

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 28 September 2018 from 10.47 am - 12.43 pm

Membership

Present

Councillor Michael Edwards (Chair)
Councillor Steve Young (Vice Chair)
Councillor Leslie Ayoola (minutes 27-28)
Councillor Cheryl Barnard (minutes 23-27)
Councillor Anne Peach
Councillor Nick Raine
Councillor Andrew Rule
Councillor Adele Williams (minutes 23-28)

Absent

Councillor John Hartshorne

Colleagues, partners and others in attendance:

Theresa Channell - Head of Strategic Finance
David Chefneux - Director, Link Asset Services
Glyn Daykin - Senior Accountant, Treasury Management
Shail Shah - Head of Audