

Grant Thornton Recommendations				
No	Area of Activity	Immediate Implementation	Medium Term Implementation	PCC Management Response
1	Scheme of financial delegation	Develop a formal corporate scheme of financial delegation, with contributions from service directors. This should be the definitive list used to reconcile to tier approval authorities within Agresso and supporting financial systems (such as Framework I).	Update the Financial Regulations and Constitution to incorporate a formal scheme of financial delegation. Develop a supporting Financial Procedures manual to provide further clarity on the role of officers within the financial control framework.	<p>The Financial Regulations and the Scheme of Delegation have both been completely rewritten and updated. They have also been divided into separate documents.</p> <p>Appendix 1 of the scheme of financial delegation is the approval hierarchy maintained within the council’s finance system “Agresso”. This has been reviewed and is subject to regular updating.</p> <p>A financial procedures manual is in the process of compilation.</p> <p>The updated financial regulations will now need to pass through Joint Management Team and then Constitution and Ethics Committee.</p>

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2	Review of budget holders and approvers	Review the list of budget holders and tier 0-6 approvers on Agresso and other supporting financial systems to make sure nominated individuals are appropriate and able to provide effective review. Effective arrangements for the use of interim personnel, cover, joint roles and the consequences of re-organisation should be an area of focus.	The nominated budget holders and approvers on the Scheme of Financial delegation should be reviewed, updated and signed off as accurate by services, on a quarterly basis (potentially based on a download from Agresso, reconciled to supporting financial systems where appropriate).	This review has been conducted, and will be repeated on a regular basis. There are some roles that are performed by employees of Cambridgeshire County Council on a shared basis, and for these roles, the authority to act for Peterborough City Council is required to be evidenced in a formal agreement (such as in S113 of the Local Government Act 1972). Not all of those agreements are as yet finalised.
3	Effectiveness of budget approval controls	Budget holders and approvers to be briefed on their individual responsibilities and the importance of adequate review.	Budget approvers to be held to account for adverse budget variances related to non-compliance with controls (e.g. supplier procurement) and short term restrictions such as restrictions on non-essential spend.	A practice note on the responsibilities of budget holders in the control environment has been produced and will be communicated as part of a wider package of training and communications to educate budget holders. Additional spend controls have been implemented to address in year variances as evidenced in the outturn report. These include business cases for all expenditure over £10k and tighter establishment controls.

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4	The role of finance managers	Finance Managers should be removed from the budget hierarchy in Agresso (and other systems) where they are primary budget holders or approvers, and replaced with appropriate service managers. Arrangements, can be made for Finance Managers to act as dual authoriser as appropriate, and to act as approvers and budget holders only in exceptional circumstances.	The distinct roles of finance managers and budget holders and approvers, should be reviewed and clearly defined in the updated Financial Regulations.	<p>The updates to the hierarchy described in point 2 has addressed this point. Some approval positions remain outstanding, due to recruitment in progress, and the completion of agreements in relation to shared roles. Finance managers do not hold sole approval responsibilities, but continue to act as dual authorisers and provide additional control where appropriate.</p> <p>The updated financial regulations have been updated to clearly define the roles of budget holders and finance managers.</p>
5	Procurement processes	The contracts register should be reviewed and updated and reconciled to approved suppliers on Agresso at least quarterly.	<p>Contract Procedure rules in the constitution should be reviewed and updated.</p> <p>Consider re-establishing a procurement working group (with revised terms as necessary) to enable procurement rules and compliance to be monitored. This could also provide a corporate level forum to improve visibility on social care commissioning.</p> <p>Monitoring information for major contracts, and key care commissioning decisions should be consolidated into a periodic report to CMT.</p>	<p>The contracts register has been reviewed and updated.</p> <p>A procurement working group has been re-established.</p> <p>A monthly contract monitoring report has been created for CMT with a range of KPI information included. This was presented to CMT for review/comment in June.</p> <p>Contract procedure rules have been reviewed and are in the process of being updated.</p>

