (including updates reported as necessary) within the CFR / external as shown below, this headroom will be restricted to measurement with the least headroom. This applies both to general fund and public sector housing debt.

Debt Measurement	VDRP Original Forecast (Approved: March 21) £m	Debt / VDRP Qtr3 Actual & Forecast £m	Movement (Under) / Over £m
CFR			
2020/21	1,443.5	1,411.6	**(31.9)**
2021/22	1,434.2	1,382.9	**(51.3)**
2022/23	1,390.6	1,365.1	**(25.5)**
2023/24	1,337.3	1,311.6	**(25.7)**
2024/25	1,272.5	1,253.4	**(19.1)**
External Debt			
2020/21	981.6	932.8	**(48.8)**
2021/22	991	900.9	**(90.1)**
2022/23	986.2	888.0	**(98.2)**
2023/24	954.8	864.0	**(90.8)**

2024/25	927.4	843.5	**(83.9)**

The policy also states that "Nothing in this policy shall prevent the Council from exercising normal day-to-day management of its borrowings through Treasury Management activities and/or the use of internal borrowing."

Borrowing Strategy: The Council is currently maintaining an under-borrowed position and does not expect to require new borrowing for the General Fund in the forecast period.

This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk remains a significant consideration.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. Interest rates are closely monitored in financial markets and a pragmatic approach to changing circumstances will be taken:

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised.*

The Councils longer-term requirement for borrowing, known as the CFR will be a key consideration before taking on new or replacement borrowing, where cash flow permits debt upon maturity will be repaid without replacement to bring the overall level of debt down and reduce the Council's cost of financing.

However, to manage interest rate risk this strategy includes the option to fund future years' borrowing requirements including maturing loans or to reduce the level of internal borrowing providing this does not exceed the authorised limit for borrowing.

Any borrowing will be subject to the Council's borrowing limits, maturity limits and the limits on the exposure to variable interest rates shown in section 3.2 to comply with the Prudential Indicators in section 5, and will be reported to the Executive Board and Audit Committee at the next available opportunity following its action.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Nottinghamshire County Council Pension Fund)
- Insurance and Assurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- finance leases
- Private Finance Initiative
- sale and leaseback

3.5 Policy on borrowing in advance of need

Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Capital Financing Requirement (CFR), including an allowance (currently £30m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme, to replace maturing loans, or to meet other expected cash flows.

3.6 Debt rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. This is currently unlikely to occur as there is still a very large difference between the PWLB premature redemption rates and new borrowing rates.

Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile).

All rescheduling will be reported to the Executive Board and Audit Committee, at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and Non-HRA borrowing. Although significant new borrowing is very unlikely in the forecast period, consideration may still need to be given to alternative funding sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

With support from our treasury management advisors we will keep informed as to the relative merits of each of these alternative funding sources.

4 Annual Treasury Investment Strategy

4.1 Treasury Management Investment policy – management of risk

The Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- DLUHC 's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep the majority of investments short term laddering maturities to benefit from anticipated increases to short term interest rates and to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 5 years with high credit rated financial institutions, as well as wider range fund options on the basis the medium term cash flow forecast permits this.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two categories of investment: 'specified' and 'non-specified'.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by councillors and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments (see table 2 in section 4.4).

6. **Approved Counterparties and limits**, (amounts and maturity), for each type of counterparty will be set through applying the matrix table 1 in section 4.4.

7. **Investment limits** are set for each type of investment in table 3 in section 4.5.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, shown in table 4 in section 4.6.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see section 4.4 – specified investments).

10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

- The counterparty limits have increased from £10m to £20m for higher credit rated organisations.
- Increase from £10m to £30m for each Money Market Fund (MMF) with maximum of £120m across all MMF's.

- Removal of the limit per custodian account. These are required to hold tradable instruments such as Treasury Bills and Certificates of Deposit. The limits on the individual investment counterparties will remain.

The changes are supported by internal analysis and external advice on appropriate limits based on similar size councils and to facilitate forecast investment balances in the period covered by this investment strategy.

These changes will allow the higher balances of surplus cash to be invested across the higher credit quality counterparties whilst maintaining a good level of diversification across the portfolio. The remaining criteria are unchanged from last year.

4.2 Investment strategy

Objectives: Both the CIPFA Code and the DLUHC Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. For liquidity purposes investment balances are expected to be maintained above £30m.

Strategy: Investments will be made with reference to the forecast core cash balances, cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of the known cash flow cycle, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed and considered.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

4.3 Investment returns expectations

The current forecast shown in paragraph 3.3, includes a forecast for a further increases in Bank Rate in 2022/23.

The suggested investment earnings rates for returns on new investments placed for periods up to about three months during each financial year are as follows:

Average % for new investments in each year	
2022/23	1.00%
2023/24	1.25%
2024/25	1.25%
2025/26	1.25%
Long term later years	2.00%

4.4 Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£20m 12 months	£20m 10 years	£20m 10 years
AA+	£20m 12 months	£20m 5 years	£20m 10 years
AA	£20m 12 months	£20m 5 years	£20m 10 years
AA-	£20m 12 months	£20m 2 years	£20m 5 years
A+	£20m 12 months	£20m 2 years	£20m 5 years
A	£20m 12 months	£20m 2 years	£20m 5 years
A-	£10m 6 months	£20m 13 months	£20m 5 years
None	n/a	n/a	£20m * 5 years
Money Market Funds (AAA or equivalent)	£30m per fund		
Strategic pooled funds (AAA or equivalent)	£20m per fund		

** Includes other UK Local Authorities – limit per Authority*
This table must be read in conjunction with the notes below: -

Lloyds Bank: The Council's current provider of banking services, will be subject to the limits in table 1 for investment balances, but also accommodate necessary short-term cash management balances within its bank accounts for periods of up to 4 days with no maximum sum.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are not made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they

are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Debt Management Office deposits, loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, supranational banks and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Money Market Funds: A highly rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments and offer same-day or short notice liquidity and very low or no price volatility. The Money Market Fund definition and limit includes CNAV, LVNAV and VNAV Cash and Cash-plus funds. All are highly regulated and have to operate within minimum credit quality and diversification requirements as set out by rating agencies to maintain an AAA money market fund rating. These are used as an alternative to short term deposits and instant access bank accounts.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly. Funds will only be considered if they have an AAA fund credit rating.

Risk Assessment and Credit Ratings:
Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Specified Investments: The DLUHC Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months,
- not defined as capital expenditure by legislation, and
- invested with one of:

- the UK Government,
- a UK local authority, parish council or community council, or
- a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of AAA from at least one of the main credit rating agencies.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any financial investments (treasury management investments) denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified treasury investments will therefore be limited to long-term investments, i.e. those that are due to mature in 12 months or longer. The limits for non-specified investments are shown in **table 2** below.

Table 2: Non-Specified Investment Limit	
	Cash limit
Unsecured Bank Investments > 365 days *	£0m
Secured Bank Investments > 365 days *	£40m
Government Investments > 365 days (inc Local Authorities) *	£100m
Total non-specified investments	**£100m**

* The table above shows the non-specified investment limits by the investment type. The investment limits in Table 1 & 3 also apply.

4.5 Investment Limits

In order to limit the amount of available reserves put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government and Money Market Funds) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on Money Market Funds, foreign countries and industry sectors as below. Investments in Money Market Funds & Strategic Pooled Funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits	**Cash limit**
Any single organisation, except the UK Central Government and Money Market Funds	£20m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£20m per group
Foreign countries	£40m per country
Money Market Funds (AAA or equivalent *)	£30m per fund & £120m in total
Strategic Pooled Funds (AAA or equivalent *)	£20m per fund & £40m in total

***** Money market fund "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.

4.6 Investment treasury indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. These voluntary indicators are a guide to risk levels and they may be breached from time to time, depending on movements in interest rates and counterparty criteria. These will be reported against, in the mid-year or Annual Report.

Security
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

- Target portfolio average credit rating = A

Liquidity
The Council balances not keeping excessive amounts of cash in call accounts to reduce the cost of carrying excess cash against the liquidity risk of not having cash available to meet unexpected payments. To mitigate the liquidity risk the Council has access to borrow additional, same day, cash from other local authorities and seeks to maintain:

- Liquid short term deposits of at least £30m available within a week's notice.
- Bank overdraft - £0m

Yield
The Council has adopted a voluntary measure of yield against industry benchmark rates

- Average Investment return against the 7-day SONIA rate

Interest Rate Exposures
The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits reflect the forecast cash balances after each year-end plus headroom to accelerate borrowing to manage interest rate risk as detailed in section 3.4. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 4: Upper limit for principal sums invested for longer than 365 days

£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£100m	£100m	£100m
Current investments as at 31.12.21 in excess of 1 year maturing in each year	£10.0m	£9.9m	£0m

4.7 Other Items

There are additional items that the Council is obliged to include in its Treasury Management Strategy in line with CIPFA or DLUHC guidance.

4.7.1 Liquidity Management:

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

4.8.2 Policy on Use of Financial Derivatives:

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

4.8.3 Policy on Apportioning Interest to the HRA:

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the average 3 month UK Government Treasury Bill interest rate to reflect a credit risk free return.

4.8.4 Policy on Council Subsidiary Deposit Facility:

The Council has a number of subsidiary companies within the group organisation, as such the it may provide a safe haven deposit facility for surplus cash balances held by these companies. These funds are available on request subject to minimum notice period and balances would attract interest at a rate agreed at the time of the request.

4.8.5 Management of treasury risk:

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. Details of the specific risks identified in respect of treasury management within the Council are adopted to form a Risk Management Action Plan. This

Plan is reviewed at regular intervals at meetings of the Treasury Management Panel and an overview is reported to Audit Committee as part of the Treasury Management reporting.

5 Appendices

5.1 The Capital Prudential and Treasury Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure & the Capital Financing Requirement

See paragraphs 2.1 & 2.2

5.1.2 The Authorised limit for external debt and the operational boundary

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,206.9	1,165.4	1,120.0	1,073.5	1,026.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,415.2**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,236.9	1,195.4	1,150.0	1,103.5	1,056.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,445.2**	**1,395.1**	**1,341.6**	**1,283.4**	**1,223.3**	**1,164.5**

5.1.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

These indicators reflect decisions on future capital plans and policies detailed in the Capital & Strategy with the objective to reduce the forecast cost of financing and support the Council returning to financial and operational stability.

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
General Fund	17.63%	17.67%	17.40%	16.30%	16.29%
HRA	14.06%	15.29%	15.61%	15.87%	15.94%

The estimates of financing costs include current commitments and the proposals in this report. The net revenue stream is shown as the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes ring-fenced NET (tram) government grant and revenue raised from the Workplace Parking Levy.

b. HRA ratios

The first of two local HRA indicators below shows the ratio debt to revenue showing the sustainability of the debt load over the forecast period.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £m	298.047	300.767	307.399	309.017	309.969
HRA debt cap £m (abolished)	319.800	319.800	319.800	319.800	319.800
HRA revenues £m	106.254	106.663	106.636	106.873	106.873
Ratio of debt to revenues %	**2.8**	**2.8**	**2.9**	**2.9**	**2.9**

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £m	298.047	300.767	307.399	309.017	309.969
Number of HRA dwellings	25,284	25,149	25,099	24,715	24,531
Debt per dwelling £'s	**11,788**	**11,959**	**12,247**	**12,503**	**12,636**

5.1.4 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2022/23			
	Lower	**Upper**	**Actual at 30.09.2021**
Under 12 months	0%	15%	3%
12 months to 2 years	0%	15%	4%
2 years to 5 years	0%	15%	10%
5 years to 10 years	0%	20%	17%
10 years to 25 years	0%	20%	7%
25 years to 40 years	20%	40%	31%
40 years and above	20%	40%	29%

Please note that the maturity date is deemed to be the next call date.

5.1.5 Control of interest rate exposure

Please see paragraphs 3.2.

The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next three financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

£m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Variable rate debt	300.0	200.0	200.0	200.0	200.0	200.0

The level of variable rate debt as at 31 December 2021 was £41.3m.

5.2 Annual Minimum Revenue Provision Statement 2022/23

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG (now DLUHC) regulations were issued on 2 February 2018 which require the Council to approve an MRP statement in advance of each year.

The following statement only incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 2007/08, and for supported capital expenditure (defined as a borrowing allocation financed by Government grant) incurred on or after that date, the MRP policy will be to charge an amount per Schedule A below. This charge is based on the principle of repaying the outstanding balance as 31 March 2016 over a 50 year period (2066/67) as per profile approved in 2017/18.

- For unsupported capital expenditure incurred after 2007/08, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in the guidance)*

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, to reflect accounting changes under IFRS16. The Section 151 Officer will determine the appropriate treatment, having regard to the MRP Guidance, in complex cases.

- Where loans are made to other bodies for their capital expenditure, No MRP will be charged, but instead will apply the capital receipts arising from principal repayments to reduce the outstanding debt in the capital financing requirement. The principal repayment profile is as shown in 3rd party loan agreements and where principal repayments are not broadly spread over the life of the loan or there is an anticipated expected loss on the loan, the Section 151 Officer may determine that MRP be made for reasons of prudence.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Voluntary MRP may be made at the discretion of the Section 151 Officer.

- Capital receipts maybe voluntarily set-aside to clear debt or reduce the CFR.

- MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for

these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2022 the total VRP overpayments are expected to be £5.283m.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

Schedule A - MRP profile for outstanding Supported Borrowing

Supported Borrowing is capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date.

	Year	MRP Payment	Supported Borrowing Balance
6	2022/23	76,894	204,579,667
7	2023/24	76,893	204,502,774
8	2024/25	4,755,878	199,746,895
9	2025/26	4,755,878	194,991,017
10	2026/27	4,755,878	190,235,138
11	2027/28	4,755,878	185,479,260
12	2028/29	4,755,878	180,723,381
13	2029/30	4,755,878	175,967,503
14	2030/31	4,755,878	171,211,624
15	2031/32	4,755,878	166,455,746
16	2032/33	4,755,878	161,699,867
17	2033/34	4,755,878	156,943,989
18	2034/35	4,755,878	152,188,111
19	2035/36	4,755,878	147,432,232
20	2036/37	4,755,878	142,676,354
21	2037/38	4,755,878	137,920,475
22	2038/39	4,755,878	133,164,597
23	2039/40	4,755,878	128,408,718
24	2040/41	4,755,878	123,652,840
25	2041/42	4,755,878	118,896,961
26	2042/43	4,755,878	114,141,083
27	2043/44	4,755,878	109,385,204
28	2044/45	4,755,878	104,629,326
29	2045/46	4,755,878	99,873,448
30	2046/47	4,755,878	95,117,569
31	2047/48	4,755,878	90,361,691
32	2048/49	4,755,878	85,605,812
33	2049/50	4,755,878	80,849,934
34	2050/51	4,755,878	76,094,055
35	2051/52	4,755,878	71,338,177
36	2052/53	4,755,878	66,582,298
37	2053/54	4,755,878	61,826,420
38	2054/55	4,755,878	57,070,541
39	2055/56	4,755,878	52,314,663
40	2056/57	4,755,878	47,558,785
41	2057/58	4,755,878	42,802,906
42	2058/59	4,755,878	38,047,028
43	2059/60	4,755,878	33,291,149
44	2060/61	4,755,878	28,535,271
45	2061/62	4,755,878	23,779,392
46	2062/63	4,755,878	19,023,514
47	2063/64	4,755,878	14,267,635
48	2064/65	4,755,878	9,511,757
49	2065/66	4,755,878	4,755,878
50	2066/67	4,755,878	-

5.3 Nottingham City Council Treasury Management Policy Statement

The following treasury management policy statement is required to be adopted annually by Full Council as part the Treasury Management Strategy.

1 Introduction and Background

1.1 The Council has adopted in full the recommendations of CIPFA's Treasury Management in the Public Services (as issued in 2017): Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- *A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities*
- *Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.*

1.3 The Council via Full Council, will receive reports on its treasury management policies, practices, activities and the annual treasury management strategy in advance of the year in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Executive Board. Executive Board will receive reports as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.5 The Council delegates responsibility for the execution and administration of treasury management decisions to the Chief Financial Officer (Section 151 Officer), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.6 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2 Policies and Objectives of Treasury Management Activities

2.1 The Council defines its treasury management activities as:

"The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities

will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable, prudent and proportionate with its financial resources and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's objectives, in relation to financial investments, in order of importance, remains

a. the preservation (security) of capital value

b. The liquidity or accessibility of the Council's financial investments

c. the yield earned on these investments

5.4 Economic background and forecast commentary

The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn at the meeting on 16th December 2021.

On 03 February 2022 the MPC voted by a majority of 5-4 to increase Bank Rate by 0.25 percentage points, to 0.5%. with the 4 members in the minority preferring to increase Bank Rate by 0.5 percentage points, to 0.75%. The Committee also voted unanimously for the Bank of England to begin to reduce the stock of UK government bond purchases by ceasing to reinvest maturing assets.

These are forecasts for the short term money market rates and PWLB borrowing at certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

Recent UK Economic Data Releases

On 10th December there was 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

5.5 The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to councillors of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that councillors are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *: -*
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that*

appropriate professional due diligence is carried out to support decision making;

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

1. Introduction

1.1 Purpose of the Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which forms the foundation of the Council's long-term planning and delivery of its capital investment. It sets the parameters for the capital programme, which will be updated each year and will help to ensure that capital resources are used efficiently to achieve the best possible outcomes within constrained budgets.

Local authorities continue to operate in an extremely challenging financial environment with reduced levels of Government funding since 2010, the effects of Covid-19 and the uncertainties of Brexit. The severe impacts of the Covid-19 pandemic on the City will continue to have a financial impact for the medium term and the Council will need to consider how its business and services will operate in the future. How capital resources are acquired, deployed, and managed is a key part of the Council's strategic response.

The Prudential Code for Capital Finance in Local Authorities ('the Code') sets a framework to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable. The Code, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA), has legislative backing. As part of the prudential approach the Code requires authorities to have in place a capital strategy. It says:

'*In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.'*

In addition to the Code, CIPFA has published 'Capital Strategies and Programming', which considers in more detail the practical issues involved in capital planning and delivery. This strategy has been prepared considering the guidance in both these publications.

The approval and implementation of this strategy ensures that:

- Capital investment is targeted towards supporting the Council's corporate objectives
- Capital investment complements revenue spend on services.
- Stewardship of assets is properly considered in capital planning.
- Capital investment is prudent, sustainable, affordable, provides Value

for Money and does not meet the definition of a debt to yield or commercial investment.

- Members and senior officers have a common understanding of the long-term context in which investment decisions are made and all the financial risks to which the Council is exposed.
- Capital projects are delivered on time and within budget.
- There is improved transparency at programme level along with a clear process for member engagement.
- The Council is seen as an exemplar of good practice in its capital planning.

1.2 Local Context

Capital Ambition

Nottingham City Council has taken capital investment decisions over the last decade to improve its neighbourhoods and city centre environment, improve housing stock, build new libraries, a leisure centre and invest in public spaces. Nottingham has also invested in commercial properties in order to generate ongoing revenue returns. But the governance of the programme and particularly the borrowing implication of investments has not been as transparent as it needs to be, leaving the City with a high cost of servicing its debt and a high level of financial risk.

Following the election of a new political leadership in 2019, the Council has embarked on a series of significant changes to strengthen both the governance and financial stability of the Council.

The Council's Non-Statutory Review (NSR) and the Together for Nottingham Plan

During 2020/21 following a Public Interest Report (PIR) published on Council's by its external auditors (published 11 August 2020), a NSR was commissioned by the [then] MHCLG in October 2020 led by Max Caller CBE to provide assurance of the Council's financial position.

The key findings of the NSR in relation to capital expenditure and financing included recommendations on the governance and control of the capital programme, reducing high level of borrowing and the management of assets and their disposal.

The Council has developed the *Together for Nottingham Plan* in response to the findings of the NSR and is working with the Improvement and Assurance Board, chaired by Sir Tony Redmond, to deliver it.

The report acknowledged that a well-managed capital programme, is a critical contributor to the overall financial recovery of the City Council and recommends a review of the capital programme which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework supports the Council in achieving this. Implementation of the Plan is a key priority of the Council and the Capital Strategy forms a key component

part.

Key continuing activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around EnviroEnergy and the former Broadmarsh Shopping Centre).
- Compliance with the Council's Debt Reduction Policy to reduce Council debt to a sustainable level.
- A maturing of the capital prioritisation process and the separation of spending and funding decisions.
- Providing a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

The *Together for Nottingham Plan* was approved at Full Council on 10 January 2022, updating the previous Recovery and Improvement Plan and can be found at:

https://committee.nottinghamcity.gov.uk/documents/s130208/Nottingham%20Economic%20Recovery%20and%20Renewal%20Plan.pdf

The implementation of this strategy will assist in the Council meeting its *Together for Nottingham* Plan by ensuring:

- Capital investment is strictly prioritised and meets the Council's objectives within a set funding envelope.
- Investment meets the CIPFA criteria of being prudent, sustainable, affordable and value for money.
- The Council is appropriately responding to the recommendations raised in the non-statutory review.
- The Capital Programme does not include any schemes that meet HM Treasury's definition of debt to yield or classified as a commercial investment.
- Capital projects are delivered within budget and in a timely manner.
- Members and Senior Officers have a common understanding of the financial context the Council is operating in and the capital principles underpinning capital decisions within the Council.

1.3 Executive Summary

The capital strategy forms the foundation for the long-term planning of capital investment based on clear capital investment principles, sound asset management and effective resource planning.

The Council will deliver its capital programme through effective and coherent processes for:

a. Formulating the capital programme with clear criteria to ensure that capital investment continues to be directed towards meeting corporate objectives.

b. Approving and amending the capital programme and for scrutinising decisions relating to capital planning.

c. Managing its resources holistically to support spending priorities with regard to long term sustainability.

The annual cycle for formulating a rolling multi-year capital programme will be overseen by the Capital Board. Executive Board will recommend the programme for approval each year in line with the Medium Term Financial Strategy (MTFS) approvals process. To successfully deliver the programme, the Council will:

d. Continue to ensure it has the skills, and expertise needed.

e. Further strengthen the corporate programme management function.

f. Streamline governance, monitoring and reporting processes.

g. Ensure the sound financial position is maintained through sustainable deployment of resources.

The Council will maintain a measured approach to risk, particularly in relation to:

h. the use of alternative models for the delivery of capital investment

i. the incurring of other long-term liabilities

j. capital investment which generates return on the basis it does not meet the debt for yield criteria.

Such proposals will, as far as practicable, be subject to the same evaluation process as for capital schemes.

Projects will be managed via a clear gateway process to progress through various stages starting with an outline project brief and finishing with a lessons learned report with on- going cycle of review outcome testing.

2. Aims & Objectives of the Capital Investment

2.1 Definition of capital expenditure

Capital expenditure is spending on assets that will provide a benefit beyond the current financial year and is defined expenditure in its financial statements as:

Capital Expenditure (Capital Investment)
Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant, and equipment.
Nottingham City Council – Financial Statements 2020/21

As detailed in the Council's Accounting Policies the Section 151 officer has the

discretion to capitalise (i.e. recognise) all capital expenditure but has set its policy de minimis levels in the Council's Financial Statements as expenditure below £10k.

The Council has no authority to capitalise revenue expenditure without the express approval of the Secretary of State.

2.2 The Importance of asset planning

Capital expenditure represents investment in assets and therefore it is important that decisions should be based on sound asset planning principles. It is only by understanding the Council's asset requirements that efficient decisions can be made about prioritising both capital investment and a comprehensive disposal strategy. Itis critical that asset plans and the capital programme are aligned to enable effective decision making.

Effective asset planning should assist the Council is realising its objectives and meeting its statutory duties. This is constrained by the financial context the Council is currently operating within with available capital and revenue resources reduced.

The Council's assets consist of:

a. Property Assets (e.g. Operational / Investment and Community)
b. Dwellings
c. Infrastructure (e.g. roads)
d. ICT Assets (hardware and software)
e. Vehicles and other equipment

2.3 Property Asset - Strategy

It is recognised that there is a need for a more sustainable and long term strategic approach to the management of the Council's property assets. Following an independent review of how the Council manages its property assets, recommendations are being taken forward to move towards a Corporate Landlord approach. This will result in a more joined up corporate approach to asset and property management.

A Corporate Asset Management Plan is being produced - the key components of which, relevant to the Capital Strategy, are:

a. regular review of the portfolio to identify assets that can be released with the capital receipts used to support capital programme expenditure.
b. lower the operating costs of the property portfolio through release of poorly performing or surplus assets
c. support the provision of integrated access to public services through joint working with partners to create multi-agency service facilities
d. identify and exploit the latent value of the estate with emphasis on site

utilisation or where opportunities to generate income/ value from alternative uses can be realised

e. minimise future liabilities to the Council by reducing the backlog maintenance and/or lowering its overall carbon footprint by releasing buildings which are poorly performing in terms of CO2 emissions or maintenance unless they are service critical; to improve their sustainability

f. challenge utilisation and use of the portfolio, including buildings let on concessionary terms to occupiers.

A comprehensive review of the Council's commercial property assets overseen by the Asset Rationalisation Board, is also being undertaken.

The prioritisation of capital investment will reflect the requirements of the Corporate Asset Management Plan and this will be overseen by the Capital Board.

Property Asset – Disposal

The Council maintains an Asset Rationalisation Programme (ARP) which is governed by the Asset Rationalisation Board. The aim of the programme is to review the Council's operational and non-operational assets, identifying any assetsfor potential disposal. The work of this Board is an integral input into the remit of the Capital Board.

Any available capital receipts generated from the ARP will be pooled and used to meet the Council's current commitments including debt reduction and the repayment of reserves. Capital receipts will not generally be hypothecated against individual projects and only then, with the express consent of the Section 151 officer. Further details can be found in section 5.1.

The investment property portfolio is also being reviewed with a view to liquidating those assets that do not provide the required return or carry an unacceptable current or future risk to the Council

The Council's has a disposals policy which provides the framework for asset disposals and confirms the Council policy to dispose of assets at best consideration (usually market value) to maximise the capital receipts. It will also consider other forms of asset management (such as the transfer some heritage buildings to trusts to achieve a service objective) but a robust and comprehensive options appraisal is required to ensure best consideration.

Public Sector Housing - Dwelling Strategy

The condition of the Council's dwelling stock is contained within the Dwelling Asset Management Plan. This asset management plan contains all the maintenance elements with stock conditions updated periodically following stock surveys. The data produced by the Dwelling Asset Management Plan forms a key component of the 30 Year Plan to ensure that stock is managed and maintained in an effective and affordable manner.

2.4 Capital Investment Objectives

The aim of capital investment is to ensure the Council has the assets required to meet corporate objectives as set out in the Council Plan. This includes fulfilling our statutory duties and pursuing priorities set out in the Council Plan in accordance with current Council policies. Capital investment must be responsive to economic, legislative and demographic changes.

The process for prioritising projects in accordance with the corporate objectives and the funding policy is described in Section 3.4. Ensuring that the evaluation criteria reflects those objectives is a key part of the prioritisation process.

Statutory duties
It is essential that the Council can fulfil its statutory duties as a unitary authority. This requires ongoing capital investment both to maintain existing assets and to meet changing needs. This statutory requirement is a key consideration in the prioritisation process.

Corporate Priorities / Plans
The Council Plan is a key driver in Council's service provision and its capital investment requirements. To reflect the Council's corporate priorities, the Capital Strategy is driven by the refreshed Strategic Council Plan 2021-2023, which is founded on a number of key objectives a summary is provided below:

- Increase the number of social, affordable homes and homes for homeless by 1,000.
- Help local people into good quality employment.
- The fit out of a new Central Library, with a particular focus on the offer to children and young people.
- Becoming the first carbon neutral city in the country, aiming to reach this target by 2028. This involved the creation of Nottingham's 2028 Carbon Neutral Charter.
- Make Nottingham a safer city by reducing crime and anti-social behaviour.
- Achieve a sustainable financial plan which supports the achievement of the Council's objectives in each year for the period 2022/23 to 2025/26.

These objectives reflect an on-going commitment to the City Council's core aim to "put citizens at the heart of everything we do". This is central to the Council's priorities, decision making and service delivery.

A copy of the Council plan can be found on the following link:

https://www.nottinghamcity.gov.uk/media/3371718/strategic_councill_plan_2021.pdf

External Requirements: Economic / Legislative, Demographic, and other changes

There any many other changes within the city that could create a need for the

Council to invest capital in new or existing assets, examples are the need for school places, provision of affordable housing and transport infrastructure. This could include external factors such as

- Changes in legislation,
- Central Government initiatives (normally in the form of grant)
- Changing external economic forecasts
- The consequences of events such as the Grenfell fire.

The Council must manage its Capital Programme with a high degree of flexibility to enableit to react to external factors while still delivering its statutory duties / council policies in an affordable manner.

The overriding need to reduce the Council's borrowing requirement and debt will be critical in determining the size and scale of the capital programme. The prioritisation process will support this work.

2.5 Capital Investment Principles

The capital strategy requires that all projects are fully accounted for and funded, assisting the immediate requirement to review the existing programme for affordability and providing a framework for schemes going forward.

The principles of the strategy are as follows:

a. Current approved (or committed) schemes will be supported in line with prioritisation criteria subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of expenditure**.**

b. New schemes funded by borrowing will not be considered as a result of the Voluntary Debt Reduction Policy and the parameters as detailed in section 5.1. The Voluntary Debt Reduction Policy is set out in **Appendix B**. New schemes with prudential borrowing will only be considered once the Council's debt is considered to be at a sustainable level.

c. All new schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.

d. All new schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope.

e. Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:

    - School Sites ring-fenced by the Secretary of State for education purposes.
    - Sites identified as part of the Loxley House Acquisition.
    - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).

    Outside these criteria, the express agreement of the Section 151 Officer is required in order to link a capital scheme (all or part) to a specific

capital receipt.

f. Only secured capital receipts will be considered in decisions to fund capital schemes (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).

g. Revenue implications of schemes are fully reflected in the MTFP and affordable within services.

h. The capital budget approved by Full Council is a key control total and no further schemes (other than those fully funded by external resources with a manageable revenue impact), will be included in the programme unless an existing scheme(s) is removed or deferred.

i. All uncommitted non ring-fenced capital funding will be reviewed. Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:

   - Transport grant funding
   - Education based grants
   - Disabled Facilities Grant

   If the financial models for approved schemes move adversely during the pre- contract stage by the lower of £1.000m or 20% either cash or NPV (if applicable), further approval will be required including a revised business case.

3. Governance and Control

3.1 Capital Investment Delivery

To enable the delivery of capital investment in accordance with the Council'sobjectives the Council will:

a. Continue the robust governance framework.

b. Maintain the process for formulating, approving, amending, and monitoringthe Capital Programme.

c. Prioritise and challenge individual projects prior to inclusion in the Capital Programme.

d. Ensure officers and Councillors have the appropriate knowledge and skills todeliver the Programme.

e. Managing risks and mitigating where possible.

f. Consideration of alternative delivery options.

3.2 Capital Programme Board

The Council has established a Capital Board with robust processes for developing a rolling multi-year capital programme, operating on an annual cycle with clear timescales, clear information requirements and clear evaluation criteria. This approach ensures that capital resources are directed towards

supporting schemes that best meet corporate objectives and that capital projects are deliverable.

This Board provides strategic oversight of the strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the prioritisation process, and are thensubject to a support, monitoring and assurance package to improve delivery. Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions.

The Capital Programme Board is chaired by the Leader of the Council and the S151 Officer chairs the Capital Programme Officer Group. This group is supported by input from Corporate Directors who will oversee their departmental capital requirements via their departmental leadership teams and carrying out an initial sift of schemes to put forward into the prioritisation process. This is done with knowledge of the prioritisation criteria set out in the following sections. Departments will also be required to have long term strategies for the capital requirements for their areas to help ensure that investment is only being proposed where it is needed and proposals are not put forward in areas where the longer term plan does not support this. Taking these measures together which will reduce the number of project proposals that are considered by the Capital Board.

The Capital Programme Officer Group supports the Capital Programme Board and willin turn be supported by officer groups covering the following thematic areas.

a. Capital Programme Financial Monitoring
b. Capital Programme Management and Benefits Realisation
c. Asset Management and Disposal
d. Capital Strategy and Programme Review

Capital Board may also delegate to the relevant programme board responsibility for further consideration of project proposals against a block allocation, particularly where capital resources are ring- fenced or it is considered desirable to treat them as ring-fenced. The capital programme high level terms of reference is set out in **Appendix A**.

3.3 Formulation and Approval of the Capital Programme

The annual cycle for the capital programme will align with the Medium-Term Financial Plan timelines and cumulate in a capital programme that is approved March Council.

An indicative annual cycle is set out below:

- **March** – Parameters for are agreed by Capital Board
  - Timetable for the cycle including deadlines for submissions
  - Indication of overall level of resources expected to be available to

allocate

- Standard information that must be submitted for each project proposal
- Evaluation criteria that will be used to prioritise projects

- **April to Mid May** – Corporate Directors via their departmental leadership teams consider outline project briefs and shortlist those to be submitted into the prioritisation process

- **End of May** – Outline project briefs are reviewed and challenged by a team nominated by the Capital Programme Officer Group; further information / clarifications are requested as appropriate

- **June** – Prioritisation takes place against pre-agreed criteria by a subgroup of officers nominated by the Capital Programme Board. This group will recommend which projects should go forward to the next stage, which should be put on a reserve list and which rejected to the Capital Programme Officer Group and thento the Capital Programme Board.

