

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

4876

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Department:

Finance and Resources

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Subject:

Finance Service Interim Resource Requirements

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

Yes

Total Value:

£1.153m

(Type: Revenue)

Decision Being Taken:

To approve a contribution from the Financial Resilience Reserve up to the value of £1.153m in order to fund the retention of interim finance and accountancy resources that are covering vacancies and supporting the Finance Improvement Plan whilst the redesign and restructuring of the Finance Service is undertaken and recruitment of suitably qualified permanent staff is achieved. Gross expenditure of up to £1.908m will be incurred in relation to the extension of contracts for interim finance staff to be funded from :-£0.755m of savings in budgeted vacant posts- £1.153m contribution from the Financial Resilience Reserve.Expenditure of up to £0.250m for suitably qualified finance staff to exclusively support the operation of the Housing Revenue Account (HRA) will also be funded by the HRA.

Reasons for the Decision(s)

During the summer of 2022, the Interim Director of Finance identified that the Finance Service was in danger of not being capable of meeting the statutory responsibilities of the Section 151 Officer due to the high number of vacancies in the service, the absence of some key roles in the current structure and a shortfall in suitably skilled and experienced finance staff in some areas of the service. The Leader subsequently took two decisions DD4718 and DD7400 to approve £2.103m of funding from the Financial Resilience Reserve (FRR) in order to stabilise the service and address the improvement requirements:-

- fill a number of vacancies which were in excess of 30% of the permanent staffing establishment;-
- provide additional capacity to fill the skills and knowledge gaps necessary to deliver an adequate service and to develop and implement a Finance Improvement Plan to restore adequate financial management arrangements for the Council. Interim resources were contracted and onboarded for an initial period between September 2022 up to 31 March 2023 to:-
- provide vacancy cover for permanent posts pending the outcome of a second permanent recruitment campaign during 2022,-
- provide additional resources to engage in reviewing financial management practices, analysing performance data and developing the required Improvement Plans to address identified deficiencies in practice. These resources would also commence the delivery of the improvement work identified to be required.

Extension of Interim Resources

In 2022, the Council experienced limited success in recruiting to permanent roles given there is a national shortage of suitably qualified and experienced staff and the Council's salary levels are not competitive in the market. The s151 Officer and deputy s151 Officer are currently developing plans to redesign and restructure the Finance Service. It is anticipated that these will be consulted upon with staff and trade unions before implemented over the Summer of 2023. The review and assessment of current financial management arrangements and financial performance data has identified significant weaknesses in current financial management arrangements across the organisation and within the finance service. There are significant deficiencies in accounting practices, financial systems, processes and procedures associated with financial control, budget management and forecasting arrangements and a lack of financial management capability of budget managers within services across the organisation. An extensive Finance Improvement Plan (FIP) has been developed as required by the Statutory Improvement and Assurance Board. Delivery against the FIP is a key focus of the IAB as reflected in their report published on 3 February 2023. The FIP is a live working document that will be added to as new issues are identified given the iterative nature of the improvement work that is now taking place. Three FTE professional finance staff to exclusively support the operation of the HRA will be required to be extended over the same period

to enable handover to permanent staff once the service redesign is implemented. The estimated cost for the 26 week period April to September is £0.250m and will be funded from the HRA. Based upon the extent of the required work identified to date and the current level of staffing resources (both permanent and interim) it is estimated that it will take between 12-18 months to achieve adequacy in the Council's financial management arrangements. It is therefore necessary to secure the continuity of interim staff as far as possible in order to maintain traction on the improvement work required as part of the Together For Nottingham Plan, whilst the permanent structure is established and suitably qualified and experienced staff appointed. A period of transition will be required to enable effective handover to the new permanent team over the period to 30 September 2023. It should be noted that whilst all interim staff will be offered an extension, not all will choose to extend their contracts and it will be necessary to secure alternative interim resource to secure continuity as far as possible over the course of 2023. All interim contracts via the framework are subject to one month's notice of termination for both parties and therefore provides a flexible resourcing arrangement as the Council transitions to a permanent structure. Whilst additional funding of £1.153m from the FRR is being requested for the period to 30 September, it is possible that some posts will not be filled by that date. In this event, a further review on a post by post basis will be necessary to identify the need for further extensions up to 31 December 2023 in order to secure continuity of resources to deliver an operational finance service alongside the required improvement milestones. Every effort is being taken to minimise the total call upon the FRR for additional resources through in year management of vacancy savings and seeking the most cost efficient deployment of interims to manage the total cost of interim staff. Any final underspend against the initial £2.103m approved from the FRR in 2022 via the decisions referenced above, will result in a reduced call upon the further amount of up to £1.153m now requested. Interim staff have been procured and will continue to be engaged through contracts called off via the LGRP framework that was originally set up in line with the earlier decisions with the support of the Procurement Service.