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6	<p>Control over financial commitments</p>	<p>A list of invoices paid without a PO should be monitored by corporate finance and the monthly total should be reported to CMT. Responsible budget holders should be reminded of their responsibilities.</p> <p>In order to strengthen financial discipline, consider a temporary suspension of non-essential spend to be implemented at PO stage. Non-essential spend will need to be clearly defined and guidance circulated to budget holders. Finance Managers and budget approvers could be used to check compliance (e.g. for transactions over a certain value). This could be supported by a dual signatory system, to some extent replacing their role as prime approver and budget holder, where this is applicable.</p>	<p>The Council should rigorously enforce a policy of 3-way matching of PO, Invoice and goods received note, and non-compliance should be followed up with budget holders.</p> <p>Review the tolerance levels for unmatched PO values.</p> <p>Review the case for current exemptions to the PO process.</p> <p>Ensure that where exemptions are confirmed as operationally valid, alternative arrangements are put in place to monitor the value and timing of financial commitments.</p>	<p>Control over the payment of invoices is very strong. Within the Accounts Payable module of Agresso there are very few payments without a PO. Those that exist are separately agreed and closely monitored. The majority of these are payments from key interfaces such as Mosaic.</p> <p>Three-way matching of invoice, goods received notes and purchase orders is enforced. Any non-compliance is due to a necessity to pay in advance. This is strictly controlled and closely monitored.</p> <p>Periodically, a ban on non-essential expenditure takes place, as was the case at one point during the 2019/20 financial year.</p>
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7	Purchase cards	The Council should review the criteria for issuing PCards and setting limits and consider whether this should be scaled down in order to reduce risk.	<p>Implement an annual review of P-Card limits and usage.</p> <p>Consider the value of reporting the total balance held on P-Cards each month to CMT.</p>	<p>A review of Purchase cards has been undertaken, including updating the policy governing their usage. Transactional activity has been monitored to establish whether there is any “channel shift” to this method of purchasing, as a way of circumventing the tightened financial controls in other areas. This has proven not to be the case, and purchase cards remain in appropriate use in line with policy. Wider reporting on P-card usage is being developed as part of the procurement dashboard.</p>
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8	Accuracy of roll forward service budgets	Budget holders should be required to review their budgets and process virements, where this would result in a more accurate allocation of resources and improve transparency in regard to financial performance.	A zero-based budgeting exercise should be planned and implemented for the start of the 2021/22 planning cycle.	Budget holders are consulted in the development of their budgets and dialogue with finance teams is undertaken to identify risk areas. 2020/21 Budget items have been loaded on to Agresso and certified by the Section 151 officer as deliverable within a reasonable margin of risk. The 2021/22 planning cycle will take account of known activity and cost baselines and consider service proposals that will be necessary to contain this within the available resources. The impact of Covid19 will have a bearing on this.
9	Managing budget volatility	N/A	A review of service budgets should include arrangements to manage budgets known to be volatile, and likely to lead to under or overspends. This can be done through the creation of budgeted contingencies or contributions to an earmarked reserve.	Scrutiny of relevant budgets was undertaken in 2019/20. For the longer term, the Finance Improvement Programme management board were presented with a paper on the establishment and implementation of a risk based approach to the managing of in year revenue budgets to limit volatility. The bulk of month end review is concentrated on volatile budget areas.