- **July to October** – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five- case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items.

- **July to October** – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items.

- **November –** Business cases are the subject to a gateway style assurance review.

- **December –** Capital Programme Officer Group and the Capital Programme Board receive recommendations from the reconvened prioritisation panel, which will have considered each scheme's progress since July and the recommendations of the gateway style review. Capital Programme Board to recommend to Executive Board which projects should be included in the capital programme.

- **January –** Draft Capital Programme and Capital Strategy endorsed by the Capital Board.

- **February** – Executive Board to approve the capital programme for the

following and subsequent financial years.

- **March** – Council approve MTFS including Capital Programme. The annual cycle will commence in March with an invitation to submit proposals for new projects to be included in the revised multi-year programme to be approved by Executive Board the following February.

- **April – May –** updates / reviews on the previous year's projects will be received by the group undertaking the initial prioritisation process. This will be done to assess the progress being made and the accuracy of previous of assumptions. This will create the potential for projects that have not progressed as expected to be slipped / removed should other higher-ranking priorities emerge in this round of prioritisation. Reflection on assumptions made by projects in previous years at this stage will also help to inform how confident the group carrying out prioritisation can be in future year scheme projections.

- **December** – A repeat of the above stage before the Capital Programme Board makes its final recommendations for the future capital programme.

Requests for new project proposals to be progressed in advance of this cycle will be considered in accordance with the process set out below under the heading 'Amendments to the programme'. This approach will also be used for ad hoc requests coming into the programme part way through the year. These requests should be the exception rather than the rule and would generally apply to schemes such as emergency health and safety works or where a funding opportunity has arisen at short notice.

The standard templates for this process, along with guidance notes and wider supporting information on project management will be kept on the intranet and regularly reviewed to ensure it is kept up to date. The link to this information is: http://intranet.nottinghamcity.gov.uk/major-projects/major-projects-centre-of- excellence/corporate-reporting/

3.4 Prioritisation, Appraisal and Evaluation of Project Proposals

The Council will use evaluation criteria to determine in principle whether a project should be prioritised. Given the financial context and the limited resources available, there will be little flexibility for schemes to progress or current uncommitted schemes to continue without meeting the strict prioritisation criteria.

Capital schemes will be strictly prioritised based on the following:

a. Schemes entirely funded by external grant and with £nil revenue impact
b. Approved Projects that enable compliance with legal or statutory duties (e.g. Health and Safety)
c. Planned Projects that enable compliance with legal or statutory duties (e.g. Health and Safety)

d. Legal or Statutory Schemes in the following financial year
e. Transformation commitments in accordance with the Capitalisation Directive
f. Replenishment of Reserves temporarily used for prior capital decisions (until this is fully repaid)
g. Schemes that support key Council Priorities
h. Repayment of debt where the Council has borrowed in lieu of secured funding (until this is fully repaid)
i. Other commitments outside the Capital Programme
j. Other schemes

Projects where the primary purpose is to generate a surplus will not be permitted under any circumstance. The judgement of the Section 151 officer is final in determining if a proposal breaches this criterion.

The criteria will be continually reviewed and amended as appropriate to reflect lessons learned from applying it in practice, as well as changing priorities and external factors.

At Gate 1 the relevant project board will also check that the proposal meets the definition of capital expenditure, is consistent with the Council's policy on capitalisation and has gone through a Gateway 0 by going through a Project Assurance Group review.

In addition to the evaluation criteria, Capital Programme Board, in evaluating project proposals, will consider:

- The whole life cost implications of the proposed scheme, including thosearising from ongoing maintenance requirements, both capital and revenue
- How the investment will play a part in the managing the medium to long term demand for Council Services
- How the investment will be made to maximise the benefits for the Council across a range of its priorities and objectives
- Ability to deliver so that projects accepted into the programme can realistically be delivered in accordance with the timescales indicated bythe phasing of the project within the multi-year programme.

3.5 Formal approval of the capital programme

The Capital Programme, Capital Strategy and the Treasury Management Strategy are intrinsic parts of a Medium Term Financial strategy. Executive Board is required to approve the rolling multi-year capital programme at the same meeting each year when it recommends the revenue budget to full Council for the following financial year. This will ensure that the revenue implications of the capital programme are reflected in the revenue budget.

Where individual schemes are formally approved for acceptance into the capital programme, the capital budgets for the relevant financial years will also be deemed to have been approved. However, where a block allocation is approved as part of the programme, then a further decision may be required, in accordance with the scheme of delegation, to approve the capital budgets for individual schemes.

Amendments to the programme will require approval in accordance with the scheme of delegation. In exceptional circumstances a new scheme may need to be progressed outside the normal annual cycle and the decision to allow the scheme to be considered is delegated to the Capital Board.

3.6 Amendments to the Programme

There will be occasions where amendments to the Capital Programme will be required. These are likely to fall into two main categories:

a. Variations to scheme costs / outcomes / risk / timelines – whilst it is essential that projects are scoped within a fully affordable cost envelope together with an appropriate contingency representing the assessed risks, variation on projects is likely to happen. These variations will be picked up through the monitoring of the programme (3.7) with formal amendments requiring approval as set out within the Council's Scheme of Delegation.

b. Ad hoc additions to the capital programme – The capital programme should be capable of being planned within the cycle set out in Section 3.4.

c. However, there may be a small number of exceptions to this, for example emergency health and safety work. These requests should be raised to the Capital Programme Officer Group as soon as they become known using the appropriate template. The Capital Programme Officer Group will consider the requests, including the implications for the wider capital programme, for example does it require match funding, is there sufficient funding in the programme to meet the request and or amendment to the programme are required.

d. A recommendation will then be made to the Capital Programme Board as to how to proceed, including what action needs to be taken on other schemes to accommodate the request. If the Capital Programme Board endorses the request then the project will need to seek formal approval, develop its business case, and go through the standard approval and monitoring processes that apply to all schemes within the capital programme.

3.7 Monitoring of the Programme

The S151 Officer is responsible for ensuring that there is an effective system for capital monitoring. This will ensure that capital investment is delivered on time and within allocated resources, whilst meeting the objectives and outcomes. Capital programme monitoring will be undertaken monthly and reported to the Capital Board and Executive Board.

Schemes with a value greater than the Council's de minimis level are required to undertake a monthly monitoring return to the PMO to ensure that progress to milestones and project risks are recognised at a corporate level.

Monitoring templates are available on the Councils intranet.

3.8 Assurance Process

In order to have been accepted into the Capital Programme either through the annual cycle (3.3) or as a programme amendment (3.6) all projects will have needed to have completed an initial brief (Gateway 0) form, which will have been assessed by officers nominated by the Capital Programme Officer Group.

Thereafter the prioritisation process requires initial business cases to be reviewed by a group of officers not involved with the project (Gateway 1). The recommendations from this review are fed into the prioritisation process to inform decision making on which projects to proceed with and any actions / risks that need consideration for approved projects.

Once a scheme is approved for entry into the capital programme it will then be the subject of regular monitoring by the Council's Programme Management Office (PMO) who will report back on progress to the Capital Programme Officer Group (3.6). The PMO's regular dialogue with projects will also be used to spread relevant lessons learned between schemes to ensure that best practice is being adopted.

Further assurance reviews may also be required depending on the size and nature of the project. Projects may also require a review of their final business case if they are particularly complex (Gateway 2). A further assurance review should also be undertaken when a project undertakes procurement (Gateway 3) and is therefore near to delivery. Once a project is complete and in operation, a 'lessons learned' review should also be undertaken. For certain projects these will be facilitated by the PMO, but the lessons from all projects should be fed back to the PMO where they can be analysed for future application, reported, and disseminated as appropriate.

Recommendations arising from these Gateways and the outcomes of the Lessons Learned exercises will be reported back to the Capital Programme Officer Group and Capital Programme Board

Further information on the Assurance process can be found in **Appendix C**.

3.9 Facilitating Delivery

Robust processes for approving, monitoring and scrutiny of the capital programme are needed, but should be designed and administered in a way that facilitates, rather than hinders, project delivery. Monitoring and reporting

requirements should be robust and comprehensive but not onerous in order that delivery teams can focus their efforts on the activities required to deliver projects.

To facilitate delivery, the Council has introduced new, robust governance processes and has

a. standardised the formats of reports, while allowing the detail provided to vary depending on the size and complexity of different projects
b. avoided duplication of effort in providing the information more than once
c. ensuring corporate documents are well thought through and written in plain English
d. ensuring that the scheme of delegation, financial regulations and procurement rules are consistent with each other and are clearly communicated across the organisation
e. ensuring there is good communication between delivery teams and those responsible for determining and administering the approvals process
f. ensuring those responsible for determining and administering the approvals process have a good understanding of the specific requirements of capital projects and works contracts.

3.10 Knowledge and skills required to deliver Capital Programme

To ensure that capital projects are delivered efficiently meeting the Councils objectives and that the Capital and Treasury functions have the necessary skills. The Council ensures that its staff delivering the projects, the Capital and Treasury Management teams have their training needs assessed as part of the staff appraisal process with staff attending seminars / conferences and training courses where necessary.

The CIPFA Code requires the responsible officer to ensure that Councillors with responsibility for treasury management receive adequate training. This especially applies to Councillors responsible for scrutiny. Appropriate training is provided periodically to Councillors and other relevant staff that are charged with governance.

External advisers are engaged where required so that the Council can access specialist skills and resources whilst the responsibility for every decision always remains with the Council, ensuring that undue reliance is not placed upon our external advisers.

A project's readiness to deliver will be considered as part of its business case, which will be reviewed during the prioritisation process. Part of this review will consider whether the project team identified to deliver the scheme is appropriate in terms of their skills and experience.

4. Risk and Mitigation

4.1 As defined in the prudential code capital expenditure can broadly be categories into two categories types

a. **Service Delivery Investments,** held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure), and

b. **Investment for Commercial return,** held primarily for financial return with no treasury management or direct service purpose.

In the current financial circumstances, the Council recognises that achieving its aims will require consideration of alternative delivery structures and of all forms of funding including the acceleration and use of capital receipts with a clear understanding how the affordability of such expenditure can be managed over the longer term supported by robust due diligence, business cases, risk management and monitoring.

The Council's policy is to minimise risk, but it recognises that there is a trade-off between risk and reward and that the potential reward may sometimes justify incurring a higher risk. The types of service delivery schemes where this is most likely to be the case are:

c. invest to save schemes where there is uncertainty about the exact level of savings that will be achieved

d. investment designed to stimulate regeneration and growth, including the provision of new infrastructure.

To ensure that risks are understood and that it has access to knowledge and skills commensurate with its risk appetite the Council will:

e. make the consideration of risk a key part of the remit of the Capital Programme Board

f. require business cases to set out potential risks in an appropriate level of detail depending on the size and complexity of the proposal

g. where innovative schemes, alternative delivery models or commercial activities are proposed, require business cases to set out how the Council will source any specialist knowledge and skills that may be required

h. require risk registers to be maintained for approved projects and for these to be used to actively manage risks

i. ensure that relevant staff receive training in how to manage risk, e.g. as part of a recognised project management course

j. where appropriate enable staff to develop knowledge of alternative delivery models through research and training.

4.2 Expenditure on Non treasury investment

In recent years, local authorities have exploited increased powers to engage in commercial activities although these are now being significantly curtailed to reflect the excessive risks that some authorities have entered and subsequent

failures. Local authorities will now need to proceed with much more caution and Nottingham will need to significantly reduce its reliance on commercial activity to fund core spending.

Commercial activities that involve capital expenditure and the incurring of other long-term debt and liabilities are no longer permissible without risking access to the whole of the Council's access to PWLB. Existing debt-funded Commercial activities will be reviewed as guidance/regulation develops. This excludes investment of short- term cash surpluses as part of day-to-day treasury management activity and investments whose primary purpose is to achieve a service objective.

The Council holds service and commercial investments as follows:

a. Service Investments – investments held clearly and explicitly for the provision of operational services, including regeneration, such investments include:
b. loans to external organisations that are delivering the Council's strategic objectives
c. shareholding in companies that support service provision
d. Commercial Investment – investments undertaken primarily for financial reasons including:
    - commercial loans to companies and other organisations
    - holding property for a financial return
    - The principles within this Capital Strategy prohibit the Council from including any schemes that meet the Commercial Investment definition within its Capital Strategy.

4.3 Service Investments

Loans and Investments are assessed based on the delivery of the Council's strategic objectives and any benefits from the investment will be received by the Council and its residents in the short, medium, or long term. The Council also hold shares in companies that support service provision.

The most significant service investments that the Council has undertaken to date are loans to 3rd parties to support the delivery of objectives that align to the council plan, these comprise of capital and revenue loans totalling **£124.4m** at 31 March 2021. Between the 1 April and the 31 December 2021 a further **£1.4m** of Revenue and Capital loans have issued and **£4.2m** have been repaid, therefore the value of service investments at the 31 December is **£121.6m**. The forecast interest receivable from the loans for 2022/23 is **£3.3m** and the average rate on these loans is **3.64%**.

Each Service Investment is scrutinised giving due regard to the formal approval. This scrutiny includes an appropriate level of due diligence reflecting the level of additional risk which ensures that the Council has the appropriate level of, security, liquidity, and yield.

4.4 Commercial Investments

The most significant commercial Investments that the Council has undertaken to date are in relation to property acquisitions. The net value of the commercial investments as at 31 March 2021 is **£193.4m** and will be revalued at 31 March 2022 as part of the Councils 2022/23 Financial Accounts. These investments have been funded by **£5.7m** of the Councils own resources and **£225.8m** of Unsupported Borrowing (net of MRP).

The forecast net revenue to the general fund for 2021/22 from the above investments is estimated to be **(£7.0m)**. The average yield generated from the Commercial Investments is **3.02%** (based on net income and unsupported borrowing net of MRP and interest).

All Commercial Property Investments are reviewed on an on-going basis. These reviews support good estate management principles and ensure that the Council's risk and returns are appropriately managed. The gross commercial investment made by the Council of **£238.1m** (excluding MRP payments to 31st March 21), leaves the Council open to Property Market downturn including increased voids / tenant lease breaking and any other risks including the impact and recovery from Covid-19. The pandemic has had a significant impact on the level of risk and the expected returns for 2021/22 and its effects are likely to be felt for several years. The Council is considering its investments strategy in the light of new CIPFA guidance.

A sinking fund is set aside for the commercial investments based on rental level received. This reserve is available to smooth out void periods (in-year deficits) if they cannot be absorbed elsewhere within Property Services. However, this is likely to be insufficient due to the impact of Covid-19. The risk around the commercial investment sinking fund is incorporated in the Council's MTFS.

Appendix D contains service and commercial investments split between capital and revenue.

Non-Treasury investments are analysed periodically to ensure that the fair value / carrying value of each investment is appropriate as required under the relevant Accounting Standard (Service Investments – IFRS9, Commercial Investments – IAS40).

5 Capital Funding and Financial Policies / Strategies

5.1 Funding the Capital Programme

Capital Programme Structure

The Council's Capital Programme consists of:

a. Approved Projects – Projects that have been formally approved and have a funding package that is deemed affordable

b. Planned Projects – Projects that have been agreed in principal and the Council is undergoing project feasibility and development to identify if the project's objectives can be achieved within an affordable funding envelope

As projects progress through the two stages they will go through a gateway process to challenge the project team and provide assurance that the project is best use of public funds and will assist the Council in meeting its priorities.

Current Capital Programme

The Capital Programme is based on the resources that the Council has available with schemes prioritised as detailed in Section 3.

As part of the annual process of approving capital projects the Capital Board will identify resources available, this will help reduce officer time and council resources being wasted on schemes that have no chance of being approved.

The capital programmes set out below reflects the outcomes of the prioritisation process in financial year 2021/22:

Table 1: General Fund Capital Programme at Quarter 3

Scheme	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Approved Schemes							
Transport Schemes	30.196	76.810	14.045	0.710	0.000	0.000	**121.761**
Education	7.388	1.841	0.000	0.000	0.000	0.000	**9.229**
Other Services	37.255	63.671	30.463	8.813	8.882	8.437	**157.521**
Category 2 - Planned Schemes	0.088	11.569	13.482	7.687	7.444	6.144	**46.414**
Total Programme	**74.927**	**153.891**	**57.990**	**17.210**	**16.326**	**14.581**	**334.925**
Resources Available							
Prudential Borrowing	(13.003)	(22.698)	0.000	0.000	0.000	0.000	**(35.701)**
Grants & Contributions	(58.620)	(106.739)	(38.728)	(9.686)	(8.975)	(8.913)	**(231.661)**
Internal Funds / Revenue	(1.167)	(7.138)	(2.237)	(0.286)	(0.235)	0.000	**(11.063)**
Secured Capital Receipts	(2.137)	(14.107)	0.000	0.000	0.000	0.000	**(16.244)**
Unsecured Capital Receipts	0.000	(3.209)	(17.025)	(7.238)	(7.116)	(5.668)	**(40.256)**
Total Resources	**(74.927)**	**(153.891)**	**(57.990)**	**(17.210)**	**(16.326)**	**(14.581)**	**(334.925)**

Table 2: Public Sector Housing (PSH) Capital Programme at Quarter 3

Scheme	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Category 1 - Approved Schemes	44.050	68.168	54.264	44.642	31.099	29.882	**272.105**
Category 2 - Planned Schemes	0.000	2.835	0.000	0.000	0.000	0.000	**2.835**
Total Programme	**44.050**	**71.003**	**54.264**	**44.642**	**31.099**	**29.882**	**274.940**
Resources Available							
Prudential Borrowing	(8.003)	(12.115)	(7.404)	(6.923)	0.000	0.000	**(34.445)**
Grants & Contributions	(2.726)	(8.158)	(0.191)	(0.150)	0.000	0.000	**(11.225)**

Major Repairs Reserve	(27.816)	(40.885)	(37.563)	(33.061)	(31.064)	(29.847)	**(200.236)**
Revenue Resources	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - HRA	(0.294)	(1.670)	(2.503)	(0.703)	(0.035)	(0.035)	**(5.240)**
Replacement Capital Receipts	(5.211)	(8.175)	(6.603)	(3.805)	0.000	0.000	**(23.794)**
Total Resources	**(44.050)**	**(71.003)**	**(54.264)**	**(44.642)**	**(31.099)**	**(29.882)**	**(274.940)**

Sources of funding

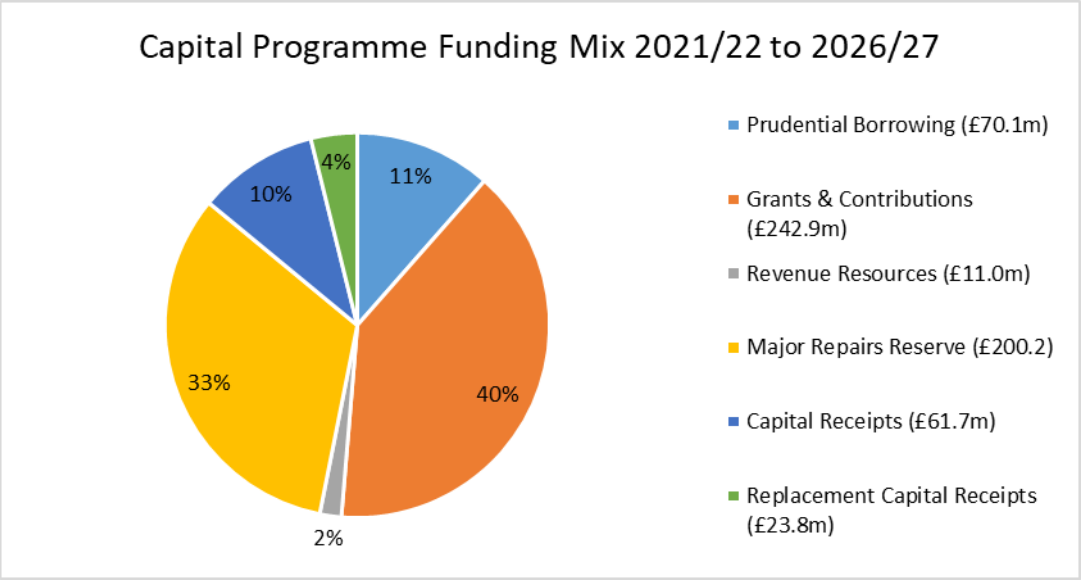
The Council's capital investment is governed by the 'Prudential Code for Capital Finance in Local Authorities' (Prudential Code). The Prudential Code provides the Council with a regulatory framework within which the Council has discretion over thefunding of capital expenditure and the level of borrowing the Council wishes to undertake to deliver capital plans and programmes.

The strategy is intended to maximise the financial resources available for investment in service provision and improvement within the MTFO. At the same time, it seeks to ensure that each business case has a robust self-sustainable financial model thatdelivers the Council's objectives.

The funding available to Nottingham City Council consists of:

a. Capital Receipts
b. Government and contributions
c. Revenue Resources
d. Borrowing
e. Other Long-Term Liabilities (i.e. Leasing / Private Finance Initiatives (PFI))

The Council's current forecast of resources to fund the capital programme over the 5 year programme are set out below:



Key funding risks and strategies are detailed below

Capital Receipts

Local authorities may use capital receipts to fund capital expenditure or to fund certain transformation related activities under the flexible use of capital receipts direction. Receipts from sales of council housing (HRA receipts) may only be used to fund HRA capital expenditure, but other receipts (general fund receipts) may be used to fund any general fund capital expenditure. In addition, under the government's flexible use of capital receipts policy (currently to March 2022, but extension expected), general fund capital receipts may in some circumstances be used to fund revenue expenditure e.g. transformation related costs.

The Council's land and property estate is managed through the Disposal Strategy and the Asset Rationalisation Programme, which identifies the Council's property requirements. Where appropriate, properties are declared surplus to requirements and the Council will look to dispose of the asset. This programme is currently being accelerated and scope extended.

In 2021/22 **£20.8m** of General Fund capital receipts are secured (up to December 2021), a minimum of **£56.5m** is required to fund the Capital Programme to March 2027 (planned schemes make up **£14.4m** of the Capital Programme commitment).

However, the Council has committed to use currently unsecured capital receipts of **£63.8m** in relation to prior capital decisions**. £31.5m** is in relation to the replenishment of reserves and repayment of debt from previous capital decisions commitments, **£30.0m** set aside for Transformation Costs and **£2.3m** other commitments. The Capital Programme is underpinned by the principle that the Council commits to projects once the receipt has been secured and banked and the commitments from prior capital decisions is included within the capital prioritisation.

The indicative programme, including both General Fund and Public Sector Housing, for 2021/22 to 2026/27 currently shows that capital receipts will constitute **c£61.7m** or **10%** of the Council's total capital resources, with a significant proportion relating to investment in social/affordable housing and housing for homeless people.

The Capital Financing Policies have been amended so that no capital receipts can be committed until all the existing commitments have been resolved, this aligns with the recommendation made in the NSR.

Grants and Contributions

The Council receives capital grants from the government for various services. Any grant that the Council receives for housing (HRA grant) is ring-fenced. Grants have been an important source of funding for the Council's capital expenditure in recent years and it is expected that the following will continue:

a. Ring-fenced grants and contributions (reserved for a particular purpose and have a restricted use).

b. Non-ring-fenced grants and contributions (grant given with conditions which Projects are required to meet).

c. Section 106 agreements (planning obligations generally subject to conditions of use).

An element of the non-ringfenced grant might be flexible, but there is a risk that if the grant is not spent as intended by the grant awarding body any future allocation maybe reduced (e.g. Transport Grants / Education Grants). As supported by the Councils Capital Principles.

Where there is a requirement to make an application to an external body for funding and commit Council resources as match funding for any part of any bid full consideration must be given if the match funding resources could be better utilised in delivering corporate objectives.

Section 106 contributions are ring-fenced to fund investment related to the specific development from which the contribution has been derived.

The indicative programme for 2021/22 to 2026/27 shows that grants and contributions will constitute **£242.9m** or **40%** of the Council's total capital resources.

A corporate process for monitoring grants and reporting finds to the Capital Board has been established to ensure that appropriate use is made of specific grants.

Revenue Resources

In the current financial climate, and with increasing revenue pressures within Council finances, the extent to which this may be used to fund capital expenditure is significantly reduced. This is expected to remain the case for the foreseeable future.

In relation to the Housing Revenue Account there is a revenue available in the Major Repairs Reserve which is a specific reserve ring fenced for repairs and maintenance of the Council's housing stock.

The indicative programme for 2021/22 to 2026/27 shows that revenue contributions will constitute about **£11.0m** or **2%** of the Council's total capital resources.

Borrowing

Councils have discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the following criteria as set out in the Prudential Code:

a. Affordable

b. Sustainable

c. Prudent

d. Proportionate for the size of the authority

Scheme affordability can be measured across several key indicators within the financial model including surplus cash position, surplus Net Present Value, early year deficits affordable and mitigated. Affordability can be considered at an individual project level or across the wider programme.

As detailed in the NSR, Nottingham City Council have over-relied on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure when measured in terms of debt servicing costs as a proportion of net revenue expenditure. Therefore, to mitigate this risk going forwards the Council is paying down debt in accordance with a revised MRP and the Voluntary Debt Reduction Policy Statement. The debt policy is set out in **Appendix B**.

Other long-term liabilities

The Council has the option to lease assets, however with the advent of unsupported borrowing and availability of other capital funding, this source of financing has become less attractive. The Council's Vehicle Replacement Scheme demonstrates this development and up to March 2022 has been funded by borrowing, from April this expenditure is to be funded from secured capital receipts. There may however be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

PFI schemes are not shown within the Capital Programme as they are not financed by capital resources. However, the long-term affordability of the PFI schemes at the Council is being closely managed. The Nottingham Tram PFI is currently forecasting a temporary deficit from 2033/34. This is mainly due to the reduction in Workplace Parking Levy income, which is used to fund the Tram model, due to Covid
– 19. Further analysis of the financial position is underway to determine the extent of any risks and more information will be available early in 2022/23.

There are certain schemes where the Council has an option to purchase at the end of the agreement, but no monies have been set aside. Therefore, a business case will need to be established to identify whether acquiring the site at agreement termination is value for money.

Under the Prudential Code authorities are required to treat other long-term liabilities as part of their debt, along with borrowing, and to apply the same robust decision-making processes to ensure that all debt is affordable, prudent, and sustainable. Furthermore, authorities are required to ensure that the financial risksare identified and quantified when decisions are taken to enter long-term liabilities.

Other long-term liabilities are relevant to the capital strategy not only because they come within the definition of debt, but also because the purpose of

entering them isto deliver capital investment.

The Council keeps a register of loans and investments on its treasury management system. As part of the implementation of the financial reporting standard IRSF9 this will be extended to cover financial guarantees.

The Council recognises that there may be special risks associated with entering otherlong-term liabilities. It will require proposals to enter into other long-term liabilities to be subject to the same evaluation. This should ensure that:

a. all the Council's debt is affordable, prudent and sustainable
b. there is a common process for prioritising capital investment proposals
c. the Council properly considers the risks associated with long-term liabilitiesand the cumulative impact on its overall level of debt.

The Chief Finance Officer keeps long-term liabilities under constant review.

5.2 Capital Financing Policies

The financing policies as detailed in the following table sets out how the Council ensures its investment decisions are consistent with its capital principles and the MTFP:

Table 3: Financing Policies

Principle	Detail
Match Funding	If a scheme requires match funding to lever in external grant, any match willhave to be identified from savings within the approved Capital Programme until debt has been reduced and the capital receipt pressure mitigated
Council Resources	Due to the current commitment of Council Resources (e.g. Capital Receipts, Revenue Resources), no further schemes will be included in the programme unless it can be managed within the approved control totals or an existing scheme is removed / deferred. The opportunity cost of using Council Resources is to be calculated and reported within the approval using the underlying borrowing rate at the time of the decision, if the capital investment is in the medium to long term then a forecast borrowing rate at the time the project commences will be used.
Prudential Borrowing Level	A prudential borrowing cap and policy is in place for both the General Fund and Public Sector Housing (as detailed in the Voluntary Debt Reduction Policy – **Appendix B**), with schemes prioritised accordingly to remain within the borrowing cap. Schemes currently in the Capital Programme can besubstituted based on priority and impact on the MTFS.
Invest to Save, Invest for Service orRegeneration Objectives	➢ Increased income / cost reductions must exceed the financing costs(including sensitivity analysis for optimism bias) ➢ In most circumstances the first call on income is to repay financingcosts where financing is from reserves ➢ Due to the uncertain nature of business rates these any potentialbenefit is excluded from financial models ➢ Financial model (including payback) is required to include the

	opportunity cost of using council resources
Availability of Capital Receipt	The first call on any secured receipt is for any grant clawback provision or to repay any outstanding debt on that specific asset.
Project Underspend	Any resources available from project underspends are released into the Capital Programme to fund other capital commitments. Should the Project Sponsor of an underspending project wish to change the project via either enhancement or amended specification, further approval is required.
Debt to Yield / Commercial Investment	Any projects that breach the debt to yield parameters as set out by MHLCG and/or classified as a commercial investment are strictly prohibited, irrespective of the funding envelope.

5.3 Managing the Council's Debt Position & Debt Indicators

Treasury Management and the Repayment of Debt

The council's requirement to borrow is driven by prior year capital expenditure and future capital plans as outlined within the Capital Strategy. The method and timing of financing this borrowing requirement and managing the associated risks of these financing decisions are covered within Council's borrowing strategy. This includes strategies to manage the overall level of debt and to manage the timing and profile that debt is repaid so no one year has large amounts of debt to be refinanced/repaid and that the balance of debt outstanding is appropriate for the forecast CFR which reduces over the useful life of the assets financed by borrowing.

The Council's current and forecast debt positions and the borrowing strategy are reported and approved within the annual Treasury Management Strategy (TMS) received by Full Council prior to the financial year that it applies to. The TMS sets several Prudential Indicators as prescribed by the CIPFA Treasury Management Code of Practice. These include a projection of capital expenditure, external debt and use of internal borrowing and the council's overall borrowing requirement, which is known as the Capital Financing Requirement (CFR). The Prudential Indicators include the operational boundary and the authorised limit for external debt which is the statutory limit determined under Section 3(1) of the Local Government Act 2003: "A local authority shall determine and keep under review how much money it can afford to borrow".

The annual Treasury Management Strategy includes the policy for the repayment of debt known as Minimum Revenue Provision (MRP). The Council adopts the principle of making revenue provision for the repayment of debt over the useful life of the assets being created/purchased that were financed by borrowing.

Public Sector Housing
The Council's requirement to borrow for the Housing is driven by the HRA's capital expenditure plans as outlined within the Capital Strategy. The method and timing of financing this borrowing requirement is largely driven by the HRA 30-year business plan and a strategy of fully financing the HRA CFR with long term, fixed rate borrowing to provide cost certainty for the HRA.

Prudential Indicators
Details of the Council's prudential indicators can be found within Section 5 of the Treasury Management Strategy 2022/23.

6 Revenue implications of Capital Expenditure

6.1 Overview

The revenue implications of capital expenditure need to be considered both when:

- determining the overall size of the capital programme and how it is to be financed, particularly the amount of prudential borrowing that should be undertaken
- evaluating individual projects.

In addition, as part of the asset planning process the running costs of existing assets need to be considered to determine priorities for maintenance, enhancement, and replacement of assets and, accordingly, for the development of suitable capital investment proposals.

The key constraint on the Council's ability to fund capital expenditure is its ongoing revenue budget position. In considering how much capital investment it can afford, therefore, the Council will estimate the overall impact on future revenue budgets and exercise prudence to ensure that the level of capital investment is sustainable.

The Chief Finance Officer will advise members on the overall size and financing of capital expenditure as part of the report to Executive Board in February each year asking it to approve the rolling multi-year capital programme. Decisions on the revenue budget and the capital programme will be taken at the same time to ensure they are joined up.

When individual project proposals are being evaluated, it is essential that the revenue implications are fully understood so that the aggregate revenue effect of projects accepted into the capital programme matches what has been assumed in determining the overall size of the programme and its funding

6.2 Costs of prudential borrowing

Where the Council undertakes prudential borrowing, it incurs debt charges in the form of repayments of principal and interest payments, which depend on the terms of the loan. As part of its treasury management function the Council

takes out loans on the best terms available to meet its overall prudential borrowing requirement rather than loans related to specific projects. A common interest rate, reflecting the overall cost of borrowing and standard repayment periods, depending on the type of asset, is therefore used to assess the financing costs of proposed projects.

6.3 Feasibility costs

The costs of developing a proposed capital project must be charged to revenue until it is assessed that there is a high degree of certainty that an economic benefit will flow from the new asset. All such costs are therefore chargeable to revenue where the project does not go ahead. Where the project does go ahead, any costs incurred in financial periods prior to the commencement of the project, for which the accounts have been closed, must also remain charged to revenue.

Such costs depend on the size and complexity of the proposed project and how far the proposal is developed before a decision is taken not to proceed. Increasing costs are committed at the following stages:

- engagement of a project manager
- engagement of specialist external advisers
- commissioning of feasibility study
- commissioning of further work in advance of the main procurement process, e.g. ground investigation, outline design, enabling works
- commencement of main procurement process entering a contract.

