

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES

of meeting held on **27 JULY 2012** at

Loxley House from 10.30 am to 12.30 pm

- ✓ Councillor K Williams (Chair)
- ✓ Councillor Piper (Vice-Chair)
- ✓ Councillor Aslam
- ✓ Councillor Fox
- ✓ Councillor Hartshorne
- ✓ Councillor Heaton
- ✓ Councillor Molife
- ✓ Councillor Parton
- ✓ Councillor Steel

✓ indicates present at meeting

Also in attendance

Susan Sunderland	- District Auditor	
Nick Lee	- Access to Learning Service Manager) Children and Families
Jonny Kirk	- School Organisation Project Manager)
Tony Kirkham	- Director of Strategic Finance)
Robert Smith	- Audit Manager)
Catherine Ziane-Pryor	- Constitutional Services Officer) Resources
Simon Burton	- Corporate Risk Specialist)
Richard Henderson	- Change and Improvement Head)
Nicola Jenkins	- Economic Development Head	- Development

12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Fox and Piper, Shail Shah, Head of Internal Audit, and Barry Dryden, Senior Finance Manager.

13 DECLARATIONS OF INTERESTS

No declarations of interests were made.

14 MINUTES

RESOLVED that the minutes of the last meeting held on 1 June 2012, copies of which had been circulated, be confirmed and signed by the Chair.

15 AUDIT COMMITTEE ANNUAL REPORT 2011-12

Consideration was given to the report of the Chair, copies of which had been circulated, outlining the work undertaken by the Audit Committee and how it related to the Committee's core responsibilities.

RESOLVED that the work undertaken during 2011/12 be noted and Appendix 1 be submitted to the September 2012 meeting of the City Council.

16 STRATEGIC RISK REGISTER (SRR) QUARTER 1 2012/13 UPDATE AND 2011/12 ANNUAL REVIEW

Further to minute 6 dated 1 June 2012, consideration was given to a report of the Acting Corporate Director for Resources, copies of which had been circulated.

Simon Burton, Corporate Risk Specialist, introduced the report that presented the progress made in reducing the threat level for each strategic risk from their original position.

At the meeting of the Committee on 1 June 2012, two strategic risks were identified for detailed consideration;

- o SR3 - Failure to mitigate the impact of the economic climate on Nottingham City and its citizens, and:
- o SR12a - Failure to provide the best educational outcome for children and opportunities for young people.

Nicola Jenkins, Head of Economic Development, was in attendance to present the information contained in the report and appendix 1 to the report and to further inform the Committee of the current issues and risks regarding 'Strategic Risk 3 - Failure to mitigate the impact of the economic climate on Nottingham City and its citizens'.

The following points were made and answers given in response to Councillor's questions:

- o from the list of 6 consistent risks effecting SR3, some, like the Euro zone, were beyond the control of the City Council, so the risks which could be influenced were to be focused on;
- o the effectiveness of mitigation activity was evaluated on an on-going basis with monitoring of the employment rate which was considered a reliable indicator. In the past 3 months the unemployment rate had been decreasing but this did not appear to be a reflection of seasonal work. However, this decrease was slower than the national average but the second slowest decline of core cities;
- o over the past two years there had been significant number of people moving from disability benefits to Job Seekers Allowance, but this was now tailing off, and as of May 2012, unemployment stood at 6.5%;
- o there were approximately 4,000 jobs available in Nottingham and 14,000 unemployed citizens, but some types of job were proving harder to fill. These included jobs available in health and social care, retail, logistics and development;

- the growth plan was as important to encourage new business and reduce unemployment. This had included supporting emerging growth sectors, such as low carbon, life science and digital content, to establish in Nottingham. Some financial incentives were also offered;
- the Council was trying to influence inward investment in regard to planning and development, in that private companies were encouraged to employ local people as percentage of the work force under the 'best endeavours agreement'. As part of this initiative, it was vital to work with trainers to ensure that local citizens were appropriately trained/ qualified to provide the skills needed;
- there were also proposals to investigate provision of employment and training under Section 106 of the Town and Country Planning Act 1990;
- In addition to monitoring unemployment, new business within the City was also monitored by way of the number of new business accounts opened. It was predicted that most growth would come from local business.

SR12a - Failure to provide the best educational outcome for children and opportunities for young people

Nick Lee, Access to Learning Service Manager, and Jonny Kirk, School Organisation Project Manager, were in attendance to present the information contained in the report and appendix 2 to the report and further inform the Committee of the current issues and risks regarding the provision of school places.

The following points were made and answers given in response to Councillor's questions:

- in 1998 Nottingham City had the highest number of surplus school places in the country. This was inefficient and costly so, with consideration to pupil projections data, a school re-organisation was undertaken which resulted in some school closures;
- the Local Authority retained statutory responsibility to provide school places but with the national birth rate rising unexpectedly and the nation wide issue of significant migration, primary school places were now in demand and even the planned 'safety valve' of limited, surplus places had been filled;
- a programme of school expansions had been running since been 2008/09, ensuring that all available potential classroom space, including space within the schools but allocated to community use etc, was utilised;
- there was still not enough available space to accommodate current and projected demand so a further school expansions had been approved at a cost of £16 million which was to be funded from the Capital Programme incorporating the sale of land and grant funding
- with the change in Government and the global financial circumstances, central government policies changed and there was now a presumption that Academies or Free Schools would be the option of first resort for adding school capacity and that any available Central Government funding would be directed away from local authorities and instead to Academies/Free School sponsors;

- limited funding from Central Government was available to Local Authorities to repair/rebuild school premises in very poor condition, however, only three of the City's schools were in such a poor condition as to qualify for the funding;
- the funds now available were not sufficient to address the pressures identified. All routes available to the City Council had been exhausted so the intention was to consider alternative possible solutions to the challenges faced;
- the immediate issue was the speed at which the City Council was able to respond to the need for additional school places;
- in regard to parental choice being restricted and the practical implications for parents, it was hoped that the annual basic needs return would identify growth needs and proportionate funding would follow from Central Government. It was noted that this would not necessarily drive school place provision in those areas of the City for which parents expressed a preference;
- for some schools, there was physical space to expand but not all schools with space were appropriate for modern education but some could be adapted. This had led to consideration of non-traditional facilities, including the use of vacant office facilities;
- it was recognised that the increased number of primary school pupils would also in time need secondary school places but it was not economically viable in such financially restricted times, to maintain excessive surplus places as they had to be fully staffed, resourced and maintained to operate.