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10	Enforcement of financial envelopes	All budget holders should be required to sign a declaration that they have confidence in the budget they have put forward, and the savings attributable to it. This will re-enforce the message of personal accountability and encourage the evaluation of risk.	<p>The ‘cash limit’ reflected by the agreed service budgets for 2020/21 should be rigorously enforced by CMT, and the onus should be on services to manage overspends within the overall limit, using virements where appropriate.</p> <p>Service pressures that are agreed to be funded from additional resources, must be funded from savings generated elsewhere.</p>	<p>Job descriptions of budget managers are being reviewed with HR to ensure they include appropriate references to their financial responsibilities.</p> <p>A training and communications package is being developed in liaison with HR to reinforce budget holder responsibility.</p> <p>A training package is also being targeted at the management accounts team to reinforce a move towards business partnering.</p> <p>The budget holder declaration proposal has been dropped as no examples of such letters or organisations using them could be found.</p>
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11	Robustness of savings/ income proposals	All savings proposals and income targets set in prior years should be revisited to ensure that they will be delivered as planned and that alternative plans are developed if necessary. These have been reported as unplanned pressures in the CMT finance reports (May 2019).	In future, the Council’s deficit reduction plans should be based on recurrent deliverable efficiencies and income only. One off savings and cost avoidance measures should be separately identified and used to manage risk.	<p>Item 9 above also refers. There is a gateway process through the Rapid Implementation Team (RIT) to evaluate the deliverability and risks associated with budget proposals, so that the decision to include them in the budget or not can be taken on a fully informed basis.</p> <p>The robustness of the PCC savings package has been illustrated by breaking even in 2019/20.</p> <p>All such proposals are scrutinised at RIT and then the Financial Improvement Programme (FIP) Board before moving to Members and the associated scrutiny of the formal budget setting process.</p> <p>These meetings have not taken place during the COVID-19 Emergency but are being reconstituted in July.</p>
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12	Framework for savings and income proposals	<p>The current Financial Improvement Programme and the savings strategy arising from it needs to be implemented as a matter of urgency.</p> <p>This should include a focus on cross-cutting savings, interdependencies and potential double counting.</p>	<p>The Financial Improvement Programme should be consolidated and established as an ongoing process and the principles embedded into the financial culture of Peterborough.</p> <p>This should include a shift from the creation of a set list of proposals to be approved or rejected, to a rolling pipeline or funnel model. This will help to engage with members by setting out options and alternatives.</p> <p>This should also include a focus on cross service collaboration.</p>	<p>Items 9 and 11 also refer. The delivery of the Financial Improvement Programme (Management) and Financial Improvement Programme (Delivery) work program and associated Governance arrangements have been established to embed this approach.</p> <p>The savings strategy has been implemented and absorbed into budgets from 2020/21 going forward.</p> <p>This includes both PCC wide initiatives and department-based efficiencies.</p> <p>Because of the COVID-19 Emergency, there is now also a Recovery Board which meets monthly. Here approval is given for delivery of new ways of working across PCC and CCC which then link into the budget process.</p>
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13	<p>Governance and challenge of proposals</p>	<p>All future savings, income and investment proposals to be challenged through expanded PMO/spend authorisation structures, initially established under the Financial Improvement Programme, before being submitted to CMT and members.</p> <p>Proposals to be reviewed in detail to test strategic fit, deliverability, the value and timing of recurrent benefits, and sensitivity to risk. The expectation is that most will require further development.</p>	<p>The budget challenge process to be embedded as an ongoing part of the budget process in future years.</p>	<p>The challenge process is now embedded in the budget setting process through the RIT, FIP and now the new Recovery Board. As is set out in point 11 above, these meetings have not taken place during the COVID-19 Emergency but are being reconstituted in July.</p> <p>As part of this initial process budgetary plans are examined against strategic objectives to ensure that they meet the needs of PCC and the city and tested for deliverability.</p> <p>Following this, Scrutiny occurs in various Member forums culminating in the Budget Scrutiny Meetings and then Full Council.</p> <p>Consultation takes place with a range of stakeholders whose views are published in Equality Impact assessments where required.</p> <p>This all forms the overall Medium Term Financial Strategy (MTFS).</p>
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14	Involvement of members	The Council should consider whether member involvement in the budget planning process should reduce (e.g. from 4 tranches to 2.)	The Council should consider whether the layers of member scrutiny at each stage could be reduced or consolidated.	This will be reviewed later in the financial year – it has not been possible to have the conversations required in the present COVID-19 driven environment where the formal meeting schedules are significantly affected.
15	Budget monitoring information – CMT and Cabinet	<p>The new expanded PMO spend authorisation structures, should include provision for selected senior officers and finance to meet monthly to conduct detailed review of the financial performance information.</p> <p>The Financial content of the CMT pack should be made more concise and checked to ensure that coverage of key areas, such as expenditure commitments are adequately covered.</p>	Information to CMT and Cabinet should be developed into a more accessible 'dashboard format' that integrates financial outcomes and service performance indicators. CMT members should be consulted on their needs and preferences.	<p>A dashboard format of finance reporting has been developed and was first delivered to CMT on 20th May 2020. This has encompassed a range of other improvements, including a RAG savings analysis and greater concentration on areas of materiality.</p> <p>This corporate finance team will consistently seek to amend this report in the light of available information and CMT needs.</p> <p>There is no expanded PMO as originally envisioned.</p> <p>Detailed review of financial performance between operations and finance takes place at a range of levels.</p>