Appendix A – Capital Programme – High Level Terms of Reference

Capital Programme –High-level ToR

Appendix B Voluntary Debt Reduction Policy Statement

Nottingham City Council Debt Reduction Policy Statement

Investment in the city's infrastructure is an important part of the Council's role but the Council also recognises that with limited resources, expenditure on servicing debt to fund capital investments is money not spent on providing day to day services to it's citizens. Its future priorities will be determined though an emphasis on the new 'strategic Council Plan which will reconcile its ambitions with the resources available to support those ambitions.

The City Council also recognises that its absolute level of external debt remains high in comparison with its peer group and is driven largely by past investment to enhance the city rather than current capital spending decisions.

Prudential Code

The Council is committed to the principles of the Prudential Code:

- Affordable
- Sustainable
- Prudent
- Proportionate for the size of the authority

Investment Strategy

The Council's capital strategy ensures that all the projects are accounted for in the allocation of any available resources over a medium term planning horizon. This will assist the immediate requirement to review the exiting programme on the grounds of affordability and provide a framework for schemes going forward. The principles of the strategy are as follows:

- Current approved (or committed) schemes will be supported subject to sufficient resources being identified to enable them to proceed or complete up to the approved levelof expenditure**.**
- New schemes funded by borrowing will be severely limited by the criteria set out in the debt policy. This is to reduce the Council's current unsustainable level of debt and will require a review of the existing capital schemes.
- All schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.
- All schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. Historic debt for yield schemes will be revisited in the light of emerging CIPFA/MHCLG guidance.
- Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:
    - School Sites ring-fenced by the Secretary of State for education purposes.

- Sites identified as part of the Loxley House Acquisition.
- Commitments of capital receipts from prior decisions (including repayment of outstanding debt).

- Only secured capital receipts will be considered in decisions to fund capital schemes (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).
- Revenue implications of schemes must be fully reflected in the MTFP and affordable within services, (affordability needs to be demonstrated using prudent assumptions taking account of optimism bias).
- The capital budget approved by Full Council is a control total and no further schemes will be included in the programme unless existing schemes are removed or delayed - unless the new schemes in question are fully funded by external resources.
- The Council will consider the removal of ring-fencing (*where permissible*) from certain grant allocations to assist in the achievement of the Council's priorities and objectives. All uncommitted non ring-fenced capital funding will form part of corporate capital resources. Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:
  - Transport grant funding
  - Education based grants
  - Disabled Facilities Grant
- If the financial projections for approved schemes move adversely during the pre-contract stage by the lower of **£1.0m** or **20%** (either cash or NPV), further approval will be required including a revised business case.

Debt Policy

The Council has the discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the criteria as set out in the Prudential Code and is affordable, sustainable, prudent and proportionate for the size of the authority.

HM Treasury have published revised lending terms for the PWLB as from 26th November 2020, which makes PWLB unavailable for all authorities that have debt to yield schemes within their capital plans.

The Council have relied significantly on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure and a relatively high level of debt servicing costs in proportion to the scale of its revenue account. Therefore, to mitigate this risk going forwards, the Council will seek to reduce is MRP costs and pay down debt over time, through a strict prioritisation of spending decisions and the accelerated generation of capital receipts subject to maintaining best value.

The debt policy in respect of new capital expenditure is thus as follows:

- 2021/22 - ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. No new schemes financed by borrowing). The Capital Programme

has been reduced to existing commitments and no schemes added funded by borrowing.

- 2022/23-2026/27 - ***Nil net new borrowing throughout the period***. No new schemes financed by borrowing to be added to the Capital Programme, unless the scheme is required to enable compliance with legal or statutory duties (e.g. Health and Safety). Whereby any borrowing will be capped by the forecast headroom as indicated below (including updates reported as necessary) within the CFR / external as shown below, this headroom will be restricted to measurement with the least headroom. This applies both to general fund and public sector housing debt with all borrowing meeting the criteria as set out in the Prudential Code, any decision regarding this is at the discretion of the S151 Officer.

The forecast prudential borrowing in the Capital Programme is required to remain within the approved control totals.

Nothing in this policy shall prevent the council from exercising normal day to day management of its borrowings through Treasury Management activities and/or the use of internal borrowing.

Impacts of the Policy

The Council will exert control on debt, primarily through controlling the revenue impacts of borrowing (MRP) rather than through seeking to repay external debt. This is because external debt is often heavily weighted towards fixed rate debt with maturity period up to 60 years and where redemption would often carry significant penalties.

The forecast impact on budgeted borrowing levels would be:

	2021/22 £m	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
MRP Repaid	49.737	52.549	60.922	65.135	60.080	58.812
GF new Borrowing	13.003	22.698	-	-	-	-
HRA new Borrowing	8.003	12.115	7.404	6.923	-	-

The forecast impact on external debt is set out in the table below. The revised forecast externaldebt takes into account the revised debt policy together with activities associated with the normal Treasury Management activities.

Debt Measurement	VDRP Original Forecast (Approved: Full Council March 2021) £m	Debt / VDRP Qtr3 Actual & Forecast £m	Movement (Under) / Over £m
CFR			
2020/21	1,443.5	1,411.6	**(31.9)**
2021/22	1,434.2	1,382.9	**(51.3)**
2022/23	1,390.6	1,365.1	**(25.5)**
2023/24	1,337.3	1,311.6	**(25.7)**
2024/25	1,272.5	1,253.4	**(19.1)**
External Debt			
2020/21	981.6	932.8	**(48.8)**
2021/22	991	900.9	**(90.1)**
2022/23	986.2	888.0	**(98.2)**
2023/24	954.8	864.0	**(90.8)**
2024/25	927.4	843.5	**(83.9)**

Appendix C – Assurance Process

Gate	Required information	Outcome if project passes this gate	Indicative timing for annual cycle
0	**Outline project brief** including all the information required to determine whether the proposal meets the Council's evaluation criteria	Confirmation that the proposal may proceed following approval at the Capital Programme Board	Outline project brief submitted for evaluation in mid-May for review and consideration within the prioritisation process in June
1	Initial Business case on the standard template, following Treasury Green Book Five Case Principles	Confirmation that the project will be recommended for inclusion in the capital programme	Initial Business Cases subjected to assurance review in November with final prioritisation recommendations made to and then by the Capital Programme Board in December
2	**Final Business Case** In some cases, due to the complexity of a project or its timeframes, the Initial Business Case that got a scheme into the capital programme may have needed significant further work to reach a final business case stage. Where required this would again be on the standard template and follow Treasury Green Book principles based on a five-case model	At this point the project will already be in the Capital Programme, however it will still need approval to progress via DDM / Executive Board. The review should take place prior to this decision with the recommendations being made available to decision makers / Capital Programme Board	Not applicable – post cycle

3	**Tender evaluation report** with details of tenders received, the evaluation process and why it is recommended that the preferred tender should be accepted should be subject to an assurance review, unless it has been determined that it would be more	Contract may be awarded to the preferred tenderer	Report to be submitted to the relevant decision maker as soon as possible after tenders have been received. Outcome of the assurance review and recommendations made available to the Capital Programme Officer Group and Capital

	beneficial to do this earlier in the procurement process, for example toinform procurement routes, scopes, risk allocations etc.		Programme Board as appropriate.
Further Assurance Processes			
	Lessons learned report following post-project review (Note – lessons learned activity shouldtake place throughout the project andnew lessons learned should be flaggedup within the monthly monitoring reports)	Confirmation that lessons learned report issatisfactory and no further information is required. Lessons learned are provided to the PMO who will analyse, report and disseminate them to the appropriate audiences and projects to ensure best practice continues to be developed and isadhered to.	Not applicable
	Monitoring Regular monitoring of projectson standard templates to be undertaken by the PMO to thetimelines set out in this Capital Strategy.	Monitoring information tested and triangulated through ongoing dialogue with projects so progress can be assured. Reportsup to the Capital Programme Officer Group and Capital Programme Board as required, generally expected to be on an exception basis.	Not applicable

Audit Committee – 25 February 2022

Title of paper:	SEND Transport Monitoring Report, following the Local Government Ombudsman's Report in the Public Interest relating to Investigation Reference 18 018 188	
Director(s)/ Corporate Director(s):	Nicholas Lee, Director of Education Services Catherine Underwood, Corporate Director for People	**Wards affected:** All
Report author(s) and contact details:	Anna Glozier, Special Educational Needs Service Manager anna.glozier@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Janine Walker, Head of Service SEND and Vulnerable Pupils janine.walker@nottinghamcity.gov.uk	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note and consider the Monitoring Report, as requested by The Audit Committee in February 2021. This relates to the Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188 (originally dated August 2020), and the activity connected with it.	
2.	That this report is the final annual monitoring report, given the progress and improvements made.	

1 Reasons for recommendations

1.1 In February 2021, the Audit Committee requested that it receive a monitoring report to ensure that new procedures and improved management oversight are effective in ensuring learning from the Local Government Ombudsman's Report in the Public Interest is embedded and effective in improving the experience of applicants for SEND travel assistance.

2 Background

2.1 In 2020, a Nottingham City resident parent complained to the Local Government Ombudsman (LGO) around her experience of Home to School Transport eligibility decisions between autumn 2017 and spring 2019.

2.2 The LGO investigation found 'fault causing injustice', and recommended an apology, payment of compensation, and that the Council review its processes and be able to demonstrate the new measures and procedures it will put in place to ensure its decisions and appeals are robust and defensible.

2.3 The LGO completed the investigation into this complaint by issuing a Report in the Public Interest.

2.4 Much of the detail of the recommendations were primarily based on the LGO's understanding that recommendations made following a previous unrelated investigation had not been followed. When comments were invited on the draft report, clarity was provided which was acknowledged in the final report:

- In respect of procedural and policy changes, we accept that the Council has carried out the actions agreed in response to our earlier investigations and appreciate that the Council has already done much to avoid the circumstances which have led to the fault in this case. We also welcome the further steps that the Council has agreed to take to seek to ensure the robustness, fairness, clarity, and consistency of its decisions.

2.5 We believe our commitment to responding to the needs of families is reflected in a low incidence of second stage appeals, despite very clear signposting advice given in the response letters to first stage appeals. Transport appeals are not commonplace and it follows that second stage appeals are even more rare. During the three years between January 2018 and January 2021, our independent panel has heard second stage appeals from just nine families. Since we amended our policy and practice in response to LGO advice in July 2019, the panel has heard 3 second stage appeals. Our mistakes over time have been acknowledged and owned, and our policy and practice amended to reflect all learning and advice. Without detracting from the findings in the report, we believe that the failings identified in the 18 018 188 investigation, which covers a period of time between autumn 2017 and spring 2019, are guarded against under our current arrangements, and the LGO recognised this in the final version of the report.

2.6 To clarify the 'further steps' referred to in 2.4 above, when responding to the invitation to comment on the draft report, we provided the following information:

- Transport appeals are not commonplace, and as such we currently have no central log for them. They are investigated and responded to at Stage 1 by any senior SEN officer not involved in the original decision-making. Going forwards, we will pull together the data into a central monitoring system to allow for stronger management oversight and consistency of communication. We note particularly the advice contained at paragraphs 5, 8 and 12 [of the LGO report], which focus on transparency and consideration of the wider family circumstances, including any potential disruption to a child's education, and this is reflected in the recommended actions. We aim to ensure the consistency of this through the central monitoring system.

2.7 On 25 February 2021, the Audit Committee requested an annual monitoring report, and the Chair indicated that, on receipt of a monitoring report in 12 months' time, the Committee could consider if further annual monitoring reports should be submitted.

3 February 2022 Monitoring Report

3.1 To clarify and confirm current procedures:

- There is a central monitoring system in place for special educational needs travel assistance requests, which facilitates management oversight for more consistent decision-making, and ensures that risk is appropriately assessed and managed at each stage.

- A senior officer with experience in SEN case management considers initial travel assistance requests. A decision support tool has been developed, which guides the gathering and consideration of information, records the views of the assessor, and supports both eligibility decision-making and the recommendation

of mode of travel assistance to be offered. For transparency, this document becomes part of the casefile, and is therefore available for viewing at the request of the family.

- Where medical evidence has been provided, but we are unsure of the implications relative to the safe travel to and from school of the pupil, advice is sought (with permission) from the medical professionals involved, or from the Designated Clinical Officer for Nottingham City and Nottinghamshire.

- Decisions are reviewed at Team and Service Manager Level via a decision support tool audit process. In response to specific advice in the LGO report, we are able to consistently demonstrate the assessment of a pupil's specialist needs relating to their ability to travel to and from their educational setting safely, in the context of their wider family circumstances, including any potential disruption to a pupil's education.

- Stage 1 appeals are generally responded to by a different senior officer than who completed the original assessment. Parents are invited to submit any additional evidence in support of their appeal. A decision support tool is again used to support consistent decision making and risk management. This facilitates clear communication with families, allowing us to demonstrate that we have considered each of their concerns, what information has been used, and how a decision has been reached.

- Stage 2 appeal panels are chaired by a Service Manager from a different service area, with support from appropriately trained professionals – for example, specialist teachers from the SEND Inclusion Support Services. Parents are invited to submit any additional evidence in support of their appeal, the appeal panel process is explained to them, and they are advised that they can attend and present their views in person if they choose to.

3.2 SEND travel assistance appeals remain uncommon. During the 2021 calendar year, there have been 210 applications for free home to school travel assistance relating to a pupil's special educational needs. Of these 168 were approved, 38 were declined and 4 remain in progress. Of the 38 applications declined, 9 (23%) were taken to a stage 1 appeal, where 7 were upheld and 2 dismissed. There has been one stage 2 appeal heard by panel within this time frame, this appeal was dismissed. This information demonstrates that:

- although there will always be appeals around decision-making, our communication with families provides clarity, and, despite very clear signposting advice given in the response letters, the majority of decisions not to provide free home to school transport are not appealed against;

- there has been a reduction in the average number of stage 2 appeals per year (please see data set out in 2.5 above);

- decision-making is well-evidenced and robust, and stands up to scrutiny by officers external to the Service.

3.3 Since Investigation 18 018 188 in 2020, there have been no further LGO investigations of Nottingham City decision-making in regard to free home to school

travel assistance relating to a pupil's special educational needs. Rather than investigate a complaint, the LGO refers families back to the Council if all stages of our appeals process have not been completed. As the incidence of Stage 2 appeals is so low, the associated risk of investigation by the LGO is also minimal. If a new investigation were to be launched, any associated reputational and financial risk would be minimised by our ability to evidence that:

- Our SEND Home to School Travel Assistance Policy is legally compliant and meets the standards expected by the LGO.

- Our central monitoring system and revised procedures support consistency of decision-making, transparency and clarity of communication with families.

- As specifically recommended by the LGO, our decision support tool promotes consideration of wider family circumstances, including any potential disruption to a child's education.

3.4 We are looking to develop the service further, by reviewing the language of the policy and online content to make it more parent-friendly, and to provide associated short guides for specific groups, for example parents with children moving to Post16 settings, or parents with children undergoing Independent Travel Training.

3.5 As part of the Council-wide Transformation Programme, we are also aiming to move the initial travel assistance application process and associated correspondence to an online portal via Firmstep. We are addressing with the Web/ Digital Team how this action can be prioritised.

4 Published documents referred to in compiling this report

4.1 Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188.

4.2 The Home to School and College Travel Assistance Policy, August 2019

5 Finance Observations (made by Graeme Black 01/02/2022)

5.1 As outlined above, this report seeks for Audit Committee to note and consider SEND Transport Monitoring Report, in relation to the Local Government Ombudsman's Report in the Public Interest relating to Investigation Reference 18 018 188.

The compensation settlement incurred from the outcome of the Local Government Ombudsman's Report in the Public Interest relating to Investigation Reference 18 018 188 was £2,059. These costs were included in last year's accounts, and are non-recurrent with no direct impact this year or in future years.

This report outlines the process through which appeals are completed by the appropriate staff, and the rarity of appeals, and indeed have identified that no further examples of LGO investigation. As previously mentioned in a previous report, the development of a central monitoring system would benefit from including any financial risk for such cases that may attract reimbursement and compensation. Furthermore, a robust and fair appeals process will continue to avoid and mitigate future financial risks and their impact.

Nottingham City Council

Children and Young People With Special Educational Needs and/or Disabilities (SEND)

Home to School and College Travel Assistance Policy

Safer, cleaner, ambitious
Nottingham
A city we're all proud of

Nottingham City Council

Contents page

Introduction

This booklet sets out Nottingham City's obligations to provide Home to School and College Travel Assistance to children and young people living in Nottingham who are eligible to receive it.

When considering whether to provide home to school travel assistance, Local Authorities (LA's) are under a statutory duty to have regard to the Education Act 1996 and Schedule 35B of the Act which was inserted by Part 6 of the Education and Inspections Act 2006.

Sections 508B and 508C of the Act makes provision for local authorities to ensure that suitable travel arrangements are made, where necessary, to facilitate a child's attendance at school. Nottingham City Council has developed its travel assistance policy in accordance with this legislation and equalities legislation to ensure it is able to meet its statutory duty. See page 13.

It is important that families understand whether their children meet the criteria before taking the time to make an application. In most instances, children will not meet the statutory conditions for travel assistance.

It is strongly recommended that all parents read this guidance carefully along with the information on our website at **https://www.nottinghamcity.gov.uk/education-and-schools/school-transport/children-with-special-transport-needs/**

Travel assistance principles and policy

Nottingham City Council is committed to working closely together with young people, families, schools and colleges to ensure that:

- Children and young people are safe and supported to access education
- Young people and families have confidence in the travel assistance offer

The Council recognises that:

- Travel assistance should respond and adapt to the needs of children and young people as they develop and progress
- The Council has a duty to support and enable young people to develop and achieve independence
- Encouraging young people's independence will develop their skills for life, their confidence and social skills, and increase their opportunities for continuing education, training and employment

The Council also has a duty to:

- Manage public money responsibly
- Provide value for money services
- Promote the use of sustainable travel and transport

Parents and carers have a responsibility to:

- Ensure that their children receive an education
- Make the necessary arrangements for their child to attend regularly

If eligible for travel assistance, this will only be provided from the child's home to the school at which they are on roll at the beginning and end of the normal school day.

If the child attends another school or establishment that is arranged through their school as off-site provision, it will be the school/parent's responsibility to arrange travel to and from that school or establishment, for their off-site learning.

The child's address will normally be the one that they spend the most school nights at, and any transport arrangements to or from an alternative address will be the responsibility of the parent to arrange.

Parents regular work commitments or domestic arrangements will not normally be taken into account when deciding the eligibility of a child or young person or the type of assistance offered.

Parents and carers are responsible for ensuring that their child is prepared and ready to travel, at their pickup points at the right time, and that any behavioural concerns whilst travelling are addressed.

Travel assistance will not be provided for any medical appointments or domestic arrangements, or for the child to go to or from a different address other than their main residence. Travel assistance is not provided for breakfast or after school clubs or activities.

Eligibility Criteria

Pre-school children with SEND

Travel assistance for children under the age of five is discretionary as Council's have no legal duty to provide or arrange free transport for children who have not yet reached the statutory school age. However, travel assistance applications will be considered for children below statutory school age in exceptional circumstances. In these circumstances, the Council may ask parents for a contribution towards the cost of providing travel assistance.

In considering these circumstances, the Council will need to be satisfied that, without such assistance, the child would be prevented from attending an appropriate nursery or early years' education setting.

In considering assistance for pre-school children, the following factors will be taken into account:

- The age of the child
- The distance between home and nursery
- The SEN and disabilities of the child
- The reasons for the pre-school placement

Compulsory school-aged children aged 5-16 with SEND

Compulsory school age begins at the start of the term following the child's fifth birthday and ends on the last Friday in June of the school year in which a child or young person turns 16.

There are four factors which may determine if children and young people aged 5-16 are eligible for travel assistance:

- Statutory walking distance eligibility
- SEND or significant mobility problems eligibility
- Unsafe route eligibility
- Extended rights eligibility

Eligibility will be reviewed at least academic year and the type of travel assistance will be reviewed termly. This review will confirm whether a child or young person continues to be eligible for travel assistance, and where eligible, that the type and level of assistance is most appropriate to their needs as they develop independence and make progress.

Statutory Walking Distance

The council is required to provide free travel assistance for all children and young people of compulsory school age (5-16) if their nearest suitable school is:

- Beyond 2 miles, if below the age of 8; or
- Beyond 3 miles, if aged between 8 and 16.

The nearest suitable school is defined as the nearest school with places available and which the Council deems to provide education appropriate to the age, aptitude and ability of the young person, and any special educational needs or disability they may have.

When establishing whether the nearest suitable school is within walking distance, the distance between home and school will be measured by the shortest available safe walking route,

accompanied as necessary. The route may include footpaths and other pathways as long as it is safe to walk along them.

SEND or mobility difficulties

The Council is required to provide free travel assistance for children and young people unable to walk to school by reason of their special educational needs, disability or significant mobility difficulty.

Unsafe walking route

The Council is required to make travel assistance arrangements for children who cannot reasonably be expected to walk to their nearest suitable school because the nature of the route is deemed unsafe to walk even when accompanied by an adult.

Extended rights eligibility (for low income families)

For low income families i.e. for children entitled to free school meals or whose parents are in receipt of the maximum level of Working Tax Credit, eligibility for free travel assistance is extended as follows:

- For children aged between 8 and 11, the walking distance is reduced from 3 to 2 miles;

- secondary age children (11 – 16) can receive free travel assistance to any of their three nearest suitable schools but only where the distance between home and school is more than 2 miles but less than 6 (**Note**: schools below 2 miles are included when assessing which are the 3 nearest);

- for secondary age children (11 – 16), the Council will provide free travel assistance to the nearest suitable school preferred by reason of a parent's religion or belief (including any single sex school in the City), if it is over 2 miles and under 15 miles from the home address. The Council will normally seek documentary evidence of faith or belief e.g. a minister's letter.

The Council will review travel assistance under the extended rights eligibility rules on an annual basis. Free transport may be withdrawn in subsequent years if a child ceases to qualify under low income extended rights.

Post 16 (young people 16-19) with SEND

The Council does not have a statutory responsibility to provide travel assistance to young people aged 16-18.

Schools with sixth form provision and colleges of further education have some funding available to help students age 16-19 with expenses connected with their study, including travel costs. This is known as bursary funding.

Bursary funding is paid to schools and colleges who decide how they allocate their funds. Enquiries about support for school or college travel expenses should be made directly to the schools or colleges concerned.

Students who are in one or more of the groups below can apply for a vulnerable student bursary of up to £1,200 (if they are participating on a study programme that lasts for 30 weeks or more - institutions should pay a pro-rata amount for students on study programmes of less than 30 weeks). This reflects that students in these groups may need a greater level of support to enable them to continue to participate.

The defined vulnerable groups are students who are:

- in care
- care leavers
- getting Income Support (IS), or Universal Credit (UC) in place of Income Support, in their own right
- getting Employment and Support Allowance (ESA) or Universal Credit (UC) and Disability Living Allowance (DLA) or Personal Independence Payments in their own right

Enquiries about applying for a vulnerable student bursary should be made directly to the schools or colleges concerned. Further details are available on this government website: https://www.gov.uk/guidance/16-to-19-education-financial-support-for-students

Many young people with SEND are able to travel independently using public transport, and the Council encourages parents and carers to work with us to support young people to do so.

However, The Council may provide travel assistance for Post-16 students who have significant SEND which affect their ability to travel or use public transport independently.

To be considered for travel assistance, a young person needs to:

- be resident in Nottingham City
- have started their current programme of education/training prior to their 19th birthday
- be attending the nearest appropriate education or training provider that is more than 3 miles walking distance from their home unless the young person's disability impacts on their ability to walk this distance or the walking route is deemed unsafe
- be attending a full-time, publicly funded course (a full-time course is a programme of at least 540 study hours per year)

Eligibility decisions will also take into account the following factors:

- Whether the student has additional needs or a disability that places them or others at a serious risk of danger during the journey to and from school;
- Whether the student has a mobility difficulty which requires specialised seating or a specialised vehicle, e.g. tail-lift access;
- Whether the student is likely to require medical intervention or personal care during the journey to and from school;
- The complexity of the journey.

Where a young person is eligible for travel assistance, the Council may ask young people or their parents and carers for a contribution towards the cost of providing this.

Young people aged 19-25 with SEND

Travel assistance arrangements made for a young person aged under 19 may continue to be provided up to the end of the academic year in which a young person turns 19 years of age. However, the Council recognises that that a learner with significant special educational needs and disabilities may take longer to complete a programme of learning and training, therefore the Council may extend the travel assistance arrangements until a learner has completed their programme, even if that is after they have reached the age of 19.

The Council will consider providing travel assistance for young people aged 19 to 25 (who are subject to an EHC plan) in the following circumstances only:

- Where the Council considers it necessary to facilitate the attendance of a learner receiving education at institutions which are maintained or assisted by a local authority and are providing further and/or higher education or other institutions within the further education sector.

Or

- Where the Council has secured the provision of education or training outside the further education sector and the provision of boarding accommodation in connection with that education or training, and the Council considers that the provision of travel assistance is necessary to facilitate the learner's attendance.

Type of travel assistance available

Independent travel training (ITT)

Independent travel training provides young people with tailored and practical assistance to travel safely by public transport, on foot or by bicycle to their school, college and placement. It also supports young people socially, to access other key services and connect with friends and family.

Independent travel is an essential life skill, and helps to better prepare young people for adulthood, and for accessing further education and employment by raising their confidence in their abilities.

The Council's Independent Travel Trainer is training Nottingham schools and colleges to be able to deliver travel training to their students.

If a young person is identified as potentially suitable for travel training, their parent/carer will be contacted by the Council or their school to arrange a consultation with the nominated travel trainer.

Following the consultation, the young person will then be supported to undertake the training programme. If they are not ready or suitable for training, a future review date will be set and they will continue to be provided with travel assistance.

Should a child be deemed suitable and the family refuse the programme, the travel assistance will be withdrawn and a bus pass will be issued with the expectation that the young person is accompanied on their journey by a responsible adult.

Public transport bus pass

Pupils who are entitled to free travel assistance will be awarded a Robin Hood Scholar bus pass for the academic year. This bus pass allows the holder to access all public bus operators in Greater Nottingham including the NET (Tram) and local train services.

Mileage allowance

Where a pupil has a special transport need and is attending their designated school, the LA may offer a mileage allowance (equal to the Local Government Casual Car User Allowance) for parents/carers to transport them to school. Allowances are paid on a mileage basis for a maximum of 2 return journeys per day from the home address to the designated or nearest school/college, irrespective of the number of pupils making the journey.

Where the parents/carers have been provided with a Motability vehicle through the Disability Living Allowance on the grounds of a child or young person's disability, they will be expected to consent to transport their child to school themselves, and will be offered a mileage allowance to do so.

Personal transport budget

Families and young people can use this flexibly to make their own travel assistance or other arrangements.

Contracted minibus, private hire vehicle or taxi, including:

- Pick up and drop off form/to a collection point or central location locally
- Individual taxi, private hire vehicle or minibus for groups of young people
- Individual taxi, private hire vehicle or minibus for solo travellers (exceptional circumstances only)

TRANSPORT SERVICE PROVISION

The LA aims to make travel assistance arrangements that allow eligible pupils to travel in safety and reasonable comfort, without the journey being unreasonably long or complicated, and arrive at school without such stress, strain, or difficulty that they are prevented from benefitting from the education provided.

It is the LA's policy to review travel assistance arrangements termly or at times of transition, in consultation with service providers, to minimise surplus places on vehicles and the total number of vehicles used. The LA will endeavour to coordinate dedicated school transport journeys and local public bus services to ensure that best value for money and efficiency of service is achieved.

The LA will determine the overall level of service, the number and type of vehicles, and the seating capacity requirements to meet the travel needs of pupils and students, taking the following into account:

- the regulations relating to the provision of passenger transport services;
- that a single journey to or from school should ideally not exceed 75 minutes including the time taken for a change of bus – though this is not always possible where services operate to more than one school or site;
- that pupils should not be expected to change buses more than once within a single journey to or from school;
- that it is desirable in the interests of safety and comfort to provide a seat for each pupil/student – though this is not always possible when local public transport services are used.
- that services coordinate with school or college session times (provided that the appropriate notice and procedures required by education legislation have been followed). Head Teachers, Principals and Governing Bodies are requested to consult with the LA as soon as possible on proposed changes to session times, so that the effect of any change can be assessed.
- that Head Teachers, parents and other interested parties must be consulted regarding proposed changes to the travel assistance policy;
- that service delivery must be monitored and complaints dealt with as soon as possible to ensure quality, efficiency and reliability;
- the promotion of the use of sustainable travel and transport modes;
- the promotion of equal opportunities.

Travel Escorts

The LA will determine whether it is necessary to provide an escort, supervisor or other facilities (e.g. on-bus communication facilities) on any of the vehicles used.

Some pupils with special transport needs may require a personal escort for the home to school journey. The SEN Officer will decide if a personal escort is necessary, taking individual circumstances into consideration:

Under these circumstances, the parent/carer may be required to act as the escort for their child. If the journey is beyond the maximum walking distance, the parent would be driven home from the morning school drop and picked up in the afternoon for the return journey. If the journey is less than the maximum walking distance, the parent would be expected to walk home after the morning drop, and walk back to the school for the afternoon pick-up.

Children and Young People with SEND and Disabled Adults transport

On some occasions, it may be appropriate for children and young people with SEND and adults with learning or physical disabilities to be transported on the same vehicle. For example, pupils going to a special school and adults going to a day centre. Before arrangements of this type are agreed by the LA, a robust risk assessment will be undertaken. For any such arrangements, there will be a trained escort on the vehicle.

Transport To and From Pick-up / Drop-off Points

In most cases parents/carers will be expected to accompany their child to a pick-up point identified by the Passenger Transport Team. Pick-up points will be safe and appropriate places for vehicles to pull up and wait. Every effort will be made to minimise the distance to and from pick-up and drop off points but the nearest pick-up point may be up to half a mile away from home for primary age pupils and up to 1 mile away from home for secondary age pupils and Post-16 students.

The pick-up points and times may change throughout the year, as routes will be regularly reviewed following changes to passenger lists. The LA will endeavour to give reasonable notice (4 weeks) of any such changes.

Parents/carers must ensure that appropriate supervisory arrangements are in place for their child's walk between home and the pick up point at the beginning and end of the school day.

Transport To and From Home Addresses

The duty placed on the LA does not extend to the provision of a "door to door" service, however, for a very few applicants, exceptional circumstances may result in transport arrangements being made to and from the home address. If a pupil has more than one place that may be considered a home address, parents/carers must nominate a single address for transport purposes. Arrangements cannot be made for multiple addresses.

Review of Travel Assistance Arrangements

All travel assistance arrangements will be reviewed termly or at times of transition to assess whether the basis for entitlement has changed or whether the mode of travel assistance provided remains appropriate. Travel assistance entitlement will be re-assessed if the home address, pupil needs, educational establishment or course details change.

Parents/carers and/or Post-16 students will be given reasonable notice (4 weeks) if it is decided to withdraw or significantly alter the means of travel assistance.

If parents/carers and/or Post-16 students request a variation to the current travel arrangements, the LA will require reasonable notice (3 weeks) of the change, and will apply the relevant assessment criteria. Parents/carers and/or Post-16 students may be required to make and pay for their own interim travel arrangements in the period between application and, if approved, the receipt of any travel assistance provided under this policy.

Post-16 students will be expected to maintain both satisfactory attendance and progress, and these factors will be taken into account when reviewing entitlement to travel assistance.

Any amendment to, or withdrawal of, travel assistance does not excuse a child of compulsory school age from attending school and it will remain the responsibility of the parent/carer to ensure their child's continued attendance at school.

Behaviour Whilst Travelling

The health and safety of drivers and passengers is dependant on good pupil behaviour. The LA takes a serious view of incidents of poor conduct.

The Education and Inspections Act 2006 empowers head teachers to take action to address unacceptable behaviour even when this takes place outside the school premises. Persistent poor behaviour on the journey to and from school can be grounds for exclusion.

In some cases, if either the LA or a transport operator refuses to allow a pupil to continue to access a particular vehicle due to the pupil's poor conduct, an alternative arrangement may be offered, but only after an assessment of the nature and seriousness of the case.

In the event of a serious incident of indiscipline, vandalism, or anti-social behaviour, or persistent offences of this nature, transport provision may be permanently withdrawn. In these cases the LA would not be implying that travel arrangements were not necessary and should not be provided, but rather that travel arrangements were necessary and had been made but the pupil's behaviour was such that they were unable to take advantage of them. If these circumstances arise, no alternative travel assistance arrangements will be made.

How to apply

Applications for travel assistance for young people with special educational needs or disabilities (including those aged 16 and above attending a college of further education) should be made to:

Special Educational Needs Service
Building 5 Woolsthorpe Depot
Woolsthorpe Close
Nottingham
NG8 3JP

0115 8764300 or by email at special.needs@nottinghamcity.gov.uk

Applications for travel assistance for students age 16 and above in colleges of further education to commence at the start of the Autumn Term should be made wherever possible by the last day of the summer term prior to the start of the new academic year. The LA cannot guarantee to provide travel assistance from the first day of the Autumn Term if applications are received after this date. Where late applications are submitted, parents/carers and/or sixth form students may have to make their own interim travel arrangements, the cost of which cannot normally be reimbursed.

