

## **NOTTINGHAM CITY COUNCIL**

### **AUDIT COMMITTEE**

#### **MINUTES**

of meeting held on **21 SEPTEMBER 2012** at

Loxley House from 10.35 am to 11.50 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	) Audit Commission
Paul Hutchings	- Audit Manager	)
Barry Dryden	- Senior Finance Manager	)
Pete Guest	- Treasury Manager	)
Tony Kirkham	- Acting Chief Finance Officer	) Resources, Nottingham City Council
Mark Leavesley	- Constitutional Services Officer	)
Shail Shah	- Head of Internal Audit	)

#### **22 APOLOGY FOR ABSENCE**

An apology for absence was received from Councillor Molife.

#### **23 DECLARATIONS OF INTERESTS**

No declarations of interests were made.

#### **24 MINUTES**

**RESOLVED** that the minutes of the last meeting held on 27 July 2012, copies of which had been circulated, be confirmed and signed by the Chair.

#### **25 STATEMENT OF ACCOUNTS 2011/12**

Further to minute 17 dated 27 July 2012, consideration was given to a report of the Acting Chief Finance Officer and to the Statement of Accounts 2011/12, copies of both of which had been circulated, and to a presentation by Barry Dryden, Senior Finance Manger, regarding the final version of the Council's Statement of Accounts 2011/12.

**RESOLVED** that the report of the Acting Chief Finance Officer be noted and the Statement of Accounts 2011/12, as appended to the report and detailed in the presentation, be approved.

## **26 ANNUAL GOVERNANCE REPORT (AGR) AND STATEMENT 2011/12 (AGS)**

Further to minute 18 dated 27 July 2012, consideration was given to reports of the Audit Commission and the Director of Strategic Finance, copies of both of which had been circulated, and to a revised AGR Appendix 2, corrected errors, which had been identified during the audit, copies of which were handed around the table.

### **(a) Annual Governance Report**

Susan Sunderland, Audit Commission, presented the report and stated the following:

- the unqualified audit opinion would be issued by 28 September 2012;
- since publication of the AGR, ways to address the identified Value for Money future resource gap of £24 million from 2013/14 had been put in place;
- Heritage Assets were now identified separately, with a value of £44 million, therefore ensuring that full compliance with FRS 30;
- when the Audit Commission is disbanded, KPMG would become the Authorities' audit partner, but Susan would still be the main Auditor.

**RESOLVED** that the AGR, including the amended appendix 2, be noted.

### **(b) Annual Governance Statement 2011/12**

Shail Shah, Head of Internal Audit, presented the report, which detailed the authorities' governance arrangements and stated that the AGS would be published alongside the Statement of Accounts, as required by the Accounts and Audit Regulations 2011.

**RESOLVED** that the AGS, as detailed in appendix 1, be approved.

## **27 2012/13 TREASURY MANAGEMENT INVESTMENT STRATEGY (TMS) REVIEW**

Consideration was given to the report of the Director of Strategic Finance, copies of which had been circulated, which proposed changes, in light of the current national and global economic situation, to the Council's previously approved Investment Strategy, in particular the eligible investment counterparties.

Pete Guest, Treasury Manager, presented the report and proposed the following amendments to the TMS:

- The exclusion of short-term credit ratings for eligible financial institutions

Presently, the TMS criteria included minimum levels for both the long and short-term credit ratings of eligible counterparties. Increasingly, the long-term rating was becoming the principal driver which influenced a bank's funding costs and perceived creditworthiness internationally and, hence, market sentiment towards that institution. It was therefore proposed to exclude the requirement for a minimum short-term rating for eligible financial institutions. The existing requirement for a minimum long-term rating from all 3 major rating agencies would be retained. This would enable the re-instatement of RBS on the eligible counterparty list. RBS was a state-owned UK bank, considered

'systemically important' to the UK financial system and, therefore, likely to be in receipt of financial support from the Government if required.

- An increase in the maximum investment sum for individual UK banks

Presently, the limit for deposits with UK banks was £20 million. It was proposed to increase this to £25 million. With the current investment portfolio size, this sum represented a maximum of around 12.5% of the portfolio deposited with any one institution.

- An increase in the maximum investment sum for individual non-UK banks

Presently, the limit for deposits with non-UK banks was £5 million. It was proposed to increase this to £10 million. The existing restriction on the total sum invested with any one country would also be raised, from 10% to 15% at the time of investment. The over-riding 25% limit for non-UK banks, as a proportion of the total portfolio, would be retained. This would provide potential further investment in eligible Australian and Canadian banks, which were currently considered more secure than their European counterparties.

Councillors commented that for future reports, the table of eligible counterparties, as per appendix B, should include the current rating for each institution.

## **RESOLVED**

- (1) that it was agreed that the amendments, as detailed in the report and summarised above, be submitted for final approval to the next available Council meeting:**
- (2) that it be noted that under delegations within the Council's Constitution, in light of the next available Council meeting not being until 10 December 2012, the Section 151 Officer intended to apply the changes to the Investment Strategy referred to in resolution (1) above with immediate effect.**

## **28 DATE OF NEXT MEETING**

**RESOLVED that it be noted that the next meeting would be held in Loxley House at 10.30am on Friday 30 November 2012.**