

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

4718

Author:

Clive Heaphy

Department:

Finance and Resources

Contact:

Clive Heaphy

(Job Title: Interim Corporate Director for Finance & Resources, Email: clive.heaphy@nottinghamcity.gov.uk, Phone: 07980 748057)

Subject:

Supplementary Resources to the Finance Establishment

Key Decision (decision valued at more than £1million):

Yes

Total Value:

£1,186,000 (Type: Revenue)

Decision Being Taken:

To approve the additional gross cost of £1,186,000 for interim support to address skills, knowledge and capacity gaps in the existing Finance structure, to provide additional capacity to deliver Finance Improvement, and to catch up the backlog in the production and audit of the statutory accounts. The support to address capacity gaps already includes an offset of approximately £200,000 of estimated salary savings from vacant posts to quarter 2 of the 2021/22 financial year.

Reasons for the Decision(s)

In addition to filling existing vacancies, a number of other risks and issues are impacting the Finance Service, which create a need for additional staffing resource above the approved establishment. The following areas are impacted:

Corporate Technical Accounting - Statutory Accounts and Audit: the Council is currently engaged with the external auditor in relation to the completion of the audit of the 2019/20 accounts, which is likely to conclude by the end of the 2022 calendar year. The 2020/21 accounts will then require updating and auditing, followed by the completion of the 2021/22 accounts and 2022/23 accounts closure, which will be due as part of 'business as usual'. There is currently no planned or agreed timeline for the 2020/21 and 2021/22 audit accounts as this is dependent upon the engagement of Grant Thornton as the external auditor and their available resources. It is likely to take 12-24 months to catch up fully on the production of audited accounts, dependent upon the audit approach adopted. There will be significant work to catch up on the production and audit of each financial year's accounts within the corporate Technical Accounting Team particularly. It is proposed that additional senior technical accounting capacity will be required to achieve this from the end of September 2022. These specialist skill sets are in high demand and very short supply. Most professional interims with this skill set are currently in contract delivering the 2021/22 accounts and audit for other local authorities across the UK. It is proposed that the Council approaches the market now in order to secure the appropriate interim staff with the required experience to start this work from the beginning of October 2022. In addition, it is necessary to extend the contract for an existing interim Capital Accountant for a period of 6 weeks to enable the completion of critical work on asset valuations as part of the 2019/20 audit, which is dependent upon output from the Council's external valuers, which is delayed.

Corporate (Strategic Finance) - Collection Fund and Other Technical Accounting expertise: there is a deficiency in the existing structure in relation to technical accounting capacity to ensure appropriate accounting for the collection fund, benefits subsidy and grant accounting. This will be addressed in the planned restructure, but in the meantime, temporary resource is required to address a range of accounting and control issues in this critical area to manage the main income streams of the Council via Council tax and business rates. **Improvement Resource:** the current staffing establishment lacks capacity to drive improvements in financial policy, accounting procedures and process that are required to maintain robust financial management arrangements across the organisation. One senior post did exist within the Strategic Finance team as part of the 2016/17 restructure, but it was deleted some time ago. It is intended that this will be addressed for the long term as part of the planned restructure. However, in the meantime, it is proposed that two interim Finance roles are approved given the significant work programme to support the development of the Finance Improvement Plan and to lead a number of Finance Improvement work streams, directly supporting the interim Director for Finance. This will be for a period of 6 months initially, and subject to review.

Commercial Finance - Additional expert capacity in Adult and Children Social Care: there is limited expert capacity in the Finance Business Partnering Teams supporting the People Directorate, which presents the largest spending area, is complex and a volatile budget. A very experienced interim is due to arrive in mid-September to support the Children's, Education and Schools service, bringing depth of experience and knowledge around transformation of social care services (approved on the basis of urgency by the Section 151 Officer). The delay in providing this resource has been hampered by exceptional circumstances resulting in the termination of the previous interim that was engaged. It is considered that additional expert capacity is also required to supplement the existing Adults Strategic Finance Business Partner in relation to improving financial management and transparency within the Adults and Public Health Directorate. In particular, there are significant challenges in supporting the development of robust and data driven budgeting and forecasting, preparing for Social Care reform, and driving the challenges on transformation across the Social Care services with the support of professional finance staff. It is proposed that a senior interim be appointed for a period of 6 months initially to provide more robust capability within the People finance teams. In addition, it is considered that the staffing establishment within the Adults team is insufficient to cope with current working practices. An additional business partner role is proposed to review working practices, promote automation and modernisation of the financial management practices and processes within Adult Social Care and Public Health.

Growth and City Development: based upon the assessment made to date, there are a number of areas of accounting practice that need to be reviewed and potentially revised in relation to accounting for income, grant income, the Accountable Body Function and Private Finance Initiative contracts, in addition to the 'business as usual' work associated with budget development, monitoring and financial reporting and audit. In addition, the anticipation of significant finance involvement in setting up the financial governance arrangements for a devolution deal comprising a Combined Authority will present excessive demands upon the existing business partnering team. It will be necessary to resource up to be able to respond quickly to this work subject to the agreement of a devolution deal. Given the lead-in times for securing interim resources being potentially 2-3 months for more complex areas requiring specific experience and knowledge, it is recommended that the Council is prepared to approach the market at the right time.