Young people attending Further Education establishments will need to re-apply annually, providing evidence of both satisfactory attendance and progress.

How Decisions are Made

For all children and young people with SEN and disabilities, a travel assistance eligibility assessment will be undertaken by the Special Educational Needs Service at the point of application, and reviewed yearly or when circumstances change, e.g. a change of educational establishment, change of home address.

The information used for the assessment is gathered from various sources including:

- School reports
- Parents
- The young person
- Medical reports (including CAMHs)
- Social care
- Education, health and care plans

The travel assistance eligibility assessment or review will consider the individual needs of the child or young person in 6 key areas:

- Mobility
- Medical needs
- Behavioural issues
- Vulnerability
- Practicality
- Independence and Independent Travel Training suitability

When the assessment is completed, the SEN Service will decide whether or not a child or young person is eligible as a result of their SEN and disability to travel assistance, the type of travel assistance to be offered, and whether or not it is appropriate to offer Independent Travel Training.

How to appeal if you are unhappy with a decision

Appeals Process for pupils with a special educational need or disability

The Local Authority has a 2 stage review and appeals process as recommended by the Department for Education. The timings for responses may be extended if additional time is required to gather supporting information, or delayed by school/college holidays.

Please note that whilst the review and appeal process takes place the parent/carer will remain responsible for arranging and funding for any travel arrangements that a parent/carer may feel is necessary.

The appeals procedure is in two stages:

Stage 1: Review by a Senior Officer of the council.

- A parent/carer has 20 working days from the date of the transport decision letter, to make a formal written request asking for a review of the decision.

- The written request should detail why the parent/carer or young person believes the decision should be reviewed and give details of any personal and/or family circumstances, including medical evidence, they believe should be considered when making the decision is reviewed.

- Within 20 working days of receipt of a written request, a Senior Officer will review the original decision and send a detailed written notification of the outcome of their review, including information about how the parent/carer can escalate their case to stage two (if appropriate)

Stage 2: Review by an Independent Appeal Panel:

- If a parent/carer are dissatisfied with the outcome of the review of their case, they have 20 working days from the receipt of their decision letter to make a written request to escalate the matter to stage two.

- Within 40 working days of receipt of the parent/carer's written request an Independent Appeal Panel will be arranged to consider both written and (if the parent /carer wishes to attend the panel hearing) verbal representations from both the parent/carer and officers involved in their case.

The Independent Appeal Panel members will be independent of the original decision making process (but not required to be independent of the local authority) and suitably experienced, to ensure a balance between meeting the needs of the parent/carers and the local authority.

If a parent/carer or student is still not satisfied with the outcome of the appeal, there is no further right of appeal to the Council. However, there is still the right to appeal to the Secretary of State or to take independent legal action.

If a parent/carer or young person feels that their appeal has not been treated fairly or in accordance with the LA's policy, the Local Government Ombudsman can be contacted for help and advice on 0300 061 0614 or at www.lgo.org.uk

The Legal Framework

S508B and 508C of the Education Act (the "Act") make provision for local authorities to ensure that suitable travel arrangements are made, where necessary, to facilitate a child's attendance at school. The provisions apply to home to school travel arrangements and vice versa.

Under s444 of the same Act, parents are responsible for ensuring that their children attend school regularly.

S508B of the Act deals with the duty on local authority to make such travel arrangements as they consider necessary to facilitate attendance at school for eligible children. Schedule 35B of the Act defines eligible children – those categories of children of compulsory school age (5 – 16) in an authority's area for whom free travel arrangements will be required.

The categories of eligible children include those who cannot reasonably be expected to walk to school because of their mobility problems or because of associated health and safety issues related to their special education needs or disability. Eligibility, for such children, should be assessed on an individual basis to identify their particular transport arrangements.

In determining whether a child cannot reasonably be expected to walk the Local authority will need to consider whether the child could reasonably be expected to walk if accompanied, and if so, whether the child's parent can reasonably be expected to accompany the child.

The Council has a statutory duty under Section 10 of the Education and Skills Act 2008 to exercise its
functions so as to promote the effective participation in education or training of persons belonging to
its area with a view to ensuring that those persons participate in appropriate full time education or training, an apprenticeship, or are in full time occupation and participate in sufficient relevant training, all pursuant to section 2 of the 2008 Act.

The Council also has a statutory duty to publish a Post 16 Transport Policy Statement every year. This statement should set out the arrangements for the provision of transport or otherwise that the authority considers it necessary to make for facilitating the attendance of persons of sixth form age at:

- schools,
- institutions maintained or assisted by the authority which provides further education or higher education or both
- institutions within the further education sector, any 16-19 academy or any other establishment at which the authority secures the provision of education or training.

Post 16 transport to education and training statutory guidance dated February 2014 requires the council, in planning transport provision to take into account its duty to promote effective participation under the 2008 act and the duty under section 2 of that act on young people to participate in education or training up to age 18.

Sen Code of Practice 2015.

The Code of Practice (Special Educational Needs and Disability 2015) indicates that transport should be recorded in an Education, Health Care Plan only in exceptional cases where the child has very specific transport needs.

Equality Act 2010

The Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or
  under the Equality Act 2010
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it: Equality Act 2010 section 149(1).

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation: section 149(7)

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low
- The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.
- Compliance with the duties in this section may involve treating some persons more favourably than others.

Local Government & Social Care OMBUDSMAN

Final report by the Local Government and Social Care Ombudsman

Investigation into a complaint against Nottingham City Council (reference number: 18 018 188)

10 November 2020

The Ombudsman's role

For 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- apologise
- pay a financial remedy
- improve its procedures so similar problems don't happen again.

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

Key to names used

Miss B	The complainant
C	Her son
D	Her daughter

Report summary

School transport

Miss B complains that:

- the Council unreasonably refused to provide home to school transport for her son C to his previous school and the special academy for pupils with moderate learning difficulties named in his Education Health and Care Plan (EHCP);
- the Council failed to take proper account of the difficulty C has walking long distances due to his hypermobility, or his diagnoses of autism, attention deficit hyperactivity disorder (ADHD) and oppositional defiant disorder (ODD) which make it difficult for him to use regular public transport;
- as a result, in order to get C to and from school, she has had to pay £400 a month to take C in a private taxi;
- this put her into debt on her utility bills and she was no longer able to afford the cost of a taxi for C; and
- this in turn has severely affected his school attendance and his social and educational development.

Finding

Fault found causing injustice and recommendations made.

Recommendations

To remedy the injustice to Miss B and C, the Council has agreed, within one month of the date of this report, to:

- apologise to Miss B;
- reimburse the costs Miss B incurred in getting C to school by taxi (based on £20 a day on the days where Miss B paid for C's transport, plus interest based on the increase in the Retail Price Index):

  - School 1 - £568

  - School 2 - £943;
- pay Miss B £300 for her time and trouble in repeatedly having to make the same complaint and appeal;
- pay Miss B £1,000 to reflect the distress resulting from the difficulty and hardship caused to the whole family as a result of the withdrawal of C's transport and the cost to Miss B of providing transport for C; and
- pay Miss B £5,500 (11 months at £500 each), on C's behalf, to remedy the impact on C of his lost schooling as a result of not receiving school transport.

Within three months of the decision date of this report, it will:

- review its procedures to ensure that decisions on school transport show how it has taken into account individual circumstances and the supporting evidence supplied, and explain the rationale for its decisions;
- ensure that second stage transport appeals are properly minuted to provide a suitable record of the basis for those decisions; and
- be able to demonstrate the new measures and procedures it will put in place to ensure its decisions and appeals are robust and defensible.

The complaint

1. Miss B complains that:

- the Council unreasonably refused to provide home to school transport for her son C to his previous school and the special academy for pupils with moderate learning difficulties named in his Education Health and Care Plan (EHCP);
- the Council failed to take proper account of the difficulty C has walking long distances due to his hypermobility, or his diagnoses of autism, attention deficit hyperactivity disorder (ADHD) and oppositional defiant disorder (ODD) which make it difficult for him to use regular public transport;
- as a result, in order to get C to and from school, she has had to pay £400 a month to take C in a private taxi;
- this put her into debt on her utility bills and she was no longer able to afford the cost of a taxi for C;
- this in turn has severely affected his school attendance and his social and educational development.

Legal and administrative background

The Ombudsman's role and powers

2. We investigate complaints of injustice caused by *"maladministration"* and *"service failure"*. We have used the word *"fault"* to refer to these. We cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. We must consider whether there was fault in the way the decision was reached. If there has been fault which has caused an injustice, we may suggest a remedy. ***(Local Government Act 1974, sections 26(1),26A(1) and 34(3), as amended)***

The law and the statutory guidance about school transport

Suitable transport for eligible children

3. As set out in the Education Act 1996, councils must make arrangements to provide suitable free school transport to those *"eligible"* children of statutory school age who:

- attend their nearest suitable school and live further than the statutory walking distance. This is two miles for children aged less than eight years old and three miles for children eight and above;
- are from a low-income family, defined as receiving free school meals or in receipt of the maximum Working Tax Credit. These children are entitled to free school transport if their nearest suitable school is more than two miles away if they are aged eight to eleven;
- cannot reasonably be expected to walk to school because of their mobility problems or because of associated health and safety issues related to their special educational needs or disability. Eligibility for such children should be assessed on an individual basis to identify their particular transport requirements. Usual transport requirements (e.g. the statutory walking distances) should not be considered when assessing the transport needs of children eligible due to special educational needs and/or disability. ***(Education Act 1996 section 508B and Schedule 35B)***

4. The Government also issued statutory guidance in July 2014 to local education authorities on home to school transport. This says:

- When determining whether a child with special educational needs, disability or mobility problems cannot reasonably be expected to walk to school, councils must consider if the child could reasonably be expected to walk to school if accompanied. If so, councils must also decide whether the child's parents can reasonably be expected to accompany the child on the journey to school, taking account of a range of factors including the child's age and whether one would normally expect a child of that age to be accompanied. ***(Home to school travel and transport guidance - Statutory guidance for local authorities 2014, paragraph 17)***
- For a council's school transport arrangements to be suitable they must also be safe and reasonably stress free, to enable the child to arrive at school ready for a day of study. ***(Home to school travel and transport guidance - Statutory guidance for local authorities 2014, paragraph 35)***

Disruption to education

5. The statutory guidance states:

> *"Where entitlement to extended travel rights has been established the department's opinion is that local authorities should consider the pupil to be eligible for the entirety of the school year for which the assessment has been made. If a pupil ceases to be eligible any change to provision made by the local authority must be considered in the context of the potential impact on the child. Disruption to a child's education should be avoided."* ***(Home to school travel and transport guidance - Statutory guidance for local authorities 2014, paragraph 25)***

Appeals process

6. The statutory guidance recommends a two-stage procedure for school transport appeals:

- Stage 1: review by a senior officer.
- Stage 2: review by an independent appeal panel.

7. The guidance recommends that the parent should be able to make both written and oral representations to the panel.

8. At both stages of the appeals process, the decision should set out:

- the nature of the decision reached;
- how the review was conducted;
- information about other departments and/or agencies consulted;
- what factors were considered; and
- the rationale for the decision.

Defence against non-attendance

9. The statutory guidance states:

> *"Parents are responsible for ensuring that their children attend school regularly. However, section 444(3B) of the Act provides that a parent will have a defence in law against a prosecution by a local authority for their child's non-attendance at school where the local authority has a duty to make travel arrangements in relation to the child under section 508B and has failed to discharge that duty."* ***(Home to school travel and transport guidance - Statutory guidance for local authorities 2014, paragraph 15)***

Our Focus Report on School Transport

10. As part of our role, we periodically issue Focus Reports to highlight common or systemic issues we see. These reports share learning from complaints to help councils and care providers make improvements, contribute to public policy debates, and give elected members tools to scrutinise local services.

11. In March 2017, in response to growing numbers of complaints about school transport, we issued a Focus Report entitled *"All on board? Navigating school transport issues".*

12. In that report, we highlighted a range of issues. These include that:

- councils must not only consider mobility issues, but also whether a child has non-physical problems associated with their special educational needs or disability, which mean that it is not reasonable for the child to walk to school; and
- councils must also ensure that, in reaching decisions on school transport (whether at application or appeal stage), they properly consider a child and family's individual circumstances. They must also demonstrate what factors have been considered and taken into account in reaching a decision.

How we considered this complaint

13. We produced this report after examining the relevant documents and correspondence from the Council and the complainant. We have had discussions with the complainant, made enquiries of the Council and considered the comments it provided in response. We have had regard to the relevant law and statutory guidance, and the Council's Home to School Travel Assistance Policy.

14. We have given the complainant and the Council a confidential draft of this report and invited their comments. The comments received were taken into account before deciding whether to finalise the report.

15. Under our information sharing agreement, we will share this report with the Office for Standards in Education, Children's Services and Skills (Ofsted).

What we found

What happened

The Council agreed to provide school transport for C by taxi in 2015

16. Miss B lives with her son C and daughter D. They are both of primary school age. The family are on a low income, and the children receive free school meals. C sees his father regularly, but his father lives on the other side of the city.

17. C was referred to a community paediatrician who diagnosed him with autism in September 2014. C was also experiencing pain in his legs when walking distances and the community paediatrician diagnosed hypermobility.

18. In May 2015, an occupational therapist (OT) in the Council's Disabled Children's Team provided a letter supporting C's application for school transport. She confirmed C's hypermobility and difficulty walking. The OT also commented that:

> *"[C]'s Autism presents as unpredictable behaviours resulting in a lack of awareness when out in the community. [C] is at a high risk of absconding and will run into the road without consideration for his own safety. [C]'s autism also*

has an impact on his social skills meaning that he will trust anyone and also does not understand who he is able to talk to."

"[C] needs to attend school to maintain his education and develop his skills. In order to attend school [C] will need to transport to ensure that he is safe. It would not be possible for [C] to walk to school due to his mobility needs and behavioural needs. C would have to rest regularly and walk slowly to ensure that he did not tire too quickly."

19. The Council provided a wheelchair for C to help with his mobility. C was also awarded the lower rate mobility component and the highest rate care component of Disability Living Allowance.

20. C started attending School 1 in November 2015. In December 2015, Miss B applied for Special Needs Travel Assistance for him. At the time, C was under eight years old and the home to school distance was over two miles.

21. Miss B said that C could neither walk to school nor take public transport with adult supervision. She explained that he had hypermobility, walked on tiptoe, had limited balance, and sometimes used a wheelchair. He also had autism and did not understand road safety. Miss B said she could accompany C to school in a vehicle but could not walk with him to school due to her own medical issues. She provided details of C's paediatrician and OT.

22. A second paediatrician also diagnosed C with ADHD in 2016. In March 2016, the Council agreed to provide transport for C by taxi to his school until June 2020. The stated decision reason was that C's designated school was over the walking distance and that he used a wheelchair. The comments section on the form also stated that C had hypermobility, autism, and ADHD. C's sister, who was attending the same school, travelled with him in the taxi.

Miss B reapplied for transport for C to attend School 1 after a house move in 2017 – the Council refused

23. Miss B and her children had to move home in 2017. Miss B and her partner also separated and understandably this had a significant impact on C. However, his school attendance in the autumn term 2017 was 90%.

24. Miss B applied for transport for C from the family's new address to School 1. C was now over eight years old, and the family still on low income. However, the home to school distance was now around one and a half miles so there was no automatic entitlement to transport under the low-income criteria. That said, Miss B explained that she was applying for the same reasons as before and that C sometimes used a wheelchair.

25. The Council continued to provide transport but reviewed C's transport eligibility. A special educational needs (SEN) officer contacted C's school to ask if he still required his wheelchair in and around school. The school replied that:

"[C] has not had his wheelchair in school since the summer term of 2016, this was a similar time to an appointment with his [community] paediatrician and school had liaised closely with [the paediatrician]."

26. On 21 December 2017, an SEN team manager wrote to Miss B and advised her that C had received travel assistance from his previous address: *"as he met the transport criteria on distance"*. She refused Miss B's application because C no longer met the distance criterion. She told Miss B she would have to make her own arrangements for C's transport after Christmas but that she could appeal.

27. Miss B started paying for taxis from the beginning of January 2018 to get C (and D) to school. She also appealed against the refusal of transport. She provided a copy of the OT's May 2015 letter and explained that:

- C could still not walk to school because of his hypermobility and lack of sense of danger;
- he could not travel on public transport because of his autism, ADHD and ODD, which could lead him to him attacking people either physically or verbally;
- she had health problems and could neither chase nor carry C;
- she used the same taxi drivers for C wherever possible as they were familiar with his needs. She also used the same taxi company when C was not in school; and
- stopping C's travel would affect his attendance and routine and would set back both his behaviour and education.

28. The SEN team manager contacted the second paediatrician to ask if there was a health reason why C could not take public transport to school when supported by an appropriate adult. She said she had an old letter from C's OT advising that he struggled to walk long distances, but the case was closed with the OT so she was uncertain whether this advice was still current.

29. The second paediatrician confirmed that C had problems with autism, ADHD and sleep deprivation which had led to increasingly challenging behaviour. He said that Miss B had explained about C's behavioural difficulties including him refusing to walk due to tiredness and pain in his shins, having poor awareness of danger (including from strangers), stepping out into traffic without checking, trying to jump off buses, repeatedly ringing the bell on the bus and making inappropriate comments. He was not convinced that C had hypermobility but recognised that C had intermittent pain in his legs and would investigate this with further tests.

30. The Council wrote back to Miss B in February 2018. It explained that the paediatrician's letter advised that:

> *"C has no physical barriers to walking, although he states that you have identified concerns regarding the management of [C]'s behaviour on public transport*."

31. It also explained that C no longer met the distance criteria for assistance following the family's house move and:

> *"there is no clear evidence that C cannot travel to school safely when accompanied by a responsible adult and therefore the decision remains not to offer travel assistance"*.

32. The Council said it would refer the papers for a further appeal.

33. Miss B continued to pay for taxis for C when she could, though she could not afford to do so every day. C's attendance in the spring term fell to less than 50%. Miss B paid for taxis the days that C attended and for her daughter on several other days when C did not attend.

34. In the meantime, Miss B asked the Council to consider an Education, Health and Care Plan (EHCP) for C.

35. Miss B has explained that the disruption to C's transport affected his willingness to go to school and impacted his schooling. C was excluded by the school before the Easter holiday and, after returning to school in April 2018. Miss B paid for

taxis for her daughter for the first three weeks of term, though C only attended school the first day.

36. School 1 was concerned that C and D were not attending regularly and contacted the Council, which wrote to Miss B to warn her about the children's attendance. Miss B says the school told her that, if C were excluded once more, he would be sent to a school for children who had been permanently excluded. As C was being assessed for an EHCP and she was trying to get him into a school that was appropriate to his needs, Miss B was very concerned that a permanent exclusion would stop C getting a placement at the school she was seeking for him. She therefore felt she had to take C off roll at School 1 to prevent this. C received no schooling at home aside from some Key Stage 2 books purchased by Miss B.

37. As part of the EHCP process, the SEN team obtained information in May 2018 from a range of professionals including School 1's Nurture Team, Special Educational Needs and Disabilities Coordinator and C's paediatrician.

38. The school's Nurture Team observed that C was physically healthy, enjoyed PE and had never struggled with physical activities. They also commented on the breakdown of relations with the school, the impact they felt this had had on C's mental health and C's resulting aggressive behaviour. They commented on how the withdrawal of transport had made it difficult for Miss B to get C to school as she could not afford taxis, and this in turn had affected C's attendance and behaviour and he had regressed significantly.

39. The second paediatrician noted C's earlier diagnosis of hypermobility and Miss B's reports of C's increased leg pain. He had not observed significant pain in clinic (nor had the school during school hours) and had observed a full range of movement and normal hip and knee x-rays. He noted C's behavioural difficulties and ODD which might relate to his ADHD/autism diagnosis. He emphasised that, given C's autism, sufficient attendance at school would be crucial for his future development and learning. A third paediatrician would continue to review C.

40. The Council responded to Miss B's second stage transport appeal. The reviewing officer refused the appeal on the same grounds as the first appeal.

41. The Council completed C's EHCP in July 2018 and agreed extra provision for C. The EHCP named School 2, a local special academy for pupils with moderate learning difficulties, for C to attend from September 2018. It repeated the second paediatrician's comments on C's leg pain and autism/ADHD. The EHCP referred to C's behaviours: his fight or flight response when anxious; overreaction to events; verbally and physically aggressive behaviour; unpredictability; and inability to consider risk or danger. In the Social & Emotional Well-being and Mental Health sections of the EHCP, the desired outcomes for C included belonging and full-time attendance at school.

Miss B reapplied for transport when C moved to a special school, School 2, in September 2018 - the Council refused

42. In August 2018, Miss B submitted a transport application for C to School 2. C was now over eight years old. Although the family was on a low income, the home to school distance was also around one and a half miles, so there was no automatic transport entitlement under the low-income criteria. However, Miss B again explained that C had difficulty walking, walked on tiptoe and that this caused him pain. She again referred to C's behavioural difficulties in public and social situations. She said she was not sure that she could accompany C as her daughter was still attending School 1 which was some distance away.

43. The SEN team manager wrote to Miss B at the end of August 2018 rejecting her transport application because it did not meet the distance criteria. Although C could walk short distances, the letter made no reference to whether C could walk one and a half miles to school, or travel accompanied on public transport.

44. In early September 2018, the SEN team received a letter from C's third paediatrician as Miss B had raised concerns about parts of the EHCP. She said that Miss B was concerned that, although the EHCP referred to the second paediatrician not having observed significant leg pain, there remained concerns that C had leg pain and that he could only walk short distances. She explained that C would be having physiotherapy to help with his walking difficulties. She also passed on Miss B's concerns that the EHCP made no reference to C's sensory difficulties.

45. Miss B appealed the school transport decision under the first stage of the Council's procedures. She explained that C had difficulty walking far and could fall to the floor in pain. She said he was awaiting a physiotherapy appointment. She referred to his challenging behaviours and that he swore, shouted, and screamed. He found it difficult to deal with a lot of noise and reacted physically if stared at.

46. She also explained the difficulty getting both children to different schools at the same time. She said the Council already had information from C's OT and former disabled children's team worker and explained that C's behaviour had worsened. She said that, if the Council would not provide transport, she would have to keep both children off school because she could not afford £400 a month for taxis.

47. The Council responded to Miss B's first stage appeal in September 2018. Its response stated:

> *"the reason[s] for not granting travel assistance is that [C] does not meet the criteria on distance grounds for eligibility for travel assistance"*.

48. The appeal response referred to an available bus route, which involved 788 metres of walking. It referred to letters which Miss B had provided referring to C's leg/pains stiffness and physiotherapy referral but said that these:

> *"do not state that any of the medical professionals involved are of the view that C is unable to travel to school by public transport/walking so I cannot conclude that he has a special transport need that requires the LA to offer home to school travel assistance"*.

49. After C's return to School 2 in September 2018, Miss B paid for taxis for most of the first half of the term when C attended quite regularly and for some of the second half of the term. In all, C's attendance in the autumn term was 56%.

50. C saw a paediatric physiotherapist in December 2018, and Miss B appealed again in January 2019 under the second stage of the Council's procedures. This appeal involved an independent school transport appeals panel.

51. In her appeal, Miss B again explained C's difficulty walking. She also asked the panel to consider the evidence that she had previously submitted. She said she could not afford transport for C and that, since it had been cancelled, this had significantly affected his school attendance, education, and behaviour. She referred to an incident before Christmas where C had refused to get in a taxi to come home because it was not his usual driver. In all, it had taken an hour and a half to calm him down, get him in the car and leave the school grounds. This caused further problems as she also had to meet her daughter from school.

52. Miss B provided a December 2018 letter from C's physiotherapist. This stated that C's hypermobility, poor foot posture and reduced core stability caused C knee pain. It concluded that C "*is able to walk short distances only"* and *"is always likely to have limited walking distance…"*. Miss B also referred to the difficulty that C experienced when presented with a change in his usual routine and that even a change in his usual taxi driver could prove very distressing for C.

53. The appeals panel considered Miss B's appeal. It noted that C had been refused transport on grounds of distance and considered whether C could walk to school. It noted the school's comments that C had not been using his wheelchair. It also noted the physiotherapist's comment that C was *"able to walk short distances only"* but had no clear view on what this meant. There was a comment that the Council was not saying that C would have to walk and that buses were wheelchair friendly. There was a brief reference to C's behavioural issues and the fact that the SEN team had considered C's physical and educational needs. The panel noted that C had some walking ability, that the physiotherapist was proposing insoles for C and had a plan for stretching and exercises. It also noted that he did not need an ambulance to take him to school, though Miss B had not suggested this. However, it made no reference to the physiotherapist's comment that C *"is always likely to have limited walking distance"*. It considered that C's father, who lives in the other side of the city, and a grandparent could provide support. As there were three adults to assist C, the panel agreed with the decision to refuse transport.

54. The Council wrote to Miss B in late January 2019 refusing her appeal. It found that the SEN Team had considered C's application in line with the transport policy. It said it acknowledged the additional points raised and information provided, but made no specific reference to any correspondence provided or points made by Miss B. It concluded that the original decision to decline transport was correct under the eligibility criteria.

55. C did not resume at school for the first two weeks of the spring term and only attended on a few occasions when Miss B paid for taxis. So School 2 funded taxis for C for a two-week period in February 2019 to try and help him settle back into school, though C only attended two days.

Further evidence from a paediatrician in May 2019 – the Council agreed to provide C's school transport

56. Miss B then complained to us.

57. C attended school for just four days at the start of the summer term. In May 2019, Miss B obtained a further letter from C's third paediatrician which stated:

> *"I was disappointed at today's assessment to hear that he has not attended school for some months. This is because he does not currently qualify for transport to and from school. He started at [School 2] as you know at the beginning of this academic year after significant difficulties at his previous school and long periods of non-attendance. He made a good start at [School 2] where he is settled, enjoys attending and was progressing. However, because of the family's proximity to school he did not qualify for transport to school and mum therefore was needing to get him there by taxi everyday which she is unable to continue to sustain financially. She is unable to get [C] to school by any other methods.*
>
> *Walking is not possible because his hypermobility and pain problems mean that he tires very easily and can only walk very short distances. He has been*

provided with a wheelchair and the family do use this occasionally for trips out. However, at his previous school he felt that he was bullied for being a wheelchair user and he refuses to go to school in his wheelchair (he does not need the wheelchair to mobilise around the school). He struggles with going on any public transport for a number of reasons. Firstly, he finds it very difficult to tolerate a lot of people around him, or the noise and smells that he may encounter on public transport. He is frequently verbally abusive to other passengers and has on one occasion been aggressive. Because of these problems mum therefore feels that the only option is to take him to school by taxi which she cannot afford long term.

It would be a great shame if having found [C] a place at a school where he is settled, happy and making progress, that this is jeopardised by the transport issues. I do hope that some special consideration can be made in supporting the family to get him from home to [School 2] in order to maintain the placement."

58. Following receipt of this letter, the Council reviewed its decision and agreed to provide transport for C because it demonstrated:

"that [he] was unable to walk the required distance to his nominated school and found difficulties using public transport to undertake said journey".

59. The Council has since agreed to provide £20 a day as a budget for Miss B to send C to school by taxi. C resumed schooling at School 2 in July 2019 with a staged return for three and then four days a week.

60. He then attended School 2 regularly five days a week from September 2019 until the lockdown in Spring 2020 due to the coronavirus outbreak.

Analysis

Withdrawal of transport to School 1 in January 2018

61. The Council says it originally awarded transport due to C's hypermobility and pain walking, and because the school he attended was over the statutory walking distance.

62. When Miss B re-applied for transport in 2017 after moving home, the Council checked with the school whether C was using a wheelchair but it did not check with medical professionals whether he still needed a wheelchair before deciding to withdraw transport. This was fault. The Council should not have withdrawn transport without checking with medical professionals.

63. The Council's refusal letter says it had awarded transport based on distance and was withdrawing it because the distance criterion was no longer met. However, if the Council considered that C's previously identified conditions no longer prevented him from walking to school, it should have stated this as a reason in its letter.

64. Miss B had applied for transport on the same grounds as before, and the Council says the transport team was aware of C's autism/ADHD. But the May 2015 occupational therapist letter provided with the original application said that C needed transport to keep him safe. The Council did not consider this in withdrawing C's transport and did not refer to this in its decision letter. This was fault. The Council should not have withdrawn transport without having regard to this.

65. The statutory guidance advises councils to have regard to the need to avoid disruption to a child's education when eligibility changes mid-year. Children with autism can be particularly sensitive to changes in routine, but the Council did not consider the potential disruption to C's education or the possible impact on him of the change of routine when withdrawing transport during the academic year. Moreover, by notifying Miss B just before Christmas of the withdrawal of transport from the beginning of January it effectively gave no notice of the change. This was fault. Given C's difficulty coping with change, this would have been very unsettling for him and caused him distress.

Refusal of appeals for transport to School 1 in 2018

66. The Council's first stage appeal response said that *"[C] has no physical barriers to walking"*. This statement does not properly reflect the medical advice. The second paediatrician was not convinced that C had hypermobility, despite the earlier diagnosis. But he recognised that C had intermittent pain and wanted to do more tests. This suggests that the medical advice was not properly considered. This was fault.

67. The second paediatrician had also referred to C's autism and explained that this was leading to increasingly challenging behaviour. This was clearly relevant to the concerns that Miss B had raised about the difficulty taking C on public transport. However, no reference was made to this in the first stage appeal response.

68. As to the refusal of the second stage appeal for School 1, the Council received information from the second paediatrician before sending the second stage appeal response. The paediatrician had not found evidence to support the hypermobility diagnosis during the EHCP process but had noted Miss B's concerns about C's leg pain. The Council refused the appeal because it considered there were no physical barriers which prevented C from walking.

69. In refusing C's second stage appeal, the Council also concluded that, although there were concerns about C's behaviour when using public transport, it was felt that he could access public transport when supervised by an appropriate adult. However, the second paediatrician had referred in his February letter to C's increasingly challenging behaviour. Moreover, during the EHCP process, both the school and the second paediatrician had referred to C's serious behavioural problems and aggressive behaviour. In view of this, it is unclear what evidence the Council had to support its conclusion that C could use public transport if supervised.

70. So, in addition to the failure to properly consider the decision to withdraw transport, we consider that there were also serious deficiencies in the way it considered Miss B's appeals against that decision.

Refusal of transport to School 2 from September 2018 and subsequent appeals

71. When Miss B applied for transport for C to School 2 in August 2018, she again referred to C's difficulty walking and his behavioural problems. However, the Council's rejection of her application did not refer to this but simply said that he did not meet the distance criteria. This was fault.

72. When refusing Miss B's first stage appeal, the Council took into account the third paediatrician's August 2018 letter but refused the appeal because:

> *"the letters do not state that any of the medical professionals involved are of the view that C is unable to travel to school via public transport/walking"*.

73. However, the third paediatrician's letter stated that:

> *"there are concerns that [C] does have pain in his legs that limit his exercise tolerance to only being able to walk short distances before he needs to rest"*.

74. We do not therefore consider that the Council's response properly represents the third paediatrician's concerns.

75. As to the refusal of Miss B's second stage appeal for transport to School 2, she was not offered the opportunity to make an oral presentation to the panel, as recommended in the statutory guidance.

76. The appeal notes show that the panel considered whether C was able to walk to school. The reference to whether C needed an ambulance to get to school was irrelevant. It does not appear that proper weight was given to the physiotherapist's view that C's walking difficulties were likely to be permanent. Moreover, the panel had no clear view on how far C could walk, so it does not appear that it was able to form any clear view as to whether he could walk to school, nor does it appear to have done so.

77. As to whether C could travel on public transport due to his autism and behavioural difficulties, despite the extensive evidence of this in the Council's possession, there was minimal reference to this and nothing to suggest that the panel was able to reach an informed view on whether C could do so.

78. Rather, the decision to refuse transport appears to be based largely on the fact that there were three adults available to assist C. The panel was entitled to consider whether someone with parental responsibility could provide transport. But one of the three was a grandparent of C, who had no parental responsibility and so was not relevant to the decision. The second was C's father. Despite the earlier reference to C's father living on the opposite side of the city, there is nothing to suggest that the panel considered whether it would be reasonable or practical for him to provide travel on a daily basis, and how this would be achieved. Moreover, the fact that the Council is now providing transport, suggests that it does not consider this to be practical.

79. Furthermore, the decision letter does not show how the Council considered the specific evidence that Miss B had put forward and sheds no light on the basis for the panel's decision. Given the lack of clarity, omissions, and irrelevant factors in the panel's consideration of C's transport request, we do not consider that the panel properly considered Miss B's appeal.

Appeal process

80. At the time of Miss B's second stage appeal for transport to School 1, the Council's policy was for a single officer to consider second stage appeals. However, we expect councils to follow the recommended two-stage appeals process, which includes an independent panel at the second stage, unless they have good reason not to.

81. Following a separate complaint to us (18 008 390), the Council agreed to amend its policy in November 2018 so that an independent panel would consider second stage appeals. Accordingly, C's second stage appeal for transport to School 2 in January 2019 was considered by an independent panel.