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16	Budget monitoring information – Budget Holders	N/a	<p>The development of a standardised budget holder pack should be considered, to make sure budget holders have all the information they need to provide robust review.</p> <p>An alternative may be to develop the use of self-service reporting through training and/or systems development.</p>	<p>A standardised budget holder pack is at present being developed and is near to completion. This will allow budget holders to attain a consistent standard.</p> <p>At present budget holders receive comprehensive monthly monitoring information from their management accounts team.</p> <p>Budget holders are able to download monitoring information from Agresso. This will be made easier later in the year when Agresso is upgraded and reports become standardised and easier to use.</p>
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17	Monitoring of savings	The monthly report to CMT should include a RAG rated analysis of savings plan pipeline and funnel being developed to close the funding gap in the following year. This should be based on a standardised template to be completed by the services, and consolidated by the corporate finance team. This should be subject to regular review and robust follow up.	N/A	<p>As noted at 19 below and 15 above, the monthly CMT report has undergone a reworking to make it more user friendly and to concentrate further on the major issues.</p> <p>This includes a RAG rated analysis of savings that is regularly reviewed and followed up.</p> <p>The processes now embedded ensured the 19/20 financial position became break even. These controls improve that process.</p>
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<p>18</p>	<p>Review, challenge and accountability</p>	<p>The new expanded PMO spend authorisation structures, should include provision for selected senior officers and finance to meet monthly and the output from this session should be to draw CMT attention to variances that require action to resolve.</p> <p>CMT should focus on making sure that appropriate actions are agreed to address the variance. If necessary, the appropriate budget holders should be required to attend.</p> <p>Action points from the previous CMT meeting should be included as a standing item in the agenda for the next meeting to ensure they are followed up on a thorough and systematic basis.</p>	<p>To support this process, the Council should consider holding individual budget challenge sessions at which the responsible budget holder is required to present proposals and solutions to budget challenges to the Chief Executive, Director of Resources and Service Director. This has been effective at other challenged organisations but needs to be managed sensitively.</p> <p>Budget performance and compliance with financial controls should be embedded into the performance reviews of budget holders, and this opportunity used to target training and support where required.</p>	<p>A range of improvements have been made to the reports that are presented to CMT, including a dashboard approach, RAG analysis and follow up on actions from previous meetings as an agenda item.</p> <p>Much of this activity was in place, though not in such a regimented way.</p> <p>All senior budget holders are subject to regular monthly scrutiny on their financial performance from the management accounting teams.</p> <p>Individual budget challenge sessions are used widely across PCC.</p> <p>As in note 19 below plans are in hand for a targeted training programme for budget holders.</p> <p>This then needs to be linked to objective setting and appraisals – following the appropriate consultation.</p>
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19	Empowerment of budget holders	<p>Given the increased focus on financial control and accountability, we recommend that the desired financial culture be defined through the development and communication of a clear set of values for financial management.</p>	<p>The communication of new financial values, should be supported by further communications and training on expected behaviours.</p> <p>Financial values and behaviours should then be included as part of annual staff review and appraisal.</p>	<p>WE have developed the “Finance business partner handbook” (see 20 below) establishing clearly the expected behaviours of finance roles and budget manager roles, a programme of training is to be initiated for both groups to secure improvement in this area.</p> <p>This now needs to link into the overall Governance processes once we move back to normal operations.</p>
20	Differing financial management cultures	<p>The Council should not disrupt the current financial management/ monitoring arrangements in the short term but should take steps to re-establish common operating principles.</p> <p>The role of the Finance Manager should be clearly specified in the revised Financial Regulations.</p>	<p>In the medium to long term, the Council should introduce a policy of rotation within the finance manager team to help break down silos, increase resilience and improve development opportunities for finance staff.</p>	<p>Operating principles have been established and reinforced through the development of a “Finance business partner handbook”.</p> <p>Financial regulations have been updated to clearly specify roles and responsibilities. There have been a number of changes of responsibilities within the finance teams, and management continue to keep this under review so that development opportunities can be maximised and resilience improved.</p> <p>This now needs to link into the overall Governance processes once we move back to normal operations.</p>

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