A summary of estimated costs for the 26 period April-September together with indicative maximum costs for a further 13 week period to December 2023 is summarised in Appendix 3.

Briefing notes documents: FOR INFO NOT PUBLICATION Appendix 1 Finance Improvement CIPFA FM assessment.docx, FOR INFO NOT PUBLICATION Appendix 2 Finance Improvement Plan - January 2023.docx, Appendix 3 - summary of Interim Resource Requirements.pdf

Other Options Considered: The alternative option is to not extend the contracts for interim finance staff. This would result in an inability to deliver operational finance services due to the high level of vacancies in the service and the inability of the Council to attract suitably qualified and experienced staff through largely unsuccessful recruitment campaigns undertaken in 2022. Furthermore, finance improvement work would cease. It will not be possible to secure any handover to permanent staff when they arrive in order that they can continue and build upon the improvement work already in progress. These issues would result in the inability of the Finance Service to meet the statutory responsibilities of the s151 Officer which is unacceptable.

Background Papers:

Published Works:

Affected Wards: Citywide

Colleague / Councillor Interests:

Consultations:
Date: 27/01/2023
Chief Finance Officer: Ross Brown
the s151 Office has actively contributed to the preparation of this report and has reviewed and endorsed the Finance Improvement Plan and assessment of staffing resources necessary to continue to deliver services over the period to September 2023.

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications: None.

Equality: EIA not required. Reasons: The decision does not relate to a new policy or change in policy, service or function

Social Value Considerations: N/A the services are being procured via an existing framework - LGRP framework as agreed with Procurement.

Decision Type: Leader's Key Decision

Subject to Call In: No
The call-in procedure does not apply to the proposed decision because the delay likely to be caused by the call in process would seriously prejudice the Council's or the public's interests. The Chair of the Overview and Scrutiny Committee (or Vice-Chair) in his/her absence has been consulted and agreed both that the decision proposed is reasonable in all circumstances and that it should be treated as a matter of urgency.

Person Consulted: Councillor Samuel Gardiner
Consultation Date: 24/02/2023
There is a time critical need to secure the extension of existing contracts for a number of interim finance professionals who are filling vacancies across the finance team and providing critical additional capacity to deliver the finance improvements that are required of the Council by the IAB.

Advice Sought: Legal, Finance, Procurement

Legal Advice: The report seeks approval to spend a sum of money to cover the extension of interim staff for 2023 whilst restructuring and recruitment takes place.
These arrangements are being implemented using a framework arrangement. The Council will need to ensure compliance with any obligations that the framework imposes on the Council. It is assumed that the framework arrangements referred to above provide for extensions. It is not clear whether there may be costs or financial penalties should the interim staff not be required for the full period of the extension?
It is not clear what steps the Council are taking to address the issues set out in the report around permanent recruitment, which may impact on potential requests for funds to cover future requests for extensions for interim staff.
Legal Services will continue to support colleagues as and when required.
Advice provided by Anthony Heath, Senior Solicitor, Contracts and Commercial, 21st February 2023.

Finance Advice:

This decision aims to approve £1.908m of expenditure, retain the Finance resources which are covering vacancies and supporting the Finance Improvement Plan whilst the restructure of the Finance Function is achieved and suitable permanent Finance Staff are recruited. This will be funded from Savings from vacant posts (£0.755m) and Contribution from the Finance Resilience Reserve (£1.153m)

In addition, £0.250m of Specialist Finance Resources will continue to be funded directly by the HRA.

Two previous decisions (DDM4700 and DDM4718) approved £2.103 funding in relation to covering vacancies and additional resources and this decision allows for the continuation of resources.

No finance objections.
Advice provided by Nishil Rabheru (Strategic Finance Business Partner) on 21/02/2023.

Procurement Advice:

This report concerns the extensions of a number of interim finance posts, the posts were sourced via a compliant framework and therefore the decision to be taken raises no significant procurement concerns. Advice provided by Paul Ritchie (Procurement Manager) on 23/02/2023.

Signatures:

David Mellen (Leader/ PH Strategic Regeneration Communications)
SIGNED and Dated: 03/03/2023
Ross Brown (Corporate Director of Finance & Resources)
SIGNED and Dated: 01/03/2023