82. The Council has explained that it has minuted second stage appeal hearings since January 2019. However, at this stage it had not interpreted the statutory guidance to mean that it should specifically invite the parent to attend or contribute more than already submitted by them when escalating the appeal.

83. In response to another school transport complaint (18 016 952), we found fault in the way the Council considered the complainant's appeals, including the lack of information provided in the decision letters and that there was no right to make oral representations to the panel. In our decision statement, we noted that *"the Council has decided that in future appellants would be invited to make verbal representations"*.

84. In response to our recommendations, the Council agreed in July 2019 to:

- ensure its appeals process follows the guidance; and
- amend the appeals section of its transport policy to reflect the guidance and ensure decision letters comply with this same guidance.

85. The Council has confirmed that it carried out the agreed actions in August 2019. Unfortunately, the Council failed to update the link to its updated policy on its website, so that parents clicking on the link would not be made aware of the up-to-date policy. However, the Council has explained that since August 2019, second stage appeal letters to families contain an invitation to parents to present information in person. The Council has also now updated the link.

86. The Council considers that it has already acknowledged and taken action to amend its policy and practice to reflect the learning and advice from the earlier complaints. As evidence of this, it has provided a copy of the updated policy and a redacted copy of a second stage appeal showing detailed reasons for the appeal decision.

87. Accordingly, it considers that it has already taken steps to address the failings identified in this investigation, which covers the period between autumn 2017 and spring 2019. It considers that the improvements to the way that it has dealt with appeals is borne out by the fact that there have been only three second stage appeals since it amended its policy and practice in response to our July 2019 recommendations.

88. That said, the Council has noted, in particular, the advice contained in paragraphs 5, 8 and 12 above, which focus on transparency and consideration of the wider family circumstances, including any potential disruption to a child's education, which are reflected in our final three recommended actions below. It agrees these recommendations and, going forward, has agreed to pull together the data from school transport appeals into a central monitoring system to allow for stronger management oversight and consistency of communication.

Conclusion

89. It is not our role to say if C should have had transport. However, we consider that there was fault by the Council both in the way it originally decided to withdraw transport for C and in the way it considered Miss B's subsequent requests to have that transport reinstated.

90. In making the original award of taxi transport for C, the Council took into account his diagnosed mobility problems and also had regard to his diagnosis of autism and behavioural problems.

91. However, the Council then withdrew transport to School 1 without seeking medical evidence regarding C's mobility and with no consideration of C's autism, behavioural difficulties or the previous evidence provided of risk to his safety. Furthermore, it did not take account of the statutory guidance that disruption to a child's education by withdrawing transport mid-year should be avoided. Given C's

diagnoses and the potential for disruption to his education, we consider that, had it considered Miss B's application properly, on the balance of probability the Council would have continued to provide transport for C to School 1 for the remainder of the school year.

92. Moreover, the fault in the appeal process for transport to School 1, and the consideration of Miss B's application and subsequent appeals for transport to School 2 means that there is doubt about whether those decisions may have been different if it were not for the fault.

93. Throughout this process, the Council has continually given considerable weight to the second paediatrician's questions over whether C has hypermobility. However, although the paediatrician questioned C's hypermobility diagnosis, he acknowledged C's leg pain, his autism diagnosis, and behavioural difficulties, but the Council gave no weight to this. The third paediatrician was even more clear in her emphasis of C's walking difficulties, yet the Council again gave no weight to this. The Council also appears to have placed little or no weight on evidence in its possession which would support Miss B's case in terms of C's difficulty walking and the risks presented by his behavioural problems.

94. The Council's decision to reinstate transport for C in May 2019 would appear to support the view that, but for the fault, C would have continued with school transport throughout 2018 and 2019.

95. Given there was fault in the process, and on balance we conclude if it had been carried out correctly the Council would have provided transport, then Miss B has suffered a significant injustice.

96. She has paid for school transport for most of 2018, when the Council should have provided this. Given her low income, this would have had a significant impact on the family. It also meant, in times of financial hardship, C did not attend school.

97. We note the breakdown of relations with School 1 and appreciate that this may have contributed to C's reduced attendance. But C's attendance in the autumn term had been 90%.

98. We consider that the Council's decision to stop providing transport and the fact that Miss B could not afford to pay for daily taxis for C meant that Miss B was unable to get C to School 1 regularly. Given C's diagnoses of autism and ADHD and his behavioural problems, on the balance of probabilities the removal of transport significantly contributed to the disruption of C's routine, the deterioration in his behaviour and the breakdown in the relationship with the school. This, together with the cost of transport, significantly contributed to his loss of schooling for half the spring term and the whole summer term of 2018.

99. On balance we also consider that, after the refusal of transport to School 2, the cost and difficulty for Miss B of getting C to School 2 was such that C's attendance was disrupted in the autumn term of 2018 and he then barely attended school in the spring and summer terms of 2019.

100. We consider that the Council's actions have resulted in very considerable disruption to C's education and personal development. In all, C has lost 11 months of schooling over an 18-month period.

101. In respect of procedural and policy changes, we accept that the Council has carried out the actions agreed in response to our earlier investigations and appreciate that the Council has already done much to avoid the circumstances which have led to the fault in this case. We also welcome the further steps that

the Council has agreed to take to seek to ensure the robustness, fairness, clarity, and consistency of its decisions.

Recommendations

102. The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet, or other appropriately delegated committee of elected members and we will require evidence of this. ***(Local Government Act 1974, section 31(2), as amended)***

103. We welcome that the Council has agreed to our recommendations to remedy the injustice caused to Miss B and C.

104. To remedy the injustice to Miss B and C, the Council has agreed, within one month of the date of this report, to:

- apologise to Miss B;
- reimburse the costs Miss B incurred in getting C to school by taxi (based on £20 a day on the days where Miss B paid for C's transport, plus interest based on the increase in the Retail Price Index):

  - School 1 - £568;

  - School 2 - £943.
- pay Miss B £300 for her time and trouble in repeatedly having to make the same complaint and appeal;
- pay Miss B £1,000 to reflect the distress resulting from the difficulty and hardship caused to the whole family as a result of the withdrawal of C's transport and the cost to Miss B of providing transport for C; and
- pay Miss B £5,500 (11 months at £500 each), on C's behalf, to remedy the impact on C of his lost schooling as a result of not receiving school transport.

105. Within three months of the date of this report, it will:

- review its procedures to ensure that decisions on school transport show how it has taken into account individual circumstances and the supporting evidence supplied, and explain the rationale for its decisions;
- ensure that second stage transport appeals are properly minuted to provide a suitable record of the basis for those decisions; and
- be able to demonstrate the new measures and procedures it will put in place to ensure its decisions and appeals are robust and defensible.

Final decision

106. We have found evidence of fault causing injustice.

107. We welcome that the Council has agreed to take the action described in paragraphs 104 and 105 to remedy that injustice. This will provide a satisfactory remedy to the complaint.

108. Notwithstanding this remedy, we have completed our investigation into this complaint by issuing a report because we consider it is in the public interest to do so, given the significant injustice caused to the complainant, and because we also consider this a significant topical issue.

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Audit Committee – 25 February 2022

Title of paper:	Refresh of the Together for Nottingham Plan	
Director(s)/ Corporate Director(s):	Mel Barrett, Chief Executive Councillor David Mellen, Leader of the Council	**Wards affected:** All
Report author(s) and contact details:	Richard Beckett, Head of Major Projects richard.beckett@nottinghamcity.gov.uk	
Other colleagues who have provided input:	None	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note the contents of the report, in order to allow the Committee to continue to provide assurance to the individual themes within the Together for Nottingham Plan.	

1. **Reasons for recommendations**

1.1 To keep Audit Committee up to date with the refresh of the Together for Nottingham Plan (formerly the Recovery and Improvement Plan) in order to enable it to continue to plan and manage its assurance activities against the relevant Themes within it.

2. **Background**

2.1 In November 2020 a Non Statutory Review was carried out at the Council which led to a report being issued with a number of recommendations. The response to that report was the creation of the Nottingham City Council's Recovery and Improvement Plan and the establishment of an Improvement and Assurance Board, both running for an initial three year period.

2.2 The Recovery and Improvement Plan set out a number of actions that the Council committed to undertake in response to those recommendations across eight themes. These themes cover areas such as the Strategic Council Plan, the Council's Constitution and its Medium Term Financial Strategy.

2.3 The initial Recovery and Improvement Plan was approved at an Extraordinary City Council meeting on the 25 January 2021. A refresh of the Recovery and Improvement Plan along with its rebranding to the Together for Nottingham Plan was approved around the time of its first anniversary, by City Council on 10 January 2022.

2.4 The rationale for updating the Plan was threefold. Firstly, the first anniversary provided an appropriate point at which to reflect as to what had been achieved over the course of the first year of the Plan's operation.

2.5 The refreshed Plan highlights the activities completed in the first year both in summary form and through updating the actions at the end of each Theme to indicate which ones had been completed.

2.6 Some of the main activities completed in the first year include:

- Approval and implementation of a refreshed Strategic Council Plan
- The creation of a new Performance Management Framework linking the Strategic Council Plan to Service Plans to the Medium Term Financial Strategy and to individual performance appraisals
- Approval and implementation of a new Constitution for the Council
- A review and re-alignment of member portfolios
- A top tier officer restructure and recruitment
- The creation of an Integrated Transformation Programme
- New or updated polices on Asset Disposals, Debt Management and a Capital Strategy.
- In depth reviews of the Council's Companies
- Training programmes created and rolled out for both members and officers

2.7 Secondly the refresh allowed the opportunity to make sure that the revised Plan was updated to better reflect current and future activity. Whilst the approach to the refresh was light touch so as not to move away from reasons behind the original plan's creation or the focus on the recommendations arising from the Non Statutory Review, it was clear that it would benefit from an update due to the following reasons:

i. Broadening the scope of the Plan – there have been instances, particularly through dialogue with the Improvement and Assurance Board where it has become clear that further items need to be added to the Plan. Examples included additional work on the Council's Risk Management Policy and strengthening financial management training.

ii. Further availability of information – there was early activity within the original Plan which was focussed on conducting in depth reviews into some of the Council's activities. The outcome of these reviews has given the Council a rich picture of information from which the Council is better able to plan its next steps. In some areas, for example the theme on companies, this had led to significant changes in how the Council now intends to proceed in the onward delivery of the Plan.

iii. Next steps – whilst the Plan covered a three year period, the detailed milestones in the original version were heavily focussed on the first six months of delivery. As the activities in each of the Plan themes had developed further the refresh provides an opportunity to better articulate what the next steps will be for each theme over the remainder of the Plan's duration.

2.8 Thirdly the refresh allowed the Plan to be rebranded from the Recovery and Improvement Plan to the Together for Nottingham Plan. This change in name does not represent a change in focus but better helps to articulate some of what the Council is trying to achieve through its Transformation Programme which has become an integral part of the Plan.

2.9 A copy of the Together for Nottingham Plan is attached to this report. It largely retains the same format of its predecessor and is still split over eight themes which remain broadly the same.

2.10 The key changes to the document other than its rebranding include:

- Additional introductory sections to provide more strategic context as to how various Council planning documents fit together, the links between culture and transformation and narrative on external engagement.

- The inclusion of additional work on the Council's Risk Policy, financial management training and the development of a Four Year Medium Term Financial Plan Delivery Plan.

- Updates to how the work in the Assets and Companies Themes will be taking place.

- The addition of actions around the Council's scrutiny activity.

- An articulation of the Transformation Programme.

- Movement of Council Performance from the Theme 6, Organisation and Culture into Theme 8 Council Plan.

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

3.1 None

4. Published documents referred to in compiling this report

4.1 Nottingham City Recovery and Improvement Plan – Extraordinary City Council 25th January 2021.

4.2 Refresh of the Nottingham City Council Recovery and Improvement Plan – City Council 10th January 2022.

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Recovery and Improvement Plan Refresh 2022

Contents

Foreword

This document builds on our original Recovery and Improvement Plan by adding an update as to the position at the end of Year One. The purpose of the original Recovery and Improvement Plan was to confirm and provide assurance to the Government that Nottingham's response to the Non-Statutory Review (NSR) of the Council was positive and being undertaken at pace.

Nottingham is a vibrant, diverse and ambitious city. We are home to the "Nottingham Declaration on Climate Change", and maintain a nationally leading position on carbon reduction with the ambition to be carbon neutral by 2028. We pioneered Early Intervention and Community Care models and maintain award winning parks, leisure and cultural facilities for the benefit of our citizens. Our support for cyclists, and our bus and tram systems are celebrated nationally and internationally.

We have recently delivered a new central car park and bus station and have seen the completion of a new city centre College Hub. We continue to build on the inward investment from those that want to be part of our success over the coming years. Notwithstanding the impact of Covid-19, the building blocks for our success are being put in place.

Nevertheless, as Leader and Chief Executive, we recognise the seriousness of the financial, governance and operational challenges we face, and it is going to take a significant collective effort from all at the Council to address them and reach a sustainable position.

However uncomfortable the findings of the review were for both the political leadership and officers, we remain determined and confident in our organisation's capacity and capability to change.

We are under no illusions about the size and scale of the challenge ahead of us, but working constructively with the Government, our partners, and the people of Nottingham, we are confident we can take the necessary actions, at the required pace, and to the desired quality, to deliver the fundamental changes needed.

Over the last year we have made significant progress through, for example, the refresh of our Strategic Council Plan and launch of an Integrated Transformation Programme.

Over the remainder of the Recovery and Improvement Plan's term, the organisation will continue to go through significant and at times disruptive change, but we will not lose sight of our ambition, values and commitment to fairness, inclusivity and equality for all.

We are committed to ensuring that we continue to deliver the quality statutory and day-to-day local services that help keep the city safe and clean, and that we work in partnership with the communities we serve to build a prosperous city that offers residents the opportunity to realise their potential.

Cllr David Mellen
Leader of the Council

Mel Barrett
Chief Executive

Introduction

Nottingham City Council has taken bold decisions over the last decade to improve Nottingham's neighbourhoods and the city centre environment, through capital schemes, improving housing stock, and better public areas such as parks and neighbourhood centres. New libraries, a new leisure centre, and investment in public spaces have brought about improvement, but the level of financial risk that comes with these investments has not been considered systematically and governance of these schemes has not always been tight enough.

Following the election of a new political leadership in 2019, the Council has embarked on a series of significant changes in order to strengthen both the governance and financial stability of the Council. This has included establishing the Companies Governance Executive Sub-Committee, and launching a Strategic Review of Robin Hood Energy which resulted in a decision to transfer customers to an existing energy supplier and to progress the orderly winding up of the company.

There have also been considerable changes to the senior management of the Council following the departure of the previous Chief Executive in April 2020, including the appointment of a new Chief Executive and an Interim Chief Finance Officer to drive forward Council policy, supported by strengthened management arrangements.

The Public Interest Report (PIR) into the City Council's governance of Robin Hood Energy was published on the 11th of August 2020 and revealed significant failures in the Council's governance of RHE, including a need to improve the council's strategic financial management, overall corporate governance and organisational culture.

The Council was subsequently approached by the Department for Levelling Up, Housing and Communities (DLUHC – formerly the Ministry for Housing, Communities and Local Government) with regards to the possibility of a Best Value Inspection being undertaken. An agreement was reached instead in October 2020 for a rapid Non-Statutory Review (NSR) to be carried out, led by Max Caller CBE.

The NSR rightly highlighted serious and significant areas of concern for the Council, and elected members and senior officers are clear that the Council cannot continue as it has in the past, and we fully accept the recommendations in the NSR.

Nottingham City Council is committed to continuing the improvement journey commenced in relation to the PIR, which will supplement the response to the NSR, for the benefit of the citizens of Nottingham who rely on the Council to provide well planned, effective, and value for money services.

The Council has adopted a spirit of partnership working and collaboration with DLUHC to date and this will continue to do so. The Council looks forward to receiving continued additional support from the Improvement and Assurance Board, and the insights on best

practice that they bring, and will continue to identify and allocate the necessary resources to deliver the required recovery and improvement.

Year One Update

The Council has been working hard to deliver the Recovery and Improvement Plan for over a year, given that work was already in train prior to the original Plan's approval in January 2021.

The anniversary of that approval provides the opportunity to take stock, both to recap as to what has been achieved and also to update our key actions.

Key Progress to Date

The Council has laid strong foundations over the past year through the achievement of a number of key milestones. It is recognised though that this is only the first step in our improvement journey and that over the remainder of the Plan term we have to build on this to deliver and embed the transformational change that we are striving for.

In the following pages each Theme sets out what it has achieved in the first year of the Recovery and Improvement Plan in more detail. The highlights are summarised below:

- Approval and implementation of a refreshed Strategic Council Plan, i.e. the Council's Policy Framework
- The creation of a new Performance Management Framework linking the Strategic Council Plan to Service Plans to the Medium Term Financial Strategy and to individual performance appraisals
- Approval and implementation of a new Constitution for the Council
- A review and re-alignment of member portfolios
- A top tier officer restructure and recruitment
- An in depth review of the organisation's culture
- The creation of an Integrated Transformation Programme
- New budget oversight procedures
- A new Assets Disposals Policy
- In depth reviews of the Council's Companies
- The creation of a Shareholder Unit to manage the Council's relationship with its companies more effectively.
- A new Debt Management Strategy
- A new Capital Strategy accompanied by a revised Capital Programme
- A new capital governance and control framework introducing new project controls.
- Training programmes created and rolled out for both members and officers
- The completion of actions from the report in the Public Interest

Key Changes to the Recovery and Improvement Plan

The initial version of the Recovery and Improvement Plan was based on the findings of a Non Statutory Review carried out in November 2020. The Plan itself is wide ranging and covers a three year period.

It was always envisaged that there would be some amendments to the Recovery and Improvement Plan over its lifetime for two main reasons.

Firstly, experience of operating the Recovery and Improvement Plan in 2021 has demonstrated the need to broaden the scope and obtain further definition in a number of areas. Put simply, we now have more information than when the original plan was drafted.

The second reason is that the actions in the initial Plan tended to focus on the first six months of delivery. As progress has been made against these actions the Council is better able to shape what the next set of activity relating to the plans outcomes will be. These updates move project activity further into the future or provide greater clarity as to the actions being taken.

The changes that are set out in more detail in the following sections generally relate to actions and milestones, sometimes with the addition of further projects.

It should be stressed that the main objectives of the Recovery and Improvement Plan and its key deliverables remain unchanged.

To summarise the key changes in the document are:

- The rebranding of the document from the Recovery and Improvement Plan to the Together for Nottingham Plan.
- A series of updates and clarification of milestones across the Themes
- An updated list of actions and milestones for the Companies Theme revising activity to reflect the findings from the in depth reviews.
- The redrafting of the Delivery Options Theme and renaming it to be called Service Delivery and Design to reflect the creation of an Integrated Transformation Programme.
- Moving the Performance Management Framework from Theme 6 (Organisation and Culture) to Theme 8 (Council Plan) to better show the linkages between that and the Council's policy direction.
- The addition of new pieces of work around risk, financial management and scrutiny.

Delivering this updated plan will lead to real and positive change, with lessons learned being applied to a new Council Plan for 2023 to 2027, in line with the council's electoral cycle.

Strategic Context

Introduction

The Together for Nottingham Plan covers a wide range of activity, from the Council's finances to its Strategic Council Plan, from its organisational culture to the updating of its Constitution and much more in between.

It is important that the documents that underpin this work are seen collectively as a whole and that we acknowledge and describe how they interlink and feed into and off one another, to demonstrate that policy, planning and activity are seamlessly delivered.

The Council is using the Together for Nottingham Plan as an opportunity to challenge itself as to the way in which it delivers its services and to strengthen the foundations from which its activity is delivered. This includes the creation of an integrated Transformation Programme, examining how we operate and ensuring that we have a culture that enables the changes set out in this Plan to happen. Further details on these areas are provided later in this document.

Design Principles

The Council has reflected on the feedback it has received through the Non Statutory Review, the Improvement and Assurance Board and other organisations that have been helping us during the first year of the Plan. This has helped underline the need to deliver transformation of both the Council and its services based on some clear and consistent principles. These are:

- Empowering communities to co-design and deliver services, with citizens taking responsibility for their own outcomes.
- Putting the customer at the heart of our thinking to provide timely, cost-effective responsive services.
- Creating a culture and an estate that support our work being done in the best possible place and time.
- Intervening as early as possible to manage demand and improve outcomes.
- Constructing strategically integrated systems and digital tools, using data to create knowledge and insight.
- Building and resourcing an environment for innovation, learning and leadership.
- Choosing the most appropriate delivery model for each service.
- Leading and collaborating with partners to deliver better outcomes and efficiencies.
- Building back a strong intelligent centre for policy, performance, insight and reform.

These principles will form the starting point for our operating model from which we look at any future changes to how the Council

operates, whether it be its structure, processes, policies and / or services.

Core Documents

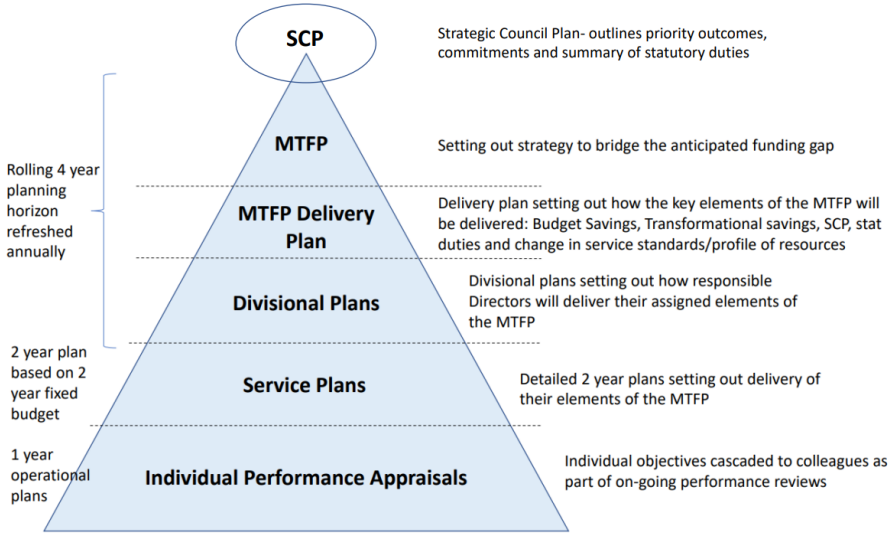
Every large organisation will have a number of plans and strategies which underpin its work and the Council is no different. Some of the key documents that drive the Council and influence how we operate include:

- The Medium Term Financial Plan (MTFP) (rolling 4 year plan) and subsequent MTFP Delivery Plan;
- The Together for Nottingham Plan (2021/22 to 2023/24):
- The (refreshed) Strategic Council Plan (SCP) 2021/22 to 2022/23; and,
- Divisional Plans and Service Plans (rolling 2 year plans)
- Individual Service Plans

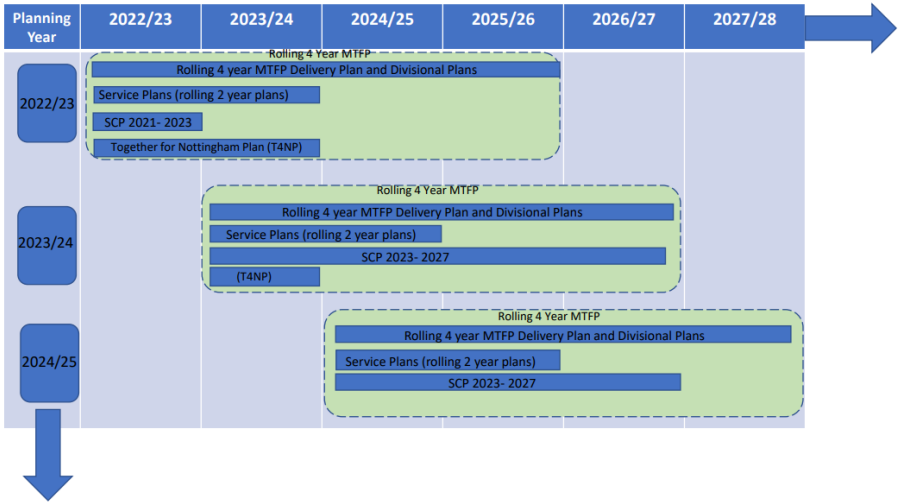
These plans cover different time periods due to the differing purposes and origins of their development. Nonetheless they are all interconnected and integral to each other under the unifying umbrella of the MTFP.

The MTFP and associated delivery plan is a four-year rolling plan outlining how we will maintain financial stability. It sets out the anticipated funding gap and how we will bridge that gap through a range of budget proposals, assumptions around income and a range of projects aimed at transforming how we operate and deliver services within a balanced budget. The Strategic Council Plan sets out the council's high level priority outcomes and commitments that must be delivered within the available resources. The MTFP delivery plan sets out how the key components of the MTFP will be delivered including any budget savings and transformation projects. The MTFP delivery plan is based on the divisional plans, which in turn are the basis of the service plans and individual performance appraisals of colleagues providing a clear connection to the high level objectives.

The diagrams below show the key plans and how they fit within an annually refreshed four year planning horizon.

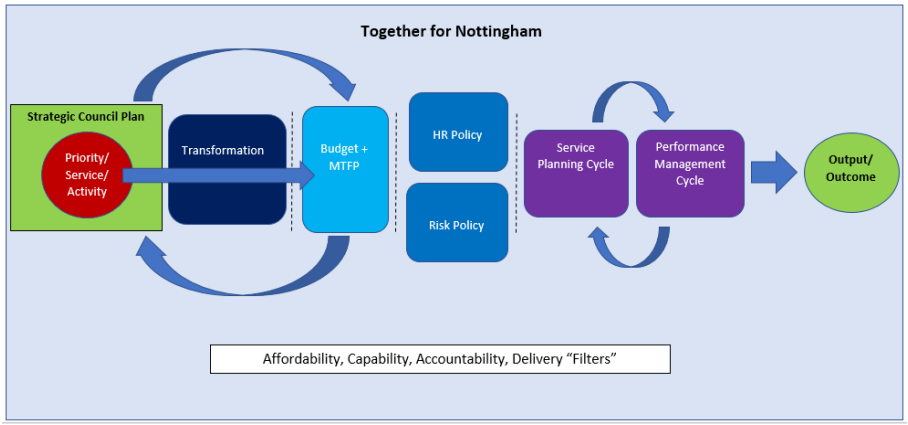


Strategic Context



So whilst there maybe differing time frames associated with the key strategies and policies the four year rolling MTFP and budget envelope is the unifying factor and the MTFP delivery plan is refreshed annually to define what can be delivered with the available resources.

There are other key strategies and policies, some still in development (e.g. Risk Policy and HR Policy), which will be brought together under a coherent policy framework as part of theme 8.



The Council has also revised its Performance Management Framework as part of the Together for Nottingham Plan and this will provide a renewed focus on accountability for delivery.

This will include consistent approaches to performance management across the council with a focus on performance, budgets and risk. This will be the forum through which delivery and risk of the MTFP delivery plan will be managed.

Governance & Assurance

Aims & Principles

In order to place the Council on a sustainable financial footing in the medium term and to protect the delivery of essential services to residents, there is a need to make changes to how the authority operates.

This is required to keep in balance the delivery of a positive vision for the city and the regeneration and renewal required, whilst maintaining essential services to residents within the available financial envelope, and ensuring timely, transparent and accountable local decision-making.

This will mean rationalising the number of organisations delivering core council services, reducing duplication, increasing efficiency, and will involve taking difficult, but necessary decisions in the short term, in order to ensure that the Council can deliver the desired outcomes within a financially sustainable framework over the medium term.

Nottingham City Council, with targeted support from the Government and the Local Government Association (LGA), is undertaking a three year recovery plan to deliver the above, based on the following priorities and principles:

The High Level Priorities for the Recovery Plan are:

- Delivering a sustainable financial footing for the Council in the medium term and protecting delivery of essential services to residents.
- Focusing on providing the best quality core service we can afford, whilst continuing to be safe, clean, ambitious and proud for Nottingham.
- Implementing a Council wide cultural change and improvement programme, to remedy the long standing cultural issues identified by the PIR and NSR.
- Continuing to use our leadership role in Nottingham to unite residents, businesses and partners around a common purpose, and to make a clear case for a better deal for Nottingham.
- Supporting our businesses, partners and residents with the recovery from Covid-19.
- Demonstrating excellence in public administration and effective governance.

Objectives

The Recovery Plan will / has deliver (ed):

- An ambitious, fully costed and deliverable refreshed Council Plan for the City and its recovery from the impact of Covid-19
- The wholesale cultural changes needed to effect meaningful progress.
- A sustainable Medium Term Financial Strategy.
- A refreshed and affordable Capital Strategy and system of Capital Governance.
- A clear plan for reducing and managing our overall levels of debt over the medium to long term.
- A revised approach to the management of the Council's assets.
- A sustainable approach to the Council's company holdings.
- A refresh of the Council's Policy Framework – to ensure it is affordable and deliverable.
- A refreshed Performance Management Framework.
- A modernised Constitution and decision-making process.
- A clear Member/Officer Protocol to support the above.
- Changes to Executive Portfolios to provide clarity of role and link clearly with senior officer structures.
- A programme to build our capacity and invest in the development of our people.

Plan Delivery

We understand the need to provide the Improvement and Assurance Board with the necessary confidence that Nottingham City Council has the capacity and desire, alongside the right targeted support from the Government, to deliver on the Recovery Plan.

The successful delivery of the plan will also require us to build on the strengths of the partnership with DLUHC and develop the support already received from the Local Government sector as a whole, and engage and harness the good will and commitment of City Council staff.

To help provide that assurance, the following sections set out our proposed:

- Prioritisation
- Governance Arrangements
- Plan Management
- External Support from the LGA and others

Prioritisation

Our focus will be on addressing the most pressing and urgent issues first, including a detailed savings plan, this included delivering a robust budget for 2021/22 and establishing an Improvement and Assurance Board to oversee the ongoing development and implementation of the Recovery Plan.

The prioritisation of deliverables in the Together for Nottingham Plan has been set in response to the findings of the NSR and PIR,

acknowledging their criticism of the pace and robustness of Council decision-making, and of delays in taking the appropriate action when issues have been identified previously.

A clear programme management plan, and dedicated resource to support it, will ensure Recovery Plan activity is undertaken with the appropriate pace, robustness and quality.

Governance of the Recovery Plan

A governance structure has been developed based on the introduction of an external Improvement and Assurance Board. The Improvement and Assurance Board will be key to both monitoring the progress of the Together for Nottingham Plan, and providing assurance to DLUHC and wider stakeholders that they can have confidence that the improvements set out in the Plan are being delivered.

The Improvement and Assurance Board is chaired by Sir Tony Redmond, and membership includes the Leader of the Council alongside a number of independent external members, who have been appointed by the Secretary of State to provide oversight and confidence in the delivery of the Recovery and Improvement Programme.

A number of arrangements will be put in place to ensure the timely delivery of the Recovery and Improvement Programme. An Officer Recovery Programme Board, chaired by the Chief Executive and made up of key Corporate Directors and other officers from within the Council, will progress individual programmes and projects within the overarching Together for Nottingham Plan. This work will be supported by a Programme Management Office (PMO), to ensure the Recovery Plan is delivered within its parameters.

Lead officers will be accountable and provide assurance of progress to lead Portfolio Holders, who are in turn accountable to the Leader of the Council, other councillors, and of course the people of Nottingham who elect them. The Lead Councillor and Lead Officer for each Theme is set out at the end of the Actions Table within each Theme. Those fulfilling these roles may change over time to reflect who is best placed to lead on a particular area at a given point in time.

The process for formal decision making will be undertaken in accordance with normal local government practice, including through the City Council's Corporate Leadership Team, Executive Board and Full Council, as appropriate, recognising that a simplified and prompt decision making process will be required to ensure delivery of the plan at the required pace. Links and updates will also be provided to Overview and Scrutiny Committee, Audit Committee and Full Council as appropriate.

The use of a PMO working closely with those officers leading work-stream themes and their underpinning projects will provide assurance that the Plan is being delivered, or if variances occur, that these are identified at the earliest opportunity and mitigation plans are developed to keep that work-stream on track.

This will be done through the creation of a rigorous monitoring process focussing on delivery against milestones, risks, financial implications, and issues that need to be escalated to ensure the programme's success.

Each of the Themes of the Together for Nottingham Plan will form programmes of work. Colleagues delivering these programmes will be responsible for delivering their projects and making sure that the appropriate project documentation, controls and performance management frameworks are in place, to ensure that the projects run effectively.

Plan Management

To support delivery of the Together for Nottingham Plan, a more detailed programme management plan has been developed.

The Programme can be summarised as setting out how the Council will deliver a sustainable balanced budget, in the context of a refreshed policy framework, with transparent and efficient decision making, having regard to the resources that are available.

Given the wide range of those themes, i.e. the Council's finances and policy framework, the scope of the Programme is considerable.

To help narrow this down, the early stages of the Programme will focus on the process for delivering a balanced Medium Term Financial Plan and an ongoing policy framework which is both affordable and deliverable.

A number of programmes, projects and work packages have already been identified to help define activity and the scope of the Programme more tightly. These are summarised at a high level in the later sections of this Recovery Plan, please see the individual Themes and Actions sections.