Finance Training - Non-Finance users: as reference above, successful self-service is dependent upon maintaining a substantial training and support function to provide training, induction and a responsive help desk to enable non-Finance users to engage with financial systems and procedures efficiently and compliantly. Whilst the original Finance structure comprised a small Training and Development team that supported the transition to self-service, it is no longer in existence, leaving the transactional accounting and financial systems teams to provide a very reactive service to support service department users. Much of this activity is dealing with failure demand due to lack of compliance of users across the Council. It is proposed that a permanent team is reinstated as soon as possible by supplementing capacity in business partnering financial systems and transactional finance. Initially, using temporary resource for a period of 6 months is proposed to supplement the existing teams to adopt a more proactive and planned approach to training. This aims to break the cycle of poor compliance that is driving failure demand, and to be able to refocus expertise to proactively train and support non-Finance users across the organisation. It is proposed that a permanent structure and resource is developed and established quickly ahead of the main restructure of the Finance Function so that permanent roles can be secured for the long term benefit of the organisation. A further report will be produced in the near future setting out these plans.

Companies: there is currently no expert capacity within the Finance Service to provide competent financial advice and support to the Council in relation to its oversight and control of its wholly owned companies and companies in which it has a stake. This is a significant weakness given the Council's portfolio. Expert interim resources are required immediately to support the stabilisation of the arrangements pending restructuring.

Revenues Operational Support: the Revenues and Benefits operational support team for Council Tax, Business Rates and Benefits team is critical to the performance of the Council's Business Rates, Council Tax and Benefits Services. The team comprises 6 full-time equivalent roles and two members of staff have been on long-term sick leave, whilst other members of staff have incurred increasing levels of sickness. The team has no inbuilt resilience and is critical to day-to-day operational administration of customer-facing Council Tax, Business Rates and Benefit Services. It is proposed that additional temporary resource is engaged to provide resilience across the team for a period of 6 months whilst the options for the future operating model for the wider benefits and business rates services are considered. It should be noted that the Business Rates Service and systems are subject to a Limited Assurance Internal Audit report and this resource is pivotal to enabling management to address a number of Internal Audit recommendations.

Other Options Considered:	To not deploy interim supplementary resources: this option is rejected as there are gaps in the Finance Function as a result of previous budget cuts that are now causing service failure. In addition, a dedicated team is needed to deliver the necessary work on the past year's outstanding accounting accounts and audits.
Background Papers:	None
Published Works:	None
Affected Wards:	Citywide
Colleague / Councillor Interests:	None
Consultations:	Those not consulted are not directly affected by the decision.
Crime and Disorder Implications:	None
Equality:	EIA not required. Reasons: This decision does not relate to proposals for a new or changing policy, service or function.
Social Value Considerations:	Not applicable
Relates to staffing:	Yes
Decision Type:	Leader's Key Decision
Subject to Call In:	Yes
Call In Expiry date:	22/09/2022
Advice Sought:	Legal, Finance, Procurement, Human Resources

Legal Advice:

The proposed decision to allocate additional funding to enable the engagement of interim finance support raises no significant legal issues and, on the basis of the rationale outlined, is supported.

Advice provided by Malcolm Townroe (Director for Legal and Governance) on 18/08/2022.

Finance Advice:

This decision seeks approval to procure interim Finance support and resources to address skills, knowledge and capacity gaps in the existing Finance structure and to provide additional capacity to deliver Finance Improvement. The value of this decision is £1,186,000 and is to be funded in full via the Finance Resilience Reserve. A recruitment exercise is running in parallel to secure permanent employed resources across Finance. Posts recruited to as part of this exercise will be at current budgeted levels for the post so the Finance Service is encouraged to proactively seek new permanent appointments for established posts at the earliest opportunity to reduce the cost of interim staff.

Advice provided by Philip Gretton (Finance Analyst) on 15/08/2022.

Procurement Advice:

Procurement will support the Finance team to identify a compliant process to procure the additional resources. Provided this process is followed this raises no significant Procurement concerns.

Advice provided by Steve Oakley (Head of Contracting and Procurement) on 18/08/2022.

HR Advice:

HR are working alongside management to bring together a long-term structure and resourcing plan for the Finance Division. However, as the report highlights, there is a critical need for short-term resources to stabilise the Service following recent resignations and a number of longer-term vacancies. Use of the interim market provides a swifter resolution and helps address some of the key issues identified within the report. A recruitment exercise to secure permanent, employed resources will also be progressed in parallel to ensure there is a longer-term, sustainable structure in place. Agency Worker Regulations require comparable conditions be provided for such workers following 12 weeks' engagement and so costs should be reflective of these conditions where the term indicates engagement of several months.

Advice provided by Paul Slater (HR Business Lead) on 12/08/2022.

Signatures:

David Mellen (Leader/ PH Strategic Regeneration Communications)

SIGNED and Dated: 14/09/2022

Clive Heaphy (Interim Corporate Director for Finance & Resources)

SIGNED and Dated: 12/09/2022