RESOLVED

- (1) that the information presented regarding SR3 - Failure to mitigate the impact of the economic climate on Nottingham City and its citizens, and SR12a - Failure to provide the best educational outcome for children and opportunities for young people, be noted ;**
- (2) that the Committee's consideration and critical appraisal of the progress made on reducing the seriousness of the Council's strategic risks as reflected by their threat levels and Direction of Travel for Quarter 1 2012/13, be noted;**
- (3) that the results of the Strategic Risk Register review by the Corporate Leadership Team be noted;**
- (4) that the following strategic risks be scrutinised as part of the SRR Quarter 2 2012/13, Simon Burton provide further information to the 30 November 2012 meeting regarding:**
 - a) SR26 Failure to support Nottingham citizens and communities in minimising any negative impact of welfare charges, and**
 - b) SR27 Failure of Work Place Parking Levy to raise sufficient income to meet NET Phase Two funding requirements, to include how the actual income generated compared to the predicted income.**

17 STATEMENT OF ACCOUNTS 2011-12

Consideration was given to the report of the Acting Chief Finance Officer, copies of which had been circulated, updating the Committee on the progress of the 2011/12 Statement of Accounts and outlining the process for approving the Statement in accordance with the Accounts and Audit Regulations 2011.

Tony Kirkham presented the report and was available to respond to Councillor's questions. Copies of the un-audited accounts were available at the meeting and it was noted that the audited statement was to be submitted to the Audit Committee for consideration at its meeting on 21 September 2012.

RESOLVED

- (1) that the Statement of Accounts be noted and placed on deposit for public inspection for 20 working days from 1 August 2012;**
- (2) that the submission of the Statement of Accounts to the Audit Commission for audit review on 29 June 2012, be noted;**
- (3) that the Committee's confirmation that it was appropriate for the Statement of Accounts to be constructed on a going concern basis, be recorded;**
- (4) that the following addition to the Accounting Policies, as presented to the 2 March 2012 Audit Committee meeting, be approved:**

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption;

18 INTERIM ANNUAL GOVERNANCE STATEMENT 2011/12

Further to minute 52 dated 2 March 2012, consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated, presenting the first in a series of reports developing the Annual Governance Statement.

Robert Smith presented the report. It was noted that the final version of the Annual Governance Statement was to be submitted to the 21 September 2012 of the Audit Committee prior to final sign off.

RESOLVED

- 1) **that the first interim Annual Governance Statement, as presented at Appendix 1 to the report, be noted;**
- 2) **that the final version include the following**
 - (a) **actual figures be listed alongside the percentage figure in the:**
 - (i) **the actual amounts of money returned to the City from the Icelandic banks;**
 - (ii) **the levels of assurances, specifically in regard to the numbers of Children and Families incidences/cases listed as 'limited';**
 - (b) **the number of action plans completed within the required time scale.**

19 AUDIT COMMITTEE UPDATE - JULY 2012

Consideration was given to the Audit Commission update of July 2012, copies of which had been circulated,

Susan Sunderland, of the Audit Commission, presented the update and informed the Committee that the Audit Commission were also to examine the Annual Governance Statement and would forward any issues to Shail Shah as Head of Internal Audit.

Referring to the 'progress report' section, Susan informed the Committee that all financial statements were progressing in line with the planned schedule and that she had not found any issues to bring to the Committee's attention.

Susan referred the Committee to the 'update on outsourcing the work of the Audit Practice' and assured Councillors that the transition from Audit Commission to KPMG as *External* Auditors to the City Council, was predicted to be seamless.

RESOLVED

- (1) **that, the Audit Committee Update - July 2012, be noted;**
- (2) **that, although she would retain some links with the City Council, that the thanks of the Committee to Susan Sunderland for her hard work and diligence during her time as auditor on behalf of the Audit Commission, be recorded.**

20 UPDATE ON INTERNAL AUDIT WORK FOR EAST MIDLANDS SHARED SERVICES

Consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated, outlining the work undertaken to date by Internal Audit for East Midlands Shared Services.

Robert Smith presented the report and responded to the Committee's questions as follows:

- o this was a large change of process for both Leicestershire and Nottingham authorities to manage;

- the financial package used for the shared financial services was already in use at Leicestershire but the latest version would be installed prior to the change-over. This computer system had been run via Scotland and business continuity arrangements had been reviewed to allow for this and all parties were now satisfied;
- there was capacity within the technological arrangements to include other organisations which would enable the cost to be spread;
- the Oracle computer system was a local government focused system and was able to move and develop with the needs of the Local Authority.

Councillors expressed concern at the forecasted overspends of £2 million on setting up the system, and awaited the brief with interest.

RESOLVED that the audit work completed to date, and the work planned up to the proposed September 2012 'go live' date and there after, be noted.

21 TREASURY MANAGEMENT ANNUAL REPORT 2011/12

Consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated.

RESOLVED that the Treasury Management 2011/12 Annual report, be noted.