It is likely that over time, given the extent of the Together for Nottingham Plan and its duration, that other work will be added or potentially sometimes removed, from the Programme. This will only be done in order to ensure that its long-term objectives continue to be met, and will take place with reference to a clearly defined change protocol.

Links to other non-Recovery Plan Activity

The Recovery Plan covers the work the City Council needs to undertake to deliver on the aspirations we have set out to improve and transform the City Council over the next three years.

However, this does not reflect all of the activity the Council is involved in, such as continuing to deliver important statutory and day-to-day services, supporting our city and residents in recovering from Covid-19, and significant projects to support sustainable growth and development of the city and provide opportunities for residents to realise their full potential. These will continue to be delivered and managed in the round through the Council's standard performance management processes, but having full cognisance of the implications of the Recovery and Improvement Plan.

Resources and Management

The Council recognises that over the period of this Plan the way it conducts business will change, with the shape of this work being determined by its revised budget and policy framework.

In the short term, it is also acknowledged that the scale and the pace required to successfully deliver this Together for Nottingham Plan will inevitably lead to a need to provide further resource into the Council on a short term basis. Resourcing requirements will be determined through the creation of Resource Plans for each of the

Themes within the Plan, and appropriate allowances will be made to finance this requirement in the Council's budget setting process. The Council will ensure that this resource does not become core to its ongoing functions and is capable of being quickly stepped down once the specific pieces of work required by the Plan have been carried out.

External Support

We have taken on board feedback from DLUHC and other sources about, at times, being too internally focused, and will seek out sector appropriate support from external agencies where necessary.

We cannot successfully undertake our transformation journey without external support and a willingness to learn from the best practice of others.

We will continue to share and learn from best practice from elsewhere – including use of "off the shelf" solutions where appropriate, to support the pace of our modernisation and improvement journey.

We will also actively seek out robust "check and challenge" from external organisations such as the Chartered Institute of Public Finance and Accountancy (CIPFA), the Centre for Governance and Scrutiny (CfGS) and the LGA, to improve the credibility and transparency of the Together for Nottingham Plan and its programmes, and provide additional assurance for Government.

The LGA has already provided considerable support to the City Council to date, demonstrating the strength of the sector and the willingness of our partners to collaborate and help us in our improvement journey.

This support has included:

- Provision of a Mentor for the Chief Executive.
- Support to the Nottingham City Council Governance Improvement Board.
- All Portfolio Holders will be offered Councillor Mentors.
- Independent challenge and review of our work on revised Committee Terms of Reference.
- Independent review of our progress on delivering the Action Plan in response to the PIR.

Additional support can provide robust check and challenge which will improve credibility and transparency, and additional assurance for Government.

Governance:

- Support, advice and challenge on changes to NCC's Constitution.
- Support, advice and challenge on embedding a new Member/Officer Protocol.
- Training and development for the Audit Committee.
- Training and development for the Overview and Scrutiny Committees.

Governance & Assurance /14

Organisational Culture & Leadership:

- Advice to Leader and CEO as required.
- Dedicated mentoring advice to Leader (in place via Baroness Blake).
- Dedicated coaching, mentoring advice to CEO (in place via Dame Stella Manzie).
- Dedicated role mentoring and 1-2-1 mentoring for each Portfolio Holder.
- Facilitated team session(s) with Full Executive.
- Facilitated session(s) with elected members.
- Workforce development/cultural change (supplier potentially sourced and funded by LGA).
- Offer of a series of member development sessions and Leadership.

Companies and Joint Ventures:

- Review of governance of external companies in the light of the PIR on RHE.
- Advice and support on bringing services back in-house, or leaving them out in an ALMO or other arrangement.

Financial Stability:

- Challenge and advice on the financial strategy.

Monitoring Progress

The proposed approach is to measure delivery of the plan against the identified milestones by exception in order ensure any variance from the original plan is understood and justified.

Additional metrics will be developed to measure longer term impact and progress towards key outcomes. This is likely to include staff surveys and taking views from Members in relation to organisational culture, information garnered from the annual citizen survey, and perception surveys from businesses and partners in terms of the council's openness to collaborating and the effectiveness of joint working. These are expected to be few in number and focus on the measures that provide the clearest indication of movement towards a more sustainable financial position.

Where practical, the City Council will make use of existing measures and reporting mechanisms rather than duplicate effort. In addition, it is anticipated that individual projects are likely to require additional reporting arrangements particular to them. The Improvement and Assurance Board may also have a view on metrics they would want to see reported at regular intervals. Their view will be sought as an early item of business for the Board.

Financial Sustainability

Budget year to date (YTD) variance and Forecast Variance will be monitored using the existing period reporting process. Quarterly figures with commentary will be produced as part of the suite of KPIs for the Improvement and Assurance Board. A mechanism will be developed to distinguish between business as usual (BAU) resources and those consumed on a temporary basis to deliver specific action plan objectives. This will help establish the underlying budget position.

Total capital receipts from asset sales by class will be reported on a quarterly basis against predefined targets.

The quantum of principal repayments will be reported on a quarterly basis along with forecasts for annual total debt. Actual debt levels will be reported on an annual basis. These are measured against predefined targets. The cost of servicing debt will be monitored and reported on a quarterly basis to the Improvement and Assurance Board as an indicator of both affordability of debt levels and taking into account the structure of liabilities.

Culture, Organisation and Workforce Development

Nottingham City Council already undertakes annual employee surveys in addition to the daily contact individuals have with each other and with management. These will allow progress to be measured on the effectiveness of the council's managerial leadership and staff satisfaction in undertaking their roles and provide useful insight into the wellbeing and fulfilment of our employees, as well as shedding some light on where the organisation could do more to help them achieve their full potential. The Together for Nottingham Plan also involves the roll out of a number of training activities, take up and

feedback on these will also be monitored to help inform the understanding of the level of cultural change that has happened to date and to signpost where further activity may be required.

Risk Management

Due to the scope of the Together for Nottingham Plan, the identification and appropriate management of risk will be key to its overall success.

Risk identification and management will take place at all levels within the Recovery Programme in line with the Council's Risk Management Framework. Individual projects within each Theme will be responsible for carrying out an initial risk analysis of their area and then reviewing and updating this on at least a monthly basis.

Risk Analysis and Recording

Risks will be identified and then analysed to understand their potential impact. Risks will be scored to determine their current likelihood and impact using the Council's standard risk scoring methodology. This will allow risks to be RAG rated and used as a tool for prioritising management focus and action. The means of treating each risk will also be determined on a "tolerate, terminate, treat, transfer" basis and logged on a standard template.

The risk log will be updated on at least a monthly basis by the relevant project team, who will also update the risk scores to reflect how their treatment has impacted on the risk.

Risk Monitoring

The monitoring regime being introduced through the Recovery Programme will require the reporting of risk from project level up to Theme level, and then again to the Officer Recovery and Improvement Programme Board. Lead Officers will be responsible for providing assurance to Portfolio Holders. This process will be overseen by the PMO, who will ensure that risks are aggregated and that plans for the treatment of risk are appropriate and acted upon.

Programme risk reporting will be added to the forward plan for Audit Committee, having regard to that committee's important role, (and that Committee received an overview of the Together for Nottingham Plan implementation and control processes in place in March 2021). In addition performance against the Together for Nottingham Plan has been added to the forward plans for Overview & Scrutiny Committee to ensure appropriate oversight of Executive decisions and officer risk management outcomes.

The importance of risk management will be reinforced through regular risk monitoring and reporting processes, in line with the Council's Risk Management Framework. This will ensure it is reported and acted upon at senior leadership level, and assessed and mitigated appropriately throughout the organisation.

Where appropriate risks identified by the PMO will also be incorporated into directorate risk and assurance registers and if needed escalated to the Corporate Risk and Assurance Register. This will ensure that members have an oversight of the high level risks identified by the PMO and will be considered regularly by Executive Board and Audit Committee.

The establishment of this chain of reporting and the use of the PMO means that not only are risks reported in an accurate and timely manner, but that an understanding of risk across the whole Recovery Programme is created. In turn, this will allow the Recovery Programme Board to manage the combined Programme risk against its risk appetite and take action where the two are not aligned.

Key Programme Risks

The following risks have been identified as the Recovery Programme's most significant high level risks:

- Loss of confidence by DLUHC leading to statutory intervention.
- Loss of confidence in the City Council by the citizens of Nottingham.
- Insufficient resourcing of transformation programmes and related projects.
- Officer and Councillor resilience, fatigue and demoralisation.
- The potential for the ongoing Covid-19 pandemic to impact on plan delivery.
- That the Council is unable to set a balanced and sustainable MTFS over a four-year period that delivers statutory services.
- The council fails to deliver the MTFP delivery plan and mitigate for unachieved savings or income and/or transformation assumptions are not realised.
- That the Council's generation of capital receipts does not reach the levels or timescales required to balance its financial needs.
- That organisational structures and culture prevents the delivery of the Recovery Programme to the required manner and timescales.

Culture and Transformation

The Together for Nottingham Plan will lead to considerable change in how the Council operates. To successfully achieve these changes a number of the Themes set out in this Plan will need to work closely together. This applies particularly to our work on the Council Plan (Theme Eight), Service Design and Delivery (Theme Seven) and Organisation and Culture (Theme Six), underpinned by our financial resources set out in the MTFS (Theme One). This section provides an overview of some of these linkages before the detailed work of each Theme is described in subsequent sections.

Transformation

Our vision for the city and its people remains ambitious. However, the context in which we operate has changed dramatically since 2019, not least, as a consequence of the social and economic impacts of Covid-19. It is clear that if we are to achieve our aims and live up to our aspirations for Nottingham, we must be prepared to rethink what we do and how we do it.

We must become an exemplary modern council. Our plans must be achievable and our implementation of them efficient and based on evidence. We must focus on and respond to our customers, residents and businesses. Whilst we will be smaller, we must continue to employ, inspire and cultivate an engaged and committed workforce. Fundamentally, our work must be prioritised and planned so that we maximise the value from the resources we have.

This transformation will impact on the whole of the organisation and will move at pace. At its heart will be a transformation programme that links back to the Council's MTFS and ensures that:

- all council activity is aligned to a common plan
- decision-making arrangements in the council enable rapid progress towards the delivery of that plan
- managers are empowered to make decisions within the framework of that plan
- we build the council's capacity for change and delivery at all levels
- we do the basics of performance, people and process management well
- we redesign the services we provide and build the capabilities that are necessary to execute those redesigns

The Council Transformation Plan, therefore, incorporates substantial programmes of change focussed on:

- The organisation and culture of the council
- Our service delivery options
- The Council Plan

Culture

Delivery of any change programme will succeed only where the culture of the organisation supports it. This plan includes a number of organisational, structural and developmental objectives that aim to create the conditions in which a positive culture can thrive, however, cultural change is ultimately about the choices and behaviours of individuals.

The Political and Officer leadership understand and embrace their responsibilities to consistently model the behaviours they seek for the organisation as a whole. Positive cultural change will be supported by proactive communication and engagement with colleagues, recognised trade unions and partner organisations.

The PIR and NSR both identified issues with the wider organisational culture that need to be addressed:

- The organisation's pride in itself and the dedication of its employees (as evidenced by its response to the Coronavirus pandemic for example), are impressive, and are strengths that can be built on.
- Evidence-based decision-making should explicitly be part of our culture, and bringing forwards challenging/contrary evidence should not be seen as demonstrating a lack of commitment to the Council's ambitions.
- Nottingham's strong narrative of being different, whilst positive in terms of ambition and innovation, has created a blindness to learning from best practice and innovation elsewhere. As budgets have becoming tighter, this approach has proved increasingly difficult for the city.
- Setting a positive future for the city and council will be less about doing for, and more about doing with our residents and communities, with our citizens more actively engaged in determining how our services are designed and delivered.

For the Together for Nottingham Plan to be successful, we recognise that the wider culture at Nottingham City Council needs to change and that behaviour change underpins any successful transformation.

Whilst a new constitution can be written and adopted, plans can be created, process automated and systems put in place, the people at the heart of those changes will determine if real change is embedded and sustained.

With this in mind, the Organisation and Culture Theme will work collaboratively with all other themes and share many cross-theme objectives

We will assess and reset the cultural norms and expectations in Nottingham, and, working with our staff and the Local Government Association, will scope out and deliver a comprehensive workforce development and cultural change programme. The aim of this programme is to deliver positive lasting cultural and behavioural change in the organisation.

We will create a culture of inclusion, where all employees feel valued, can make a full contribution and their contributions are recognised. This will underpin our equality, diversity and inclusion ambitions.

Our people are our must valuable asset and have demonstrated extraordinary resilience and commitment to public service during the Covid 19 pandemic. In the face of the most severe health crisis since the World War Two, frontline staff have continued to deliver essential services to residents and protect our most vulnerable citizens.

Culture and Transformation

Change will be disruptive, but it can also be positive if we take our people with us. This means ensuring that voice of all colleagues can be heard, embracing and celebrating the strength of diversity, and ensuring there is real equality of opportunity for all.

External Engagement

The updated Recovery and Improvement Plan has been renamed Together for Nottingham. This builds on the commitments in the refreshed Strategic Council Plan to work with local people and our partners to deliver our strategic outcomes that will make Nottingham a world-class city that is Safe, Clean, Ambitious and Proud.

It is vital however that this is achieved through the Council maintaining a sustainable financial position. This will mean transforming the way we deliver some services and doing some things differently with the help of our communities and partners.

Through our Transformation Programme we will concentrate on how the Council's core universal services within our neighbourhoods can focus on prevention, early intervention and resilience within our communities to reduce the future demand for targeted services, such as social care.

We believe by taking this approach there is huge potential to significantly improve the lives of our residents, by tackling problems before they become issues and promoting independence and respect.

We will achieve this by carrying out an evidence led, needs analysis of our locally based services as part of our Transformation Programme, drawing in external expertise where this will add value. We will use the findings of this exercise to help shape dialogue with our residents, communities, voluntary sector and our partners to explore how we can work together, looking at different models of delivery from commissioning to co-production, to achieve these outcomes.

The council is also increasingly looking upwards and outwards in terms of identifying potential learning and collaboration opportunities, including working with Nottinghamshire County Council and Borough and District Councils. We have already started to explore the options for a devolution of powers and resources through a County Deal as part of these closer working relationships. Should a County Deal come to pass this will provide the potential to secure improved outcomes for the people of the city through greater collaboration and additional powers and resources.

Plan Structure

1. MTFS

Delivering a balanced budget and Medium Term Financial Strategy (MTFS) for the period 2021/22 to 2024/25, funded by sustainable core income and stable revenue streams.

2. Assets

Releasing capital from the Council's fixed asset portfolio through an accelerated programme of disposal and realisation, building on the work of the Asset Rationalisation Programme.

3. Companies

Reaching a clear determination on the future of each Council company.

Setting a clear direction for all Council companies and commercial activity within a coherent and effectively managed commercial strategy.

4. Capital Programme

Ensuring the capital available to the Council is wisely invested in delivering against our core commitments, and that debt levels are sustainable in the medium and long term.

5. Constitution (Governance and Decision Making)

Creating a new and "fit for purpose" Constitution for the Council that provides for efficient, effective and accountable decision making, with clear roles and responsibilities for Officers and Members.

6. Organisation & Culture

Ensuring the Council organises itself, its resources and behaviours effectively and efficiently, and is able to deliver the required change at pace and at scale.

7. Service Design and Delivery (formerly Delivery Options)

Making sure the Council is using all the tools available to deliver good outcomes for the people of Nottingham, the communities they live in and the local economy.

8. Council Plan

A refreshed Council Plan for 2019-23 that enables the City Council to live within its means, with a longer term revised policy and performance framework that clearly articulates our priorities and purpose to citizens, businesses, partners and other stakeholders.

Sustainable Finances				How We Deliver		Council Plan	
1. MTFS	2. Assets	3. Companies	4. Capital Programme	5. Constitution (Governance and Decision Making)	6. Organisation & Culture	7. Service Design and Delivery (formerly Delivery Options)	8. Council Plan
2021/22 Budget	Asset Disposal (including commercial and operational properties)	Commercial Strategy	Capital Strategy	Updated Constitution	Setting Top-Level Goals	Business Case Approval	Refresh of the Council Plan 2019 - 2023
4 year MTFS and Transformation Programme	Corporate Landlord	Company Governance	Debt Management Strategy	Member / Officer Roles and Responsibilities	Individual Performance Appraisals	Service Design and Delivery Implementation	Performance Management Framework
Spending Controls and Oversight	Community Assets	Council Owned Company Review	Review of Capital Schemes	Member Development Programme	Simplifying the Officer Structure	Resourcing	Policy Framework
Improving Financial Management Across the Organisation			Programme Controls	Review of Portfolios	Culture & Workforce Development	Capability Building	
				Development of Scrutiny		Transformation Plan Review	

Theme One: MTFS

The Medium Term Financial Strategy (MTFS) is critical in order to ensure that the Council operates in a sustainable manner. This Theme aims to deliver a robust process for setting a balanced budget for 2021/22 and a medium term plan over the following four year period. The Theme originally had three projects, a fourth has been added as part of the first year refresh of this Together for Nottingham Plan.

2021/22 Budget and Savings Proposals

This work-stream started with focussing on the 2021/22 budget, where a proposed budget will be submitted to the Council's Executive Board in January 2021, to commence the formal consultation process. Once adopted, the budget was monitored through the introduction of new budget oversight procedures to ensure savings are tracked and delivered. These procedures will be approved by Executive Board, and ensure that both members and officers are clearly sighted on the budget and the key risks surrounding it and have a joint responsibility for managing these.

4 Year MTFS and Transformation Programme

We will deliver a sustainable Medium-Term Financial Strategy (MTFS) for 2021/22 – 2023/24. This will be based on the work of Themes 2-8 which all support delivery of a sustainable MTFS.

The 2021/22 budget will also contain the rolling four year MTFS, and clearly set out the parameters against which this will be managed and delivered. In addition, this work-stream will develop a Debt Management Strategy which will aim to manage the Council's overall debt downwards over MTFS time horizons.

This work-stream will underpin the work on the MTFS and is key to ensuring that the Council has a sustainable budget going forward.

The work-stream will create an Integrated Transformation Programme (linked to Theme 7 Service Design and Delivery) which develops a long-term funding envelope for core services and reduces the reliance on commercialisation.

Having set the affordability envelope, the Integrated Transformation Programme will agree on the key areas of service reform required across the organisation, and align outcomes to budgets to ensure that Council's objectives are met within the parameters of that envelope. Projects will then be set up to deliver the agreed programme.

The PMO will assist this programme in providing oversight to the projects which sit underneath it. To ensure that this happens in an efficient and effective way, all projects will be required to develop appropriate Project Management Plans and Business Cases and be subject to the overall monitoring and governance regime set out as part of the wider Recovery Programme.

Spending Controls and Oversight

This work-stream builds on the previous two work-streams to ensure that sustainable budgets continue to be delivered in the short and medium term, moving to a framework of entrenched sustainability in the long term.

It will continue to embed the processes set out earlier and in the milestones below to carry on this work, fully understanding the resources required to deliver these programmes and budgeting for these accordingly.

Improving Financial Management across the Organisation

A fourth project on improving financial management and procurement compliance across the organisation has been added to the Together for Nottingham Plan as part of the Year One refresh. This project will raise financial awareness, capacity and compliance across all colleagues in the Council holding budgetary and spending responsibilities, through a training and cultural change programme. It will also promote the importance of compliance with procurement rules as part of strong governance and improve procurement practices through the embedding of new Contract Procedure Rules within the Council.

Key Objectives

- A balanced budget for 2021/22 and a sustainable MTFS for the period to 2025/26.
- Reduced reliance on commercialisation to fund core services and ensure that core services are affordable in the longer term
- Provide greater budget oversight and accountability, promoting CIPFA financial management standards, with Members and Officers sighted and jointly accountable.

Key Deliverables

The outputs that will be delivered through this work-stream will be:

- A balanced budget for 2021/22.
- An affordable financial envelope and a sustainable MTFS for 2022/23 to 2025/26
- A full Integrated Transformation Programme, backed with appropriate resources and project methodology and documentation.
- A new Debt Management Strategy.
- New budget oversight procedures.
- The promotion of compliant procurement processes and a more strategic approach to commercial activity and contract management.

Key Activities

The key activities of this work-stream are:

- Delivery of Medium-Term Financial Strategy and balanced budget for 2022/23 – 2025/26.

- Align new corporate plan within the authority's affordability envelope.
- Significant project work across the Council on the key areas of service reform identified through the Integrated Transformation Programme.

Key Risk

Key high level risks identified at this stage are:

- That the Council is unable to set a sustainable MTFS over a four year period that delivers statutory services and non-statutory services without recourse to reserves.
- That key areas of service reform do not happen at the required level / pace.
- Funding settlements and / or income drop materially, thereby further reducing the affordability envelope on which the MTFS will be founded.
- That there are unexpected / unforeseen calls on reserves

Should these risks become issues the following mitigation strategies will be considered:

- Increase in asset disposals.
- Developing contingency plans within the service reform proposals.
- Developing a list of further potential reforms that could be brought into the Integrated Transformation Programme as required.

Key Activity Completed in Year One

A number of improved controls have been put in place to assist the Council to manage its finances in Year One. These linked to work in other Themes and the creation of new Debt Policy and Capital Strategy have helped set the foundations for the Council to be able to put its financial planning onto a more strategic basis.

Key amendments to the refreshed Recovery and Improvement Plan

There have been three key additions to this theme since the original Together for Nottingham Plan was adopted. The first is the inclusion of a review of the Council's Risk Policy, appetite, tolerance and procedures. This work is scheduled to take place in Quarter Four of 2021/22.

The second is the inclusion of a new project on improving financial management across the organisation.

The third is the development of a perpetual rolling 4 year MTFP delivery plan that will articulate how the assumptions in the MTFP (savings, transformation etc) will be delivered and managed. The rolling MTFP will clearly set out the financial context of the future strategic council plan. The MTFP delivery plan will be based on divisional plans that in turn will inform service plans and individual performance appraisal objectives of colleagues. Performance and risk management in terms of delivery will be part of the performance management arrangements under the performance management framework (PMF) under theme 8.

Theme One: MTFS

Actions

Work-Stream	Actions/Milestones	Timescale
2021/22 Budget and Savings Proposals	Agreement of Executive on 19th January to budget proposals for consultations – balanced for 2021/22 – expected gap close to zero.	Jan-2021 Complete
	Evaluation of Finance Settlement implications.	Jan-2021 Complete
	Review of consultation responses and endorsement at Executive Board 16th February 2021.	Feb-2021 Complete
	Individual savings implementation plans and EIA/HIAs in place.	Feb-2021 Complete
	Full Council budget discussion and approval at 8th March meeting.	Mar-2021 Complete
	Monthly and quarterly monitoring of budget and tracking of savings. Members and Officers jointly accountable via Budget Oversight arrangements.	Q1 2021/22 Complete
	Tracking of saving through a member/officer forum with corrective action and mitigations where necessary to keep on track.	Q1 2021/22 Complete
	Confirm organisation-wide approach for reviewing and prioritising non-statutory activities identified in service plans and ensure that this is reflected in the funding envelope for future years, taking into consideration any transformation activity implications	Dec - 2021
Four Year MTFS and Transformation Programme	Develop long-term affordable envelope for core services, reducing reliance on commercialisation - establish as new spend base.	Jan-2021
	PMO established with operating protocols and ToRs to assure transformation.	Jan-2021 Complete
	Invest to Save approach developed and funding identified.	Jan-2021 Complete

Theme One: MTFS

Work-Stream	Actions/Milestones	Timescale
	Work continues to establish programme of work and business cases / PIDs.	Feb-2021 Complete (initial phase)
	Investment / Resourcing needs identified.	Feb-2021 Complete
	Agree on key service reform areas and align outcomes to budgets to ensure that the plan both meets the Council's objectives and is within an affordable envelope (C Tax, Bus Rates, RSG and specific grants, core fees & charges).	Mar-2021
	Develop long-term plan for reducing Council debt levels to mitigate the likelihood and subsequent impact of any DLUHC imposed borrowing cap.	Mar-2021 Complete
	Programme established and business cases / PIDs developed for approval.	Mar-2021 Complete (initial phase)
	Develop Business cases / PID / Implementation Plans.	Q1 2021/22 Complete (initial phase)
	Launch and run consultations on areas impacting service users and staff.	Q1 2021/22
	Programme delivery through monthly Board with agreed implementation and resources plans.	Q1 2021/22 Complete (set up – then ongoing)
	Monitoring of spend and savings proposals.	Q1 2021/22 Complete (set up – then ongoing)
	Project launches (see integrated transformation programme below in Theme 7).	Q2 2021/22 Complete (initial phase)

Theme One: MTFS /30

Work-Stream	Actions/Milestones	Timescale
	Project milestones, deliverables, risks, accountabilities, interdependencies etc determined.	Q2 2021/22
	Project milestones monitored and necessary corrective actions taken via PMO (ITP).	Q3 2021/22 Complete (set up – then ongoing)
Spending Controls and Oversight	Member oversight panel established to oversee progress on transformation through dashboard / exceptions reporting.	Feb-2021 Complete
	Review of overall resourcing plan.	Feb-2021 Complete
	Approval of Business Cases and PIDs – Alignment of programme with resource needs.	Mar-2021 Complete (set up – then ongoing)
	Early identification of likely resources and expenditure pressures and impacts of transformation programmes.	Mar-2021 Complete
	Monthly monitoring of progress. Officers held to account for delivery. Mitigations agreed for Amber and Red items.	Q1 2021/22 Complete
	Early member workshops on priorities and pressures from April 2022.	Q1 2021/22 Complete
	Early draft budgets agreed identifying further work to establish a fully funded 4-year programme.	Q2 2021/22
	Draft budget agreed for 8week consultation period to end Christmas 2021.	Q3 2021/22 Complete
	MTFS approvals cycle – outcome-based budgets on a 2-year firm/2-year indicative basis.	Q4 2021/22
	Review of the Council risk policy, risk appetite and risk tolerance, leading to robust procedures for risk management and accountability.	Q4 2021/022

Theme One: MTFS

Work-Stream	Actions/Milestones	Timescale
	Plan the approach to sharing the revised risk position across the organisation to ensure this is widely understood and embedded	Q4 2021/2022
	Review how risk is integrated into systems and procedures across the organisation, identify what changes are required and implement them	Q4 2021/2022
Improving Financial Management Across the Organisation	Introduction of new Oracle ERP system covering Financial, HR and Procurement processes and a move to self-service management	Q1 2021/2022 (Finance) Complete Q2 2021/22 (HR) Complete
	Comprehensive Training package for Directors, Manager and budget holders on the new system	In line with Finance and HR rollout above. Complete
	Introduction of Budget Review and Oversight Groups (BROGs) to provide grip on budget management and hold both Directors and Portfolio Holders to account for budget spend and mitigations	Q1 2021/2022 Complete
	Introduction of Capital Board and a range of systemic process to prioritise spend and centralise resources with a clear capital strategy	Q1 2021/2022 Complete
	CIPFA training for all senior officers (mandated) and members on the new CIPFA Financial Management code	Q2 2021/2022. Complete

Theme One: MTFS

Work-Stream	Actions/Milestones	Timescale
MTFP Delivery Plan	First draft of Divisional Plans returned and used to begin drafting of Delivery Plan	Feb 2022
	Delivery Plan finalised, agreed with CLT and shared with IAB (alongside MTFP)	Feb 2022
	Second draft of Divisional Plans returned to Directors with financial envelopes included	Mar 2022
	Directors return final Divisional and Service Plans - used to redraft Delivery plan (if necessary)	Mar 2022
	Divisional and Service Plans go live	Apr 2022

Accountability

Lead Councillor	Porfolio Holder for Finance and Resources.
Lead Officer	Corporate Director Finance and Resources.

Theme Two: Asset Management

Our Asset Management Strategy aims to generate sufficient capital receipts using asset rationalisation and disposal to meet both the current commitments within the capital programme, and provide additional cash flow into the Council to mitigate budget pressures and fund a transformation programme. The Theme will be overseen by an Asset Rationalisation Board who will monitor progress and delivery against the Theme's aims.

These assets will include:

- Commercial property assets.
- Land.
- Operational assets.
- Community assets.
- Companies (as identified through Theme Three).

Asset Disposal Strategy

Key to the delivery of the Together for Nottingham Plan is the acceleration of the Council's asset rationalisation programme and the generation of capital receipts.

This work-stream will incorporate a review of potential receipts across a number of property holdings (operational properties, the investment portfolio and the trading account). The review will consider the implications of each potential disposal, including issues such as revenue loss, maintenance liabilities, and upcoming legislative requirements which may affect valuations.

As part of an earlier phase of this programme a pipeline of c£100 million of sites that could be disposed of has already been identified, and a number of disposals made over the past 18 months.

This work-stream will accelerate and put forward further recommendations for sites to dispose of, and then carry out disposal in the manner which will leverage the greatest value within the timescales set out in Theme One.

Operational Assets

As the Council moves through the budget setting process, the decision taken on changes to service delivery will make a number of operational assets redundant.

In order to minimise the ongoing revenue costs of maintaining underused or unused operational assets, and to maximise capital receipts, the disposal of these assets will also be managed within the Asset Management Theme.

Community Asset Review

The Council has a number of properties that are let to community groups for minimal rents, often where this is the case without the

renting organisation being responsible for either building liabilities or associated community outputs.

We will develop and implement a new Community Asset Policy and change our approach to community asset leases, to ensure asset values are maintained, community assets are fully utilised and that underutilised facilities are made available for asset disposal. This will include:

- Consideration of transition to Full Repairing and Insuring (FRI) leases as standard.
- Consideration of applying fair market rates to community asset leases, supported by grants to meet rental costs consistent with an agreed basis of occupation.

Key Objectives

- Deliver a flow of capital receipts at the level and within the time parameters as required by Theme One.
- To manage the revenue impacts of any disposals as far as possible.
- To deliver and implement a new framework to maximise the value of community assets.

Key Deliverables

The outputs that will be delivered through this work-stream will be:

- Generation of an agreed level of capital receipts over a set time period.
- Reduce current and future property related liabilities through the disposal process.
- Framework for how community assets will be delivered in future.

Key Activities

The key activities of this work-stream are:

- Development of approach to investment and operational property and community based assets.
- Accelerated assets disposal planning.
- Developing policy and changes to leasing arrangements for community assets.
- Review and rationalisation of the Council's operational properties, taking into account budget proposals, future service requirements and maintenance / running cost / liabilities to the Council.

Key Risk

- That the Council's generation of capital receipts does not reach the levels or timescales required to balance its financial needs.
- That in generating receipts the Council creates larger long term revenue pressures on its base budget.

Should these risks become issues the following mitigation strategies will be considered:

- Expanding the pool receipts are generated from. The initial pipeline of c£100 million of potential receipts are former operational properties and land which can be disposed of with little revenue consequence. Additional lists of properties will be drawn up and brought forward as required by the acceleration process to ensure receipt targets can be met.
- A system of adjusting forecast receipt value by time in order to ensure realistic expectations of what can be achieved with certain properties is already in place.
- In order to manage revenue consequences the existing performance of property holdings will be reviewed to ensure that their efficiency is maximised (for example around voids, debt collection, rent reviews etc.), to ascertain how far any loss can be contained. If further mitigation is required after this, it will be picked up in realistic income assessments within the MTFS.

Key Activity Completed in Year One

Following a review of the asset pipeline to ensure a more robust forecast, we are now on track to deliver the revised forecast position for capital receipts by the end of the financial year 2021/22.

New governance arrangements have been implemented, alongside the development and implementation of a Property Asset Disposal Policy to ensure transparency and robust decision-making.

A draft of a Community Asset Policy has been produced, alongside a review of community properties, and a full review of the investment portfolio has been commissioned. A full review of the commercial portfolio has also been initiated.

A review of how effectively Council manages its property, has been commissioned and is expected to recommend the implementation of a corporate landlord model. If this is the case this will be implemented in 2022.

Key amendments to the refreshed Recovery and Improvement Plan

The first quarter review of the action plan with input from the Improvement and Assurance Board, led to the expansion of the plan to not just focus on asset rationalisation, but also governance and assurance relating to decision-making and recognition that the Council needed to make improvements in the way in which property assets were managed.

While much of the focus in the first year has been ensuring that adequate capital receipts are realised, and that robust decision-making processes are in place, this next 12-18 months needs to build upon this work to ensure that all council property assets are managed effectively to maximise the benefits to the Council.

Throughout the course of the year, what has become clear is that there is a need to review the structure and process underpinning property management and work to implement a Corporate Landlord model, which is a recognised model of good practice.

In the first year we commissioned an independent review of how the Council manages its property assets and makes related decisions, the recommendations from which will help to form proposals for future delivery models.

Theme Two: Asset Management /36

Now most of the actions from the original Together for Nottingham Plan are implemented and the capital receipts being delivered are meeting the forecast levels, the next step is a revision to the original plan. This will focus on increasing the numbers of assets coming forward for disposal, while minimising potential revenue loss to the Council; and the implementation of a new model (Corporate Landlord) for the management of property assets across the council.

Consequently, the action plan has been revised to focus on three core projects going forward.

1) Asset Disposal (including commercial and operational properties)

2) Corporate Landlord

3) Community Assets

Theme Two: Asset Management

Actions

Work-Stream	Actions/Milestones	Timescale
Asset Disposal	Review of 2021/22 budget savings to identify assets that will become surplus and timescales, agree with service areas to move these into the asset disposal programme once declared surplus.	May-2021 Complete
	Recruitment of Interim Head of Property to oversee programme.	Jan-2021 Complete
	Review of disposal process, identifying options for accelerating and generating greater financial returns.	Apr-2021 Complete
	Review of disposals programme forecast for risk.	Apr-2021 Complete
	Implementation of monitoring and review processes to ensure forecast is robust and barriers to disposals are removed.	Apr-2021 Complete
	Ensure disposal targets related to capital programme gap are agreed and the relationship with pipeline (risk-adjusted) are understood and monitoring is in place	July-2021 Complete
	Bring forward assets identified for disposal	July -2021 Complete
	Development of disposals policy to ensure the transparency of decision-making.	Apr-2021 Complete
	Identification of initial list of assets for disposals from the property trading account.	May -2021 Complete
	Ongoing engagement with service areas to identify further assets that are identified as surplus as a result of transformation programme and budget savings.	Sept-2023
	As a holding position, prior to the implementation of the Corporate Landlord model, to review the process for services to declare properties surplus, ensuring the current process being used is efficient and transparent.	Jan 2022

Theme Two: Asset Management /38

Work-Stream	Actions/Milestones	Timescale
	Deliver full asset review of the commercial portfolio to develop pipeline for future years.	June 2022
	Undertake a review and develop recommendations for the disposal of investment properties	Jan 2022
	Procure and implement specialist expertise to support the sale of investment assets	Feb 2022
Corporate Landlord	Agree with CLT that the Corporate Landlord model is the desired approach for the Council and undertake an independent review to provide detailed proposals for taking the model forward	Sept-2021 Complete
	Following the independent review to develop recommendations and implementation plan for approval	Feb 2022
	To establish project group and transformation team to deliver the change programme	Feb 2022
	Following the review to develop recommendations and implementation plan for approval.	Feb 2022
	To commence implementation of phase one of the new arrangements	May 2022
Community Assets Review	Review community assets to identify potential properties for disposal or a change in terms.	Jun-2021 Complete
	Develop and adopt a community asset property policy.	March 2022
	Ensuring appropriate arrangements are in place for existing community tenants	April 2022

Accountability

Lead Councillor	Leader of the Council, advised by Asset Rationalisation Board.
Lead Officer	Corporate Director Growth and City Development.

Theme Three: Companies

Nottingham City Council has commenced a review of the structures, management and governance arrangements for its companies in response to the Public Interest Report (PIR).

The report from the Non Statutory Review (NSR) builds on the findings and recommendations of the PIR, further emphasising the need for the Council to consider the future direction for all its company interests.

Council Owned Company Review

Nottingham City Council has commissioned CIPFA to provide independent analysis of company information, performance, financials, strengths and weaknesses, and the Council's exposure to risk.

This work will inform individual decisions on whether to maintain, revise focus, in-house or divest from Council companies.

Once CIPFA have completed their analysis, it will be presented, alongside the initial review completed by the Council to a private session of the Audit Committee for recommendations.

Given the relatively large portfolio of company interests, a risk based approach has been taken to prioritise the sequencing of this activity based on the following factors:

- Type of ownership (subsidiaries, associates, joint ventures and minority interests).
- Companies showing early signs of financial distress.
- Levels of debt to NCC and requirements for comfort from the parent (NCC)

Where there are relatively straightforward and self-apparent opportunities to in-house functions with minimal risk of destabilisation, these will be fast tracked to a delivery stage.

Enviroenergy has been established as the immediate priority. Given the complexity and inherent links to waste management, the district heating scheme and capital programme, the majority of the activity in relation to this company is contained within Theme Four: Capital Programme.

A decision to bring Enviroenergy in-house subject to satisfactory due diligence was approved in June 2021 and the transfer of functions back to the Council happened on the 1st December 2021.

Companies currently under consideration for in-housing are:

- Nottingham Revenue and Benefits (NRB)
- Nottingham City Homes (NCH)

Company Governance

The work already undertaken to review and revise the arrangements for the governance of Council owned companies will

continue, and be split between Theme Five: Constitution (Governance and Decision Making) and this theme.

The Companies Theme will focus on the development of Council policy with regard to executive and non-executive directors, establishing a clear role for senior officers through a Shareholder Executive function, ensuring all forms of parental support to companies within the group are subject to effective controls and clear decision making, and supporting the Companies Governance Committee and the Council more generally.

Commercial Strategy

Where Council companies offer reasonable levels of assurance of future financial returns, the City Council will seek to maximise this benefit through the development and application of an overarching commercial strategy. This will include an assessment of directly delivered charging activity and the treatment of surpluses generated by services that are able to compete in mature markets.

Key Objectives

- Provide greater visibility of company performance and risk profile of the wider City Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles.
- To strip out duplication of overhead and management costs by bringing core functions in house where there is no imperative to maintain externalised delivery vehicles.
- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities that are outside the City Council's core competence.
- To establish robust shareholder controls and assurance mechanisms for those companies Nottingham City Council maintains.

Key Deliverables

The outputs that will be delivered through this work-stream will be:

- Companies Guiding Principles developed with CIPFA
- Reinstatement of company analytics.
- Decisions on the direction for each subsidiary and associate.
- Completion of decision making process and in-sourcing of NRB if appropriate.
- Executive and Non-Executive Director Policy Statement.
- Establishment of Officer Shareholder Executive function which can also act as Company Loans Board.

Key Activities

The key activities of this work-stream are:

- Review of companies (supported by CIPFA).
- Management of in-housing process for selected companies.
- Evaluation of divestment and disposal options.

- Strategy and policy development.

Key Risk

- Devaluation of subsidiaries.
- Destabilisation of companies who may have legitimate short-term needs for comfort or support arising from the current pandemic.
- Loss of opportunity for financial returns as a result of decision making delays.
- Risk profile of subsidiaries diverges from Council risk appetite.

Key Activity Completed in Year One

There has been a lot of activity within this Theme over the first year. The Council has brought in additional capacity to help manage the relationship and interdependencies between its companies and itself. As part of this it has created a corporate shareholder unit and standardised company reporting to create greater clarity within these relationships. Although established it is yet to be fully embedded into Council governance, further work and resources will be required in early 2022 to finalise this activity.

New commercial principles have been agreed as part of the refresh of the Council's constitution. The Council has also benefited from the support of CIPFA in carrying out in depth reviews on its companies and this has led to decisions being taken at Executive Board on the future of Enviroenergy and awarding of a contract to Nottingham Revenues and Benefits. Further decisions based on these reviews will be forthcoming shortly.

Key amendments to the refreshed Recovery and Improvement Plan

The Non Statutory Review was carried out over a short period of time in November 2020 and the Together for Nottingham Plan based on its findings. The Council has done a significant amount of work to further understand the position of its companies over this period and this has resulted in significant changes and additions to the milestones that this Theme is now working to. The updated milestones are set out in the Actions Table below, noting that in some cases the Council is dependent on third parties to resolve matters, which may inform revised dates as appropriate. Equally the Plan will flex to address any emergent matters identified during ongoing work with the companies.

Actions

Work-Stream	Actions/Milestones	Timescale
Commercial Strategy	Issue interim commercial principles for companies to guide and assure tactical decisions.	May-2021 Complete
	Scoping operational boundaries of a commercial strategy, confirming what activities are included/ excluded, prior to a Due Diligence review taking place	Q3 21/22 Complete
	Review of internally delivered fees and charges income including profitability levels (pre and post Covid) growth options and options to withdraw from non-surplus generating activity.	Q1 2022/23
	Draft Commercial Principles	Apr-21 Complete
	Finalise and approve Commercial Principles	May-2021 Complete
Company Governance	Critical monthly quantitative analysis – prepare company and summary reporting for management and CGESC.	Feb-2021 Complete
	Establish resourcing plan and recruit internally / externally	Feb-2021 and Apr-2021 Complete
	Identify and implement corporate assurance measures for each of the decisions required	Apr – Sept 2021 Complete
	Resolve immediate resourcing issues with the Shareholder Representative team	May 2021 Complete
	Design and formalise a Shareholder Unit with clear roles, reporting and escalation processes, ensuring engagement with appropriate departments and Boards	May -2021 Complete
	Formalise any outstanding approvals in relation to Companies	Jun-2021 Complete

Work-Stream	Actions/Milestones	Timescale
	Approval for Shareholder Unit proposals (with CGESC)	Jun – 2021 Complete
	Engagement with Financial and Managing Directors to develop understanding of operations, management and controls	Jul - 2021 ongoing
	External review of Company Board skill requirements with the relevant Company Boards	Aug – 2021 ongoing
	Implement codified roles and responsibilities between Boards and Shareholder Unit to support implementation of revised policies	Sept – 2021 ongoing
	Post-launch review of success	TBC
Council Owned Companies Review	Enviroenergy	
	Develop immediate options analysis for Enviroenergy.	Jan-2021 Complete
	Letter of Comfort issued	Mar -2021 Complete
	Undertake Due Diligence and prepare recommendation and submit for decision	May-2021 Complete
	Implement business transfer	Formal transfer Dec 2021 Complete
	Nottingham Revenues and Benefits Ltd	
	Prepare recommendation for contract award to TECKAL company and submit for decision	May – 2021 Complete

Work-Stream	Actions/Milestones	Timescale
	Support Business Change	May – 2021 Complete
	Undertake review of longer term ownership options and scope of activities to maximise value	Q4 2021-22
	Nottingham Ice Centre	
	Stabilise short term solvency with credit facility and formalise loan arrangement	Apr-2021 Complete
	Establish dialogue with Sport England regarding options to augment usage. Explore longer term options for funding	Jun-2021 In progress
	Enhanced monitoring of cash flow and order book	Jul – 2021 Complete
	Prepare recommendation for longer term options and submit for decision	Q2 2022/23
	Thomas Bow Ltd	
	Review options for retention/ option for disposal through sale of NCC interests and undertake third party valuation	Apr -2021 Complete
	Close outstanding Shareholder agreements/ articles subject to preferred option	Jan 2022
	Identify preferred option, prepare recommendation and submit for decision	Jan 2022
	Implement business changes	Feb 2022

Work-Stream	Actions/Milestones	Timescale
	Nottingham City Transport Ltd	
	Awaiting findings from CIPFA review	April 2021 Complete
	Work with company to resolve pension schemes and understand cost mitigation strategies for NCT company scheme and Local Government Pension Scheme	May 2021 – NCT scheme complete / LGPS in progress
	Review findings of CIPFA review	July 2021 Complete
	Confirm Council conclusions for each CIPFA recommended area of consideration	April 2022
	NCH	
	NCH Governance Review & confirmation of changes to achieve best practice	Q4 2021/22
	Review of long term options with CIPFA	Q1 2022/23
	Confirm long term option to be pursued	June 2022

Accountability

Lead Councillors	Portfolio Holder for Neighbourhoods Safety and Inclusionand Portfolio Holder for Housing,Planning and Heritage.
Lead Officer	Corporate Director Finance and Resources.

Theme Four: Capital Programme

A sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council. A review of our capital programme will look to stabilise the current programme and put it on a sustainable footing for the longer term. We have developed an effective Capital Strategy and a strengthened system of governance and control, headed by a Capital Programme Board, to allow the Council to achieve this.

Capital Strategy

A revised capital strategy will enable the organisation to understand why and how it allocates capital resources, and ensure effective decision making, governance and controls of the programme are in place to enable a sustainable programme going forward.

The revised strategy will include a clear prioritisation process and associated governance framework.

The review will also consider how the programme can be financed in the short, medium and long term, taking into account changes to the Public Work Loans Board regulations and other relevant issues.

Debt Management Strategy

Nottingham City Council recognises the need to reduce its current level of external debt to a more sustainable level. In addition to establishing clear priorities for the Capital Programme and raising the funds to reduce the risk of critical service failures, the Council will use capital raised through the Asset Disposal programme to pay down existing debt over time.

Review of Capital Schemes

There was an immediate review of the current Capital Programme, to create headroom and ensure its sustainability through reprioritising, reviewing and reducing the projects in it.

It also ensured that all liabilities and future commitments to the Council are fully reflected and accounted for. In particular this review will ensure that the likely commitments arising from the urgent investment required in Enviroenergy and the District Heating Scheme are fully understood.

We also recognise the importance of finding a long term solution for the former Broadmarsh Shopping Centre. Given the current uncertainty about the future shape of city centres, the Council will continue to explore all available options to work with others in the context of a rapidly evolving operating environment.

The review will include both the General Fund and Housing Revenue Account capital programmes, but primarily focus on the General Fund as the area for significant change.

Strengthened Programme Controls

We will implement a strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the new prioritisation process, and are then subject to a support, monitoring and assurance package to improve delivery.

Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions.

Key Objectives

- To create a fully funded capital programme delivering a revised list of projects.
- To fully understand and make allowance for known potential liabilities within the capital programme (for example District Heating and the former Broadmarsh Shopping Centre).
- To create a revised capital strategy which ensures the effective prioritisation of projects and funding supplemented by strengthened programme controls.
- To ensure effective ongoing monitoring of approved capital schemes to highlight and manage unforeseen circumstances in relation to them.

Key Deliverables

The outputs that will be delivered through this work-stream will be:

- A clear and agreed prioritisation process for the current programme.
- A funded and sustainable capital programme, fully reflecting known liabilities, over the medium to long term.
- Revised Capital Strategy.
- Strengthened Governance and Control Framework.
- Establishment of Capital Board to approve all new capital schemes and monitor ongoing schemes.

Key Activities

The key activities of this work-stream are:

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around Enviro Energy and the former Broadmarsh Shopping Centre).
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

Key Risk

- That known commitments and future liabilities outweigh the available level of funding for the capital programme.
- District Heating Scheme infrastructure failure.

- That either the new prioritisation process and/or the strengthened Governance and Control Framework are not adopted consistently across the Council.

Should these risks become issues the following mitigation strategies will be considered:

- Further de-prioritisation and/or re-phasing of the capital programme.
- Increasing the level of capital receipts that need to be generated or amending their profile.
- Work with HR, Organisational Development and Internal Audit to ensure that appropriate control mechanisms and cultural change are embedded in the roll out of the prioritisation process and strengthened Governance and Control Frameworks.

Key Activity Completed in Year One

The Council has made considerable progress on the management of the Capital Programme. Debt Management and Capital Strategies have been approved and implemented along with a refresh of the Treasury Management Strategy which underlines the links between these pieces of work. A new system of governance is in place through the implementation and operation of Capital Board, which in turn has introduced greater rigour into the monitoring of projects and a new prioritisation process for schemes to go through in order to enter the Capital Programme.

Work on the Broadmarsh is ongoing with demolition started on part of the site following the receipt of funding from the LEP

Key amendments to the refreshed Recovery and Improvement Plan

There have been no significant amendments to this Theme as the work in the first four projects was front loaded to create new policies and processes to govern the Capital Programme. The amendments that have been made relate to the Broadmarsh and District Heating, where further additions have been made to provide more detail on the process being undertaken.

Theme Four: Capital Programme /49

Actions

Work-Stream	Actions/Milestones	Timescale
Debt Management Strategy	Debt Management Strategy to be approved at Executive Board.	Feb 21 Complete
	Debt Management Strategy to be approved at Full Council.	Mar 21 Complete
Capital Strategy	Establish prioritisation approach to selection of schemes.	Jan-2021 Complete
	Update and link treasury management strategy to emerging asset strategy including asset disposals and rationalisation.	Jan-2021 Complete
	Capital and revenue linkages developed through work on corporate plan.	Feb-2021 Complete
	Asset Management strategy and revised TPS by approval at Executive Panel 16th February (including accelerated list of disposals).	Feb-2021 Complete
	Draft Capital Strategy (in line with MTFP).	Mar-2021 Complete
	Final Capital Strategy agreed at Full Council (in line with MTFP).	Mar-2021 Complete
	Regular quarterly review points.	Q3 2021/22 Commenced
Programme Controls	Establish Capital Board to oversee capital programme and scheme approvals as well as funding - ToR's agreed.	Feb-2021 Complete
	Capital Board meets monthly to provide steer and oversight of the programme.	Feb-2021 Complete
	Capital Board to provide quarterly report to the Audit Committee detailing any material impacts on the capital programme. Materiality to be defined in the Capital Board's Terms of Reference.	Q3 2021/22

Theme Four: Capital Programme /50

Work-Stream	Actions/Milestones	Timescale
	Capital Board meeting monthly to review overall programme and funding as well as individual scheme scrutiny prior to Executive Board.	Mar-2021 Complete
	Priorities kept under review within overall affordable and approved resource envelope.	Mar-2021 Complete
	Targets set - monitoring of asset disposals and contribution to capital funding pot.	Mar-2021 Complete
	Regular quarterly review points.	Q3 2021/22 Complete
	Draft revised programme controls (presented to first meeting of Capital Programme Board).	Feb-2021 Complete
	Revised programme controls agreed and implemented.	Feb-2021 Complete
	Regular quarterly review points.	Q3 2021/22 Complete
Review of Capital Schemes	Identify potential alternative sources of funding / methods of removing projects from balance sheet.	Feb-2021 Complete
	Draft Capital Programme (in line with MTFS).	Jan-2021 Complete
	Final Capital Programme agreed at Full Council (in line with MTFS).	Mar-2021 Complete
Review of Capital Schemes (Broadmarsh)	Complete Big Conversation.	Jan-2021 Complete
	Submit Business Case for LEP funding.	Feb-2021 Complete
	Conclude review of strategic options and timeframe for decision making.	Mar-2021 Complete

Theme Four: Capital Programme /51

Work-Stream	Actions/Milestones	Timescale
	Based on the outcome of the review of strategic options for the site the following indicative milestones may be subject to alteration or refinement.	
	Establish budget projections and associated financial risks on holding costs for the Council with mitigation planned.	Q1 2021/22 Complete
	Initial advice from Broadmarsh Advisory Group on design principles and commercial strategy.	Q1 2021/22 Complete
	Contractor demobilisation.	Q1 2021/22 Complete
	Outcome of LEP funding.	Q1 2021/22 Complete
	Full advice from Broadmarsh Advisory Group on creative vision and commercial approach.	Q3 2021/22 Complete
	Outcome of Levelling Up Fund bid	November 2021 Complete
	Phase 1 Demolition Complete.	Q4 2021/22
	Consider delivery options	March 2022
	Re-submit Levelling Up Fund Round Two Bid	Spring 2022
	Complete due diligence and move towards clean title of the Broadmarsh site	During 2022
	Development of Masterplan and Supplementary Planning Document	Dec 2022
	Complete first stage of Public Realm	Mar 2023
Review of Capital Schemes (District Heating Scheme)	Strategic Options Appraisal completed; investment appraisal finalised and NCC financial implications agreed.	Jan-2022
	Corporate assurance process completed	Jan 2022

Theme Four: Capital Programme /52

Work-Stream	Actions/Milestones	Timescale
	Commission a new draft Municipal Waste Strategy and undertake public consultation on emerging policies and objectives	Feb 2022
	FCC Heads of Terms approved in principle	Q4 2021/2022
	FCC negotiations: commercial deal reached (subject to contract)	Q1 2022/23
	Contractual Close (3rd Line)	Q1 2022/23
	Investment plan drawn up	Q1 2022/23
	EE ‘business’ rapid operational review and implementation.	Q1 2022/23
	Executive Board decision to approve investment plan.	Q1 2022/23
	Market testing for 3rd party investment.	Q2 2022/23
	Formally adopt a final refreshed Municipal Waste Strategy	June 2023

Accountability

Lead Councillor	Leader of the Council, in conjuction with Portfolio Holder for Finance and Resources, advised by Capital Board.
Lead Officer	Corporate Director of Finance and Resources, in conjunction with Corporate Director for Growth and City Development.

Theme Five: Constitution (Governance and Decision Making)

Taking on board the recommendations of the External Auditor's recent PIR on Robin Hood Energy, and the recommendations of the NSR, Nottingham City Council will institute a new constitution to improve transparency, governance and accountability for council decision making.

We have delivered a new constitution, including improved Audit and Overview & Scrutiny functions that hold the City Council to account, with a focused work programme that monitors key council projects, and tracks performance against corporate metrics that give a "whole council" view of our activities, including the Council's finances.

Governance Improvement Programme

Nottingham City Council has already started the process of reviewing and improving its system of governance and internal control, through our ongoing Governance Improvement Programme and the Governance Improvement Board (which met for the first time in December 2020). Our response to the PIR details the actions the Council is taking and will take up to June 2021.

The subsequent report of the NSR team builds on the findings and recommendations of the external auditor, and as a result there is significant overlap in the actions and activities required by both. In order to streamline management and reporting arrangements, and maximise the efficient use of limited resources, the Governance Improvement Programme has been rolled into the overall Recovery and Improvement Programme.

The actions contained within the PIR Action Plan are included within Themes Five and Three.

Updated Constitution

Nottingham City Council's Constitution has been the subject of review since October 2020, following the adoption by Full Council of the Action Plan in response to the PIR.

This work focuses primarily on the Committee structure and functions, and on their Terms of Reference. This work will now continue alongside a comprehensive rewriting of the whole Constitution, with the aim of simplifying it and enabling the Council

to make effective decisions, and implement the broader change programme at the rate required.

This work will emphasise the separation and independence required between the Executive and Non-Executive roles within the Constitution, and strengthen the roles of the Overview & Scrutiny Committee and Audit Committee.

In addition, all Members and Officers will need to undertake mandatory company director training to reinforce their roles and responsibilities, before acting as a company director of a council owned company.

Member / Officer Roles & Responsibilities

The NSR has highlighted the need to bring greater clarity to the different roles of Councillors and Officers, and their responsibilities to the organisation as a whole. A new Member/Officer Protocol has been adopted establishing a shared set of expectations for Officers and Councillors and will be embedded throughout the Constitution as a whole.

Review of Portfolios

A refreshed portfolio structure that reduces overlap.

The review will support the Leader of the Council in the delegation of executive roles and responsibilities, giving clarity of purpose, avoiding cross over of duties where possible, and avoiding gaps in responsibility.

Member Development Programme

The elected members of the City Council have a unique and central role. They are individuals elected by citizens to set the policy agenda for the Council, are the ultimate decision makers, and in turn are accountable to the public.

The Council is committed to investing in ongoing support to the role of Councillors, building on their existing knowledge, community links and skills base.

The additional support offered by the LGA and other authorities, and the opportunity to discuss the experience of Members in similar authorities with members of the Improvement and Assurance Board, will create an opportunity for Councillors to examine how they apply their experience and local knowledge to the policies and services benefitting local people, in the new Nottingham context.

Development of Scrutiny

As part of the early phases of this Theme a report into the Council's scrutiny activity was commissioned by the Council and undertaken by the Centre for Governance and Scrutiny. The report set out a number of recommendations around the Council's scrutiny function and these have been accepted and developed into an action plan. This project will oversee the delivery of this action plan which includes the creation of a Scrutiny Protocol, job descriptions for key scrutiny roles and the provision of further coaching, mentoring and training opportunities.

Theme Five: Constitution (Governance and Decision Making) /55

Key Objectives

- To establish and embed best practice principles of corporate governance throughout our decision-making processes and Constitution.
- To provide clarity of the complementary roles of Officers and Councillors, and establish clear lines of accountability including the adoption of a new Member/Officer Protocol.
- To establish clear and well understood boundaries between the responsibilities of Officers and of Councillors.
- To ensure Executive and Non-Executive committees are able to fulfil their respective roles through clarification of their terms of reference.
- To simplify the current Portfolio groupings to reduce overlap.
- To simplify decision making during the delivery of this plan.

Key Deliverables

The outputs that will be delivered through this work-stream will be:

- A new Member / Officer protocol.
- Revised terms of reference for Council Committees.
- A modernised Constitution.
- Committee development programme.
- Review of Portfolios.

Key Activities

The key activities of this work-stream are:

- Consultation with the Executive and Committee Chairs.
- Sourcing external specialist support.
- Producing documentation.
- Formal approval/adoption processes.
- Communication/training on changes to processes and procedures.
- Scheduling and delivery of training packages.

Key Risk

- Availability of specialist support within the required timescale.
- Remote delivery of training and DPIA requirements.
- Lack of clarity/awareness of new roles or procedures among Councillors or Officers.
- Unintentional delays to decision-making, or the creation of bottle necks because of constitutional changes.

Key Activity Completed in Year One

The Council has introduced a Member / Officer Protocol and approved an updated Constitution, which incorporates updated Financial Regulations and Contract Procedure Rules. These are all

designed to provide greater clarity over roles and responsibilities and to provide the tools for improved decision making. Now that these documents are approved there will be a period of intensive training and cultural change work undertaken to ensure that their aims become embedded within the business as usual of the Council. There has been a review of portfolios which has seen them become better aligned to the Council's operational structure.

Public Interest Report Sign Off

The Constitutional recommendations of the Public Interest Report were incorporated into the review of the Constitution including creating clarity in the roles of Overview and Scrutiny and Audit Committees and the review of the Scheme of Delegation and clarity of officer and Councillor roles.

Key amendments to the refreshed Recovery and Improvement Plan

The one significant amendment to the original Together for Nottingham Plan is the addition of a new project to deliver the recommendations made by the Centre for Governance and Scrutiny on the Council's scrutiny activity.

Further milestones have also been added on the existing projects which set out how some of the change secured through the Theme will become embedded within the Council.

Theme Five: Constitution (Governance and Decision Making) /57

Actions

Work-Stream	Actions/Milestones	Timescale
Member / Officer Roles and Responsibilities	Adoption of new Member Officer Protocol.	Jan-2021 Complete
	Full Council Approval of new Constitution including Councillor and Officer Articles	September 2021 Complete
	Delivery of mandatory officer training on working in a political environment	Q3 / Q4 2021/2022
	Delivery of councillor training on officer/councillor working relationships	Q3 /Q4 2021/2022
Member Development Programme	Committee Development Programme established.	Q2 2021/22 Complete
	Development and delivery of Overview and Scrutiny Development Programme with CfGS (further outlined in the Development of Scrutiny Project)	Q3 / Q4 2021/22
	Development and delivery of detailed Councillor role descriptions/ skills required and training to support the development of these skills	Q3 / Q4 2021/22
	Completion of Year 1 Committee Development Programme Delivery.	Q4 2021/22
Review of Portfolios	Completion of Portfolio Review.	Mar-2021 Complete
Updated Constitution	Adoption of revised Overview & Scrutiny Terms of Reference.	Jan-2021 Complete
	Adoption of revised Companies Governance Executive Sub-Committee (Shareholder Panel) Terms of Reference.	Mar-2021

Theme Five: Constitution (Governance and Decision Making) /58

Work-Stream	Actions/Milestones	Timescale
	Adoption of revised Audit Committee Terms of Reference.	Mar-2021 Complete
	Adoption of standardised ToRs for all Committees.	Q1 2021/22 Complete
	Review of Scheme of Delegation.	Q1 2021/22 Complete
	Review of Financial Regulations.	Q1 2021/22 Complete
	Update of Management Structure (to follow Officer restructure).	Q2 2021/22 Complete
	Review Procedures and Standing Orders.	Q1 2021/22 Complete
	Redraft of New Constitution.	Q1 2021/22 Complete
	Formal adoption of Constitution.	Q2 2021/22 Complete
	Revisions to existing delegated decisions system to account for revised decision making arrangements	Q3 2021/2022 Complete
	Development and delivery of guidance and training on new decision making process.	Q3 / Q4 2021/2022
	Development of a new electronic delegated decisions system	TBC
	Review of new Constitution including Executive Delegations	April 2022
	Development of new Scrutiny Protocol	Jan 2022

Theme Five: Constitution (Governance and Decision Making) /59

Work-Stream	Actions/Milestones	Timescale
Development of Scrutiny	Renaming of Health and Adult Social Care Scrutiny Committee	October 2021 Complete
	Scheduling of regular meetings between Committee Chairs and Portfolio Holders to ensure awareness of priorities and where Overview and Scrutiny can add value.	October 2021
	Job descriptions prepared for the roles of Chair, Vice Chair and Committee Members of the scrutiny committees.	December 2021
	Coaching, mentoring and training programmes to be introduced for scrutiny committee members.	January 2022
	Opportunities for re-establishing joint health scrutiny arrangements with Nottinghamshire County Council to share and make best use of available resource to be explored.	May 2022

Accountability

Lead Councillor	Deputy Leader of the Council, supported by cross party member working group.
Lead Officer	Director of Legal & Governance.

Theme Six: Organisation & Culture

The Council recognises that in order to drive change at the pace and scale required, we must first ensure that we are able to establish clear organisational goals and individual accountabilities, and have effective mechanisms of monitoring and control.

It is equally important that we recognise the strengths of our workforce, and put in place the support to help our people build on their existing skills and experience. This includes celebrating and embracing our diversity and using different perspectives to inform better decision making.

Setting Top Level Goals

The City Council will adopt the procedure outlined in the Joint Negotiating Committee (JNC) for Chief Executives, in order to ensure that the targets set by the Leader for the Chief Executive can effectively flow through the senior officer structure, which in turn will allow the Chief Executive to hold senior officers to account for the delivery of the Council's priorities.

This will support the delivery of the organisation's goals by identifying and clarifying the key objectives, priorities and targets of the Council, and appropriate timescales for their achievement over the period of this plan and in each year.

A clear appraisal process for the Chief Executive will enable a clear cascade of responsibility through the Chief Executive to the rest of the officer structure, which will underpin performance management of the whole organisation. The Chief Executive will set the example and role model the expected behaviours for all leaders / managers in the organisation.

Simplifying the Officer Structure

To ensure these objectives have clear ownership and can be cascaded effectively, the senior officer structure will be simplified. The Chief Executive will bring forward proposals for a high level restructure of the organisation to provide greater clarity and focus to the responsibilities of the Corporate Leadership Team.

Individual Performance Management Appraisals

An effective Performance Management Framework (PMF) is integral to the effective delivery of the plan and priorities, as well as clear accountability and good governance.

The development of the Council's new PMF is covered in Theme 8, however in order to work effectively links from the Council Plan have to be made through to both service areas and individual colleagues. This project looks at the development and roll out of a new individual performance appraisal system, which will drive cultural change, service transformation and delivery of the Council's objectives. Good quality, regular performance and development conversations will ensure that expectations are clear and that support and development required to succeed are provided.

Culture & Workforce Development

We recognise that changes to structures and performance management arrangements will not in themselves lead to organisational change without the right culture and individual behaviours in place.

For this reason, the Together for Nottingham Plan will prioritise the delivery of a far reaching and meaningful cultural transformation programme, supported by the Local Government Association, taking full account of the Council's absolute commitment to equality, diversity and inclusion. This programme will focus initially on leadership and management behaviours and councillor behaviour through structured development activity, before involving all colleagues across the Council.

This will clearly articulate both the current prevailing culture and the desired culture, as well as providing sharp focus to the individual behaviours and competencies that need to change or be developed. The programme will have a clear focus on customer and citizen need and how the council works with partners and local communities into the future. The theme of 'collaboration' runs through our programme and specific behavioural expectations around collaboration and partnership working feature in our new approach to Individual Performance.

Our approach to city wide partnerships and working with our local communities will be the focus of a programme in design with Nottingham Trent University and will launch in 2022.

Nottingham City Council also recognises that the scale and pace of change required will place a significant draw on capacity while the organisation seeks to reduce the overall size of the workforce.

The external support available through sector partners including the LGA, CIPFA and other local authorities, and the external members of the Improvement and Assurance Board, will help develop and shape our approach, however there will also be a need to develop or acquire the additional skills and resource levels required in the short term.

The Together for Nottingham Plan should also be seen as an opportunity for officers and councillors to develop new skills and experiences which can benefit the organisation in the longer term and where possible, we will use the workforce development programme to support this process.

Improving Equality, Diversity and Inclusion

Through our extensive culture change work we will drive significant improvements in relation to equality, diversity and inclusion (EDI) within the council and across the city. New behavioural expectations with a specific set around EDI form part of our new approach to Individual Performance and the accompanying development programme aims to create inclusive leaders representative of the city we serve.

A specific Accelerated Development Programme (ADP) for colleagues from under-represented groups and those with protected characteristics will be delivered from January 2022 to support our work in ensuring that all colleagues can thrive, achieve and progress at work. In addition, recruitment is underway for a group of 'Change Accelerators' who will support our council wide Transformation Programme with diversity of applicants a priority.

Theme Six: Organisation & Culture /62

Key objectives

- Establish a clear set of organisational objectives and the mechanisms to hold the Chief Executive to account, and through the Chief Executive to hold senior officers to account for their delivery.
- Ensuring that these objectives can be embedded within the activities of the organisation as a whole through clear and effective lines of accountability.
- Provide officers with clarity of focus and easily understood remits which deliver for the citizens of Nottingham.
- Create a sharper focus on performance for everyone in the Council and set clear expectations for colleagues.
- Celebrate and build on the local knowledge and passion of councillors in advocating for their communities as part of a culture that champions Nottingham and its people.
- Set a new standard for personal responsibility and behaviour, and recast the cultural norms of the whole organisation, including greater clarity on councillor and officer roles and responsibilities.

Key activity

- Revising and simplifying high level officer structure.
- Scoping and commissioning an Officer Development Programme with an initial focus on leading and managing well.
- Accelerated Development Programme targeted at colleagues from under-represented groups and those with protected characteristics.
- Councillor development with a focus on councillor and officer roles and responsibilities.

Key deliverables

- Top tier officer restructure.
- CEX performance appraisal procedure.
- New approach to Individual Performance Reviews.
- Officer Development Programme and specific Accelerated Development Programme.
- Recruitment of a diverse group of ‘Change Accelerators’ and a collaborative programme with Nottingham Trent University.
- Councillor Development Programme.

Key Risks

- Skills retention during transformation.
- Adverse impact on colleague morale.
- Change resistance.
- Lack of engagement and buy in from senior officers and executive councillors, meaning performance management is not taken seriously enough.

Key Activity Completed in Year One

The Council has revised its top-level officer structure and implemented a new performance regime for both its services and senior colleagues involved in delivering these services. This includes a new approach to reviewing the individual performance of the Chief Executive.

Work has also been completed to gain a deep understanding of the organisation's current culture as a precursor to defining what desired culture the Council requires in order to deliver its improvement ambitions and deliver organisational transformation.

A new Leading and Managing Development Programme has been launched to complement and support the new approach to Individual Performance Reviews now being utilised by senior officers. Councillor development activity has increased, including input from the LGA on Councillor-Officer roles and financial decision making by industry experts at The Chartered Institute of Public Finance and Accountancy.

Key amendments to the refreshed Recovery and Improvement Plan

This Theme previously contained work on the updating of the Council's Performance Management Framework. This has now been moved to Theme 8 in order to emphasise the links between policy and service planning.

The key to successfully delivering the wider outcomes of the Together for Nottingham Plan requires significant activity to embed new practices and behaviours to secure longer term sustainable change.

The changes made to this Theme reflect that requirement and set out in more detail how this will be achieved over the course of the Together for Nottingham Plan.

Theme Six: Organisation & Culture /64

Actions

Work-Stream	Actions/Milestones	Timescale
Setting Top-Level Goals	Final draft of proposed top level goals to CEX for review and approval	End of February 2021 Complete
	Identify and agree CEX appraisal mechanism	End of February 2021 Complete
	External partner identified and secured to assist in facilitation of PA process.	April 2021 Complete
	Adoption of the Chief Executive Performance Appraisal Procedure to commence April 2021	April 2021 Complete
	Start of Year conversation – setting of objectives	April/May 2021 Complete
	Mid-Year Review conversation	October /November 2021 Complete
	End-Year Review conversation	April/ May 2022
Simplifying the Officer Structure	ACOS report 1 on Corporate Director structure.	Feb-2021 Complete
	Complete outstanding Corporate Director appointments.	Q1 2021/22 Complete
	Develop principles on which to review phase 2 of the structure	Q1 2021/22 Complete

Theme Six: Organisation & Culture /65

Work-Stream	Actions/Milestones	Timescale
	Engagement with CLT and Cllrs on principles and approach of working with LGA.	Q1 2021/22 Complete
	Engagement with CLT and LGA (subject to approval) on desk top exercise of areas to begin service reviews.	Q1 2021/22 Complete
	Train colleagues to support the Decision Making Accountability process	Q2 2021/22 Complete
	Undertake structured DMA interviews and conversations with 17 Divisions across the Council	Q1 to Q4 2021/22
	Provide structured DMA report, including themes and recommendations for each area	Q2 to Q4 2021/22
	Informal and formal consultation on phase 2 of senior structure of the Council restructure. To take place across whole Council.	Q3 to Q4 2021/22 and Q1 2022/23
	ACOS report 2 on Director HOS structure .	Q4 2021/22
	Provide structured DMA report, including themes and recommendations for each area. Proposed recommendations to go to CLT, ACOS and/or collective consultation as appropriate.	Q2 to Q4 2021/22
Individual Performance Management Appraisals	Cascade CEX targets to Corporate Directors.	Q2 2021/22 Complete
	Design and deliver new approach to Individual Performance Reviews.	Q2 2021/22 Complete
	Design guidance and toolkit to support the embedding of the new individual performance appraisals for SLMG colleagues	Q1 2021/22 Complete
	Embed the new approach to Individual Performance Reviews (IPR) with SLMG colleagues	Q2-Q42021/22
	Measure and report on IPR completions and quality for SLMG colleagues - refine process as required	Q1 2021/22

Theme Six: Organisation & Culture /66

Work-Stream	Actions/Milestones	Timescale
	Design approach to IPR and roll out plan for non-SLMG colleagues, including engagement/consultation with all stakeholders	Q2/Q3 2021/22 Complete
	Design guidance and toolkit to support the embedding of the new individual performance appraisals for non-SLMG colleagues	Q3 /Q4 2021/2022
	Engage with all leaders/managers on new approach to IPR and set expectations	Q3 / Q4 2021/2022
	Engage with all colleagues (comms/engagement plan) re: new approach to IPR – briefings, support, training	Q4 2021/2022
	Deliver/launch new approach to IPR for non SLMG roles	Q1 2022/2023
	Embed the new approach to IPR with non-SLMG colleagues	Q2 / Q4 2022/2023
	Measure and report on IPR completions and quality for non-SLMG colleagues - refine process as required	Q1 2023/2024
Culture & Workforce Development	Develop and agree Leadership Capability Framework (LCF).	Feb-2021 Complete
	Culture mapping - Senior Leadership.	Feb-2021 Complete
	Attend CLT – Re: Initial findings from Culture Mapping (SLMG and Exec)	Feb -2021 Complete
	Undertake Culture Mapping exercise (survey and focus groups) with non-SLMG colleagues	Mar-2021 Complete
	Attend Senior Leadership Forum – update on culture-mapping and share new behavioural expectations	Mar -2021 Complete
	Design/create comms and engagement plan for RIP, including creation of Team Brief cascade process and dynamic forward plan of messaging	Q1 to Q4 2021/2022

Theme Six: Organisation & Culture /67

Work-Stream	Actions/Milestones	Timescale
	CLT session to agree, values and future culture message map and vision.	Mar-2021 Complete
	Design and deliver comms and engagement activities to share findings of culture mapping (current state), change narrative and future desired state	Q1 to Q4 2021/22 Complete
	Create long change narrative, short narrative and strapline to be woven through all comms/engagement activity, including new branding for RIP (in partnership with Transformation Office)	Q3 to Q4 2021/2022 Complete
	Seek LGA resources to fund a coaching (coaching for performance) programme for Corporate Directors / CLT. CEX to determine the remit and use to support cascading of targets.	Q1 to Q4 2021/22
	Develop Leadership Capability framework including competencies and new behavioural expectations for Directors and SLMG roles.	Q2 2021/22 Complete
	Design and commence delivery of leadership development programme to help embed leadership framework and new behavioural expectations (SLMG and T4 Managers)	Q3 – Q4 2021/2022
	Design and deliver and/or commission a range of development activity for councillors	Q1 – Q4 2022/2023
	Further develop Leadership Capability Framework including competencies and new behavioural expectations for non-SLMG colleagues, including consultation/engagement with all stakeholders	Q2 – Q3 2022/2023
	Seek LGA resources to procure and fund an Accelerated Development Programme (ADP) for people with protected characteristics, to support NCC EDI ambitions.	Q3 2021/22
	Evaluate, refine and deliver more cohorts for ADP as appropriate (Non SLMG)	Q1 / Q2 2022/2023
	LGA to facilitate an external review of HR practice re EDI focussed on recruitment/selection/progression	Q3 2021/2022
	Specification for commissioned elements of the EDI programme refined/complete and put out to potential providers.	Q3 2021/2022 Complete

Theme Six: Organisation & Culture /68

Work-Stream	Actions/Milestones	Timescale
	Develop branding, communications and application process ready for launch.	Q3 2021/2022 Complete
	Begin ADP identification and recruitment process (in-house)	Q3 2021/2022
	ADP - first cohort to be begin – delivery of interventions	Q4 2021/2022
	Evaluate, refine and deliver more ADP cohorts as appropriate	Q1 to Q2 2022/2023

Accountability

Lead Councillors	Portfolio Holder for Leisure, Culture and Schools and Portfolio Holder for Children and Young People.
Lead Officer	Chief Executive, with Director for HR, Equality, Diversity and Inclusion

Theme Seven: Service Design and Delivery (formerly Delivery Options)

In March 2020 we began to operate in the context of a global pandemic. The impact this has had on the way the council operates has given a new impetus to rethinking the way services are designed and delivered. However, our aspirations across delivery options are not new. We will review services in order to effectively prioritise, personalise, simplify and rationalise delivery. This process will be overseen by a Transformation Board.

Prioritisation and personalisation

We must help communities become more resilient by targeting our support where we can make the biggest difference and helping people help themselves where their needs are less. This means making it easier to access support using web-based information and advice; understanding a person's wider needs; joining up our support; and starting from a position of looking at what people can do rather than what they can't.

We want to create a route for people where everything is addressed together. A place where we have the right things in place to allow those that can to self-serve so we can focus on those that can't - to ensure we can target our support to our most vulnerable residents and those that are the most in need.

Simplification and rationalisation

We want our residents to have a positive relationship with the council; one that is simple, informative and intuitive. Our residents expect modern, efficient, accessible services and a timely response to every interaction with the council, and we want to match the expectations of our community and the way of doing business that our residents already have when dealing with other organisations.

We must reduce the variation in how we do things inside the council by starting from a principle of simplifying processes and automating wherever feasible. To free up resource to do the highest value-adding work, we must start from a principle of rationalising onto a few core systems.

The outcome will be an empowered, energised and enabled resident community engaging with us through increased digital channels that quickly direct them to the right resources at the right time. We will however continue to support those people who are

Theme Seven: Service Design and Delivery (formerly Delivery Options) /70

unable to access digital services to help them get the access they require.

This work will inevitably change the way the council looks, feels and works – it will mean:

- We design our services with residents and communities, rather than holding the power ourselves.
- We act in ways which build on individual, family and community strengths rather than starting with what needs a council service can fill.
- We take a whole family approach, seeing and understanding people in the round rather than through a particular service's view.
- We join up our interactions to streamline them and to provide early support and intervention.
- We reduce the variation in how we do things, rationalising our systems and standardising and simplifying and automating our processes wherever appropriate.
- We will be a smaller and more streamlined organisation.

Key Objectives

- To maximise our ability to achieve our priority outcomes by increasing the efficiency of service delivery.
- To rationalise and simplify our modes of delivery and influence under a coherent strategy.
- To build on existing core capacity and capabilities in those areas where we excel.
- To reduce the administrative overheads associated with complex and inconsistent delivery methods.
- To make the most of the digital tools at our disposal to make it easier for citizens to transact with the Council, promote a viable self-serve model and reduce duplication.
- To maximise residents' capacity to support themselves and their communities.

Key Deliverables

The outputs that will be delivered through this work-stream will be:

- First wave of business cases for service transformation in November 2021.
- Second wave of business cases for service transformation in January 2022.
- Third wave of business cases for service transformation in March 2022.
- Execution of new delivery plans.

Key Activities

The key activities of this work-stream are:

- Review of current service designs and performance against service design principles.
- Cost/benefit analysis of existing services delivery methods.
- Mapping of customer contact points and restructuring of existing contact centre (and similar) teams.
- Redesign of transactional processes.
- Creation of clear service transformation plans in the key areas of People Services, Resident Services, Growth and City Development and Corporate Services

Key Risk

- Data availability and quality for comparative analysis.
- Availability of sufficient resources for the client role and contract management.
- Provider failures/financial distress associated with the current pandemic.
- Change resistance.

Actions

Work-Stream	Actions/Milestones	Timescale
Business Case Approval	Wave One Project Business Cases approved	November 2021
	Wave Two Project Business Cases approved	February 2022
	Wave Three Project Business Cases approved	April 2022
Implementation	Wave One Projects initiated	January 2022
	Wave Two Projects initiated	March 2022
	Wave Three Projects initiated	May 2022
Resourcing	Transformation resourcing plan approved	November 2021
Capability Building	Workforce transformation development plans in place	February 2022
Transformation Plan Review	Review of Transformation Plan	March 2022

Accountability

Lead Councillors	Portfolio Holder for Skills, Growth and Economic Development, and Portfolio Holder for Adults and Health.
Lead Officer	Chief Executive in conjunction with Director for Strategy, Performance, Marketing and Comms

Theme Eight: Council Plan

The Council Plan 2019-23 set out the vision for improving our great city while keeping citizens at the heart of everything we do. It is about the future of our city for all who live, work, study, invest and visit here, and is rooted in straightforward values of fairness, inclusivity and equality.

This vision and ambition for the city and its people is unchanged, however the context in which we operate has changed dramatically since 2019, not least, as a consequence of the social and economic impacts of Covid-19. It is clear that if we are to achieve our aims and live up to our aspirations for Nottingham, we must be prepared to rethink what we do and how we do it.

Nottingham City Council has developed a refreshed policy framework, the Council Plan, reaffirming our vision for the next three years, taking full account of the council's absolute commitment to equality, diversity and inclusion, while also ensuring it is deliverable within a reduced funding envelope.

This includes:

- A clear vision for the City and Council and our strategic priorities for the next three years.
- A robust policy framework to deliver against our priorities within the available resources.
- Effective internal controls and management arrangements to ensure we remain able to fulfil our statutory duties.

Together For Nottingham

Refresh of Council Plan 2019-23

The 2019-23 Council Plan is made up of a range of activity and commitments. It is a mix of high-level indicators, performance measures and actions. We have therefore developed a revised Council Plan for 2021-23 that reflects the City Council's budgetary position over the short and medium term.

We will review the commitments in the current plan against the funding and resources available, confirm our high-level outcomes for the refreshed plan, and include the council's statutory and transformation activity that supports those outcomes. The refreshed Council Plan provides greater focus on the core and statutory services and activities the Council needs to provide to support our local people, places and partners.

Performance Management Framework

An effective Performance Management Framework (PMF) is integral to the effective delivery of the Strategic Council Plan and priorities, as well as clear accountability and good governance.

The Performance Management Framework has been agreed and we are now populating targets, commitments and indicators into our corporate performance management system, Pentana. In future, performance will be reported regularly to members and officers throughout the year. Performance management sessions will

include updates to DLTs each month, and to CLT and the Executive at least quarterly so that performance is managed in a timely and effective manner.

A refreshed Strategic Council Plan, a new policy framework, and an associated PMF are substantial contributors to the ability of Nottingham City Council to deliver good governance and accountability from top to bottom of the organisation.

Policy Framework

A clear, up to date and well communicated policy framework will allow the City Council to make better decisions with greater pace.

The current policy framework is disparate and there is no central repository. Some areas of the policy framework have also become out of date and these plans and strategies require our attention.

The Council's Corporate Leadership Team are reviewing the policy framework and where any gaps exist, are leading on framing a discussion with members.

The new policy framework will set out how the Council will prioritise its efforts and resources and how we would wish to see our partners do likewise. It will enable clearer decisions to be made with less hesitation.

The development of clear guidance on producing policy and strategies is underway. A working definition of policy, strategy and action plans is being developed to help embed the Councillor/Officer Protocol. This work will also explain which strategic documents should sit within the Council's overall policy framework.

We will establish a new policy framework by the end of quarter 1 of 2022/23.

Key Objectives:

- The refreshed Council Plan sets out the operating context for the Council, the high-level needs in the city, and our vision for Nottingham, clearly articulating our role in delivering on that.
- The new Policy Framework and refreshed Council Plan 2021-23 includes all of the Council's activities to ensure that our whole organisation's performance is visible and managed through the governance and accountability frameworks.
- We will establish high-level outcomes using outcome-based accountability, with a series of detailed measures under each outcome, so that service activity/outputs are clear, and services are accountable for their contribution to our overall strategic goals.
- We will enable performance management at all levels through a "golden thread" that runs from the overall strategic aims and objectives at the top of the organisation, and the outcomes of the refreshed Council Plan, down to service plans and individual colleague appraisal objectives. This will ensure that operational performance and risk has a line of sight to the overall reporting of the Council Plan performance, as well as clear accountability for the delivery of activities in the plan.
- A strong link will be established to financial performance, corporate risk and our workforce and corporate health. In this way the PMF can enable us to look at performance in association with financial, risk and workforce plans.

Theme Eight: Council Plan /75

- We will be clear to citizens, businesses and stakeholders about what our priorities are and where our resources are directed.
- We will explain the governance and accountability mechanisms to ensure the delivery of the plan and to enable citizens to hold us to account.

Key activity

- Develop an agreed methodology and scope for re-prioritising the commitments in the current Council Plan to 2023.
- Review the current organisational aims and establish an agreed set of priorities for the next three years.
- Develop a Performance Management Framework using outcome-based accountability.
- Establish dedicated resource to support effective corporate management of performance.
- Develop a core set of outcomes, each with a range of priorities, indicators and clear accountability for delivery.
- Develop a refreshed Council Plan that includes:
  - The vision and operating context of the Council.
  - Current Council Plan commitments (revised).
  - All statutory responsibilities (organised around key outcomes).
  - New areas of responsibility and action resulting from Covid19 (organised around outcomes).
  - Details of the transformation activities to put the Council onto a sustainable footing.
  - Details of the governance and accountability framework.
  - A statement about our current financial position and how it impacts the above.
  - Ensuring all key policy and strategic plans are current.
  - Creating clear guidance on producing policies and strategies.
  - Defining policy, strategy, and action plans to better embed the Councillor/Officer Protocol and set out what strategic documents sit within the policy framework.
  - Bringing together all the City Council's strategic documents in a central repository.

Key Deliverables

- A refreshed 2021-23 Council Plan.
- A new policy framework for the City Council.
- A new Performance Management Framework

Key Risks

- The revised Council Plan and new policy framework failing to sufficiently take account of both the needs of citizens and businesses in Nottingham, and the views of the Improvement and Assurance Board.

- Concerns raised in the context of any departure from the existing policy framework.
- Failure to use the PMF and the Council Plan effectively within the decision-making framework – in other words introduction of new activities without consideration of what needs to change in the PMF and Council Plan.
- Failure to agree a refreshed Council Plan means the new PMF does not capture / reflect core Council activity, leading to a lack of oversight and accountability.
- Failure to provide the resources specified within this plan to ensure the PMF can be successfully delivered, resulting in incomplete, inaccurate and failing performance management.
- The ongoing impact of Covid-19 and other changes and impacts deriving from the national policy context.

Key Activity Completed in Year One

Theme 8 has delivered a refreshed corporate plan for the City Council: the Strategic Council Plan.

As part of the Together for Nottingham Plan, the City Council was required to review its wider policy framework in light of the new operating context in which it finds itself, including a refreshed corporate plan for the organisation that takes into account the funding and resources available to it.

The Strategic Council Plan sets out our vision, high level outcomes and priorities over the next two years. It has a greater focus on the key statutory services the City Council is required to provide and that local people expect.

Together For Nottingham

It clearly articulates a set of high level outcomes and interventions that we think will significantly improve the lives of local people and improve the city overall, with a series of strategic priorities and detailed, measurable activities underneath that support each outcome, so that Council services can be better held to account for their contribution to the Council's overall strategic goals.

A comprehensive Performance Management Framework is being put in place that will underpin delivery of the plan, and provide the Improvement & Assurance Board, Corporate Leadership Team, Leadership Group, the public, partners and stakeholders with the necessary assurance that performance management is being undertaken by the authority in a rigorous and transparent way. This includes appropriate oversight and reporting of the performance of the organisation being in place.

The Strategic Council Plan was formally adopted as Council policy at Full Council on 13th September 2021.

The Council consulted widely on the draft Strategic Council Plan, actively seeking the views of local people, employees and key partners, to inform and improve the Strategic Council Plan and help ensure the policy framework we operate within is robust and focused on the right outcomes for the city and local people.

The refreshed plan supports a more medium-term financial planning horizon and the achievement of a sustainable, balanced budget in the context of a refreshed policy framework and direction for the Council.

Key amendments to the refreshed Recovery and Improvement Plan

The management of the Performance Management Framework has been moved into this Theme from Theme 6.

More detail has been set out on what the Policy Framework work stream will achieve.

The Strategic Council Plan covers the period from 13th September

2021 up to 31st March 2023.

Local elections are expected to take place in Nottingham in May 2023, and a new corporate plan for the organisation will need to be created following the election of a ruling group for the City Council. Any new corporate plan will need to have regard to the Together for Nottingham Plan that runs until 2024. The new corporate plan will also have to meet the continuing need to ensure that the City Council achieves a sustainable, balanced budget in the context of a refreshed policy framework and direction for the Council. This will be aligned with transparent, effective and efficient decision-making and having regard to the resources that are available to us to deliver this on behalf of the people of Nottingham.

An indicative high-level timeline for a new Corporate Plan from 2023 is:

- May 2023 – Local election held and ruling group manifesto adopted as Council policy in principle.
- June – September 2023 – a new corporate plan and performance framework developed, including consultation and agreement/sign off with Corporate Leadership Team, elected political leadership.
- October 2023 – Consultation with employees, public and key partners/stakeholders
- November 2023 – new corporate plan endorsed at Executive Board.
- November 2023 – new corporate plan formally adopted as Council policy at Full Council.

Actions

Work-Stream	Actions/Milestones	Timescale
Review and refine existing policy framework and Council Plan	Develop an agreed methodology and approach with political leadership for refreshing the Council Plan in the context of a revised funding envelope, the Together for Nottingham Plan and the unprecedented challenges of Covid-19 to 2023.	Jan-2021 Complete
	DLUHC Improvement and Assurance Board comment on proposals.	Feb-2021 Complete
	Seek input and best practice from the LGA and other Core Cities to ensure that our plans take account of learning from elsewhere.	Feb-2021 Complete
	Based on agreed list of statutory departmental indicators and the retained Council Plan 19-23 priorities - Set out 20-30 outcomes, as part of an Outcome Based Accountability approach, each with a range of performance indicators, priorities, and outputs, with clear accountability for delivery.	Mar-2021 Complete
	Using the outcomes developed as a basis, map a proportionate and indicative set of measures from NCC's statutory duties as further priorities, indicators and performance measures to provide a clear high-level view of the Council's performance against statutory requirements.	Mar-2021 Complete
	Bring the agreed outcomes, priorities, statutory indicators and performance measures together so that a whole organisation approach is firmly developed in the first draft of the refreshed Council Plan.	Mar-2021 Complete
	A public consultation on the draft plan could be conducted to allow Nottingham's people, businesses and other key stakeholders to set out their view on what NCC should prioritise.	Mar/Apr 21 Complete
	The new recovery Council Plan is formally adopted at Full Council along with the Performance Management Framework (PMF covered in Theme 6)	Sept 2021 Complete
	Defining policy, strategy, and action plans to better embed the officer / member protocol and set out what strategic documents sit within the policy framework	Nov-21
	Creating clear guidance on producing policies and strategies	Jan -2022

Work-Stream	Actions/Milestones	Timescale
	Service planning process to be carried out for 2022/23 to ensure deliverability of the final year of the plan and linked to the budget/MTFP process (and MTFP delivery plan (Theme One))	Feb-2022
	Development of the Policy Framework bringing together all the City Council's strategic documents in to a central repository and identifying any that are out of date	Q1 2022/23
Performance Management Framework	Internal review of approach to creating new Performance Management Framework.	Jan-2021 Complete
	Core Group comments on and agrees work stream's recommended approach to creating a new PMF and Council Plan.	Jan-2021 Complete
	Engagement: • Agree methodology at CLT and nomination of lead officer(s) for each department. • Agree methodology with Leadership. • Agree methodology with Executive Councillors. • DLUHC Improvement and Assurance Board comment on proposals.	Feb-2021 Complete
	Departments (through agreed Departmental Lead) to establish representative sample of statutory indicators.	Feb-2021 Complete
	Departmental leads to seek sign-off/approval of indicators via PFHs.	Feb-2021 Complete
	Draft Performance Management Framework developed on Statutory Indicators, plus retained elements of the existing CP.	Mar-2021 Complete
	Engagement: • CLT comment on and agree draft PMF. • Leadership comment on and agree draft PMF.	Mar-2021 Complete

Work-Stream	Actions/Milestones	Timescale
	Portfolio Holders sign-off the PMF (outcomes, priorities and outputs) that directorates have developed and will target for delivery. Portfolio Holders review and comment on the new Plan and agree the impact on their portfolio.	Apr-2021 Complete
	Consult Improvement and Assurance Board on PMF.	Apr-2021 Complete
	Performance Management Framework and Strategic Council Plan formally adopted at Full Council.	Sept- 2021 Complete
	Operationalise the PMF (with initial focus on SCP and Critical Indicators) including: • Defining baselines, targets (where applicable), accountable officers, frequency of data availability, source etc • Build new structure in Pentana • Establish data feeds (automated where possible) • Develop reporting dashboards • Initiate corporate quarterly reporting to CLT, Leadership, Portfolio Holders and Executive Panel	January 2022 (Q3 Reporting Cycle)
	Establish consistent approach to monthly Directorate Performance Clinics including: • Terms of reference and other monthly documentation • Standard agendas and other monthly documentation • A focus on performance, risk and budget • Performance and risk management of the MTFP Delivery Plan	April 2022

Accountability

Lead Councillors	Deputy Leader in partnership with whole Executive.
Lead Officer	Chief Executive in conjunction with Director for Strategy, Performance, Marketing and Comms

Glossary of terms

- ACOS - Appointments and Conditions of Service
- ADP – Accelerated Development Programme
- ALMO – Arm's Length Management Organisation
- CEX – Chief Executive
- CGESC – Companies Governance Executive Sub-Committee
- CfGS – Centre for Governace and Scrutiny
- CIPFA – Chartered Institute of Public Finance and Accountancy
- CLT – Corporate Leadership Team
- C Tax – Council Tax
- DLT – Departmental Leadership Team
- DLUHC – Department for Levelling Up, Housing and Communities (formerly Ministry for Housing, Communities and Local Government MHCLG))
- DPIA – Data Protection Impact Assessment
- EDI – Equality, Diversity and Inclusion
- EE – Enviroenergy
- EIA – Equalities Impact Assessment
- FRI – Full Repair and Insuring Lease
- GDPR – General Data Protection Regulation
- HIA – Health Impact Assessment
- HOS – Heads of Service
- HR – Human Resources
- IT – Information Technology
- IPR – Individual Performance Framework
- ITP – Integrated Transformation Programme – this links to the work undertaken in Theme 7 Service Design and Delivery
- LCF – Leadership Capability Framework
- LEP – Local Economic Partnership
- LGA – Local Government Association
- MTFP – Medium Term Financial Plan (see also MTFS below)
- MTFS – Medium Term Financial Strategy
- NCC – Nottingham City Council
- NCH – Nottingham City Homes
- NHS – National Health Service
- NRB – Nottingham Revenue & Benefits
- NSR – Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of DLUHC.

Glossary of terms

- PID – Project Initiation Document
- PIR – Public Interest Report on Robin Hood Energy (see RHE)
- PMF – Performance Management Framework
- PMO – Programme Management Office – a support function to the Officers accountable for delivering elements of the plan
- Q1, Q2, Q3, Q4 – Quarter 1 (April to June), Quarter 2 (July to September), Quarter 3 (October to December, Quarter 4 (January to March).
- R&IP – Recovery & Improvement Plan
- RAG – Red, Amber, Green performance management ratings
- RHE – Robin Hood Energy
- RSG – Revenue Support Grant
- Senior Leadership Forum – an officer forum comprising of SLMG
- SLMG – Senior Leadership Management Group
- TBC – To Be Confirmed
- TOR – Terms of Reference for a Committee or Board.
- VfM – Value for Money

Index of High Level Deliverables

DLUHC Theme	Product / Outcome	Timescale	Plan Theme / Section	Location
Assurance	**Improvement Board established** The Board will be in place to challenge, support and improve performance, with the first meeting in January, to agree a commentary on the Council's recovery plan when it is submitted to the Secretary of State, and a forward plan of work to support quarterly evidenced based progress reports.	December 2020		10
Assurance	**A three-year recovery plan submitted to the Secretary of State** With actions, milestones and accountabilities to restore the financial viability of the Council's capital programme and revenue budget.	January 2021		
Finance	**A robust three-year medium-term financial plan** With actions to end the reliance on annual budget setting and a plan to restore financial resilience, including through long term cost reduction and building reserves (targets should be included for capital receipts).	January 2021	MTFS	25
Finance	**A robust draft budget for 2021/22** With a clearly identified funding gap/ask and evidence of significant measures already included to close that gap, including asset disposals.	February 2021	MTFS	25
Finance	**A detailed savings plan** Including a schedule of who is responsible for each identified saving, an implementation plan, and a description of the process the council will put in place for generating further savings (star chamber model).	January 2021	MTFS	25

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DLUHC Theme	Product / Outcome	Timescale	Plan Theme / Section	Location
Finance	**Updated Council Plan** To update the council's policy framework and revise its operating model to show clearly that the council can meet its statutory requirements; and that delivery plans have regard to its medium-term financial strategy.	June 2021	Council Plan	72
Finance	**A detailed asset disposal strategy** Including a review of capital assets and a disposal plan. This will include a detailed plan to deliver a very significant increase in capital receipts, for both General Fund and Housing purposes, to fund existing schemes and to fund or co-fund a capitalisation Direction. It will also detail assets or commercial ventures which should be exited, owing to a lack of expertise or rationale for remaining involved. In both cases, the plans will need a clear timetable.	April 2021	Assets	33
Finance	**Debt Management Strategy** This should reflect an annual step down in external borrowing and include a commitment to quarterly returns on asset disposals.		Capital Programme	46
Governance	**Council adopts an updated constitution** To clearly define roles and responsibilities of members and officers, the framework within which they operate, decision-making processes, performance management and procedures within the Council.	June 2021	Constitution (Governance and Decision Making	53
	Reducing or eliminating overlap in Cabinet portfolios, with one Member with specific responsibility for performance and citizen experience.	June 2021	Constitution (Governance and Decision Making)	54
	Identifying specific skill requirements, training and development needs, as well as potential conflict of interest issues, for Councillors appointed to statutory Committees including Planning, Licensing, Appeals and Audit and Scrutiny, and also to Company Boards, including appointments to Non-Executive Company Chair roles.	June 2021	Constitution (Governance and Decision Making)	54

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DLUHC Theme	Product / Outcome	Timescale	Plan Theme / Section	Location
	A revised Member Officer protocol clarifying roles and responsibilities as between members and officers.	June 2021	Constitution (Governance and Decision Making)	54
	A simplified officer structure incorporating a new senior leadership structure with sufficient seniority for strategic financial management (the S151 officer and the Monitoring Officer to report directly to the CE). This structure must ensure that Statutory Officers have effective control and/or oversight of the professional functions that provide advice to the Council. The Chief Executive to ensure sufficient permanent and interim management capacity in place to drive recovery plan at pace	June 2021	Organisation and Culture	60
	Implementing the procedure outlined in the Joint Negotiating Committee for Chief Executives, publishing the targets and performance measures agreed and cascading these into the direct reports and to the bottom of the officer structure, with appropriate mechanisms for the Chief Executive to hold officers to account	June 2021	Organisation and Culture	60
	Identify and initiate workforce development and cultural change programme for senior officers	June 2021	Organisation and Culture	61
	Adopting a standard model of delivery or using the benefits of corporate purchasing.	June 2021	Service Design and Delivery (formerly Delivery Options)	69 (Accelerated Wave 1 Business Case)

DLUHC Theme	Product / Outcome	Timescale	Plan Theme / Section	Location
	Clarity on the role of the Audit Committee and adopting relevant Redmond recommendations	June 2021	Constitution (Governance and Decision Making)	54
	Reforming the working practices of the Overview and Scrutiny Committee so it aligns with best practice.	June 2021	Constitution (Governance and Decision Making)	54
Commercial	**Assessment of the Council's group of companies** Include an assessment of which would be unlawful to bring back in-house, and a VfM assessment of current company ownership arrangements vs managed exits, with the aim of reducing risk, cost and avoiding unnecessary duplication. The conclusions should be integrated within the medium-term financial planning.	January 2021	Companies	39
Commercial	**Decisions on each company** Decisions on the future status of each company within the Council's group of companies, including careful sequencing and prioritisation of these decisions.	Outline Jan 2021, final plan June 2021	Companies	39
Commercial	**Decisions relating to Enviroenergy** Council to urgently review and determine the future of their district heating scheme, linked to the incinerator investment. Further to this, the Council must develop and implement an investment plan to ensure that residents have heating now and in the future in line with government commitments on climate change and carbon emissions.	June 2021	Companies	39
Commercial	**Policy statement on roles and responsibilities of nominated non-executive directors and shareholder representatives** This statement will also be reflected in the updated constitution. It should establish a common core element for the shareholder agreement together with the company specific elements and	June 2021	Companies	39

DLUHC Theme	Product / Outcome	Timescale	Plan Theme / Section	Location
	effectively impose it onto the companies they retain. It should also commit the Council to increasing its' capacity and capability for managing their commercial operation.			
Commercial	**Council to develop new officer shareholder executive function to support and challenge the Companies Governance Executive Sub-Committee** The officer group's functions should include: reviewing financial and operational performance; acting as the loan committee for the council; identifying ways to drive down costs and increase dividends or reduce losses held on balance sheets.	January 2022	Companies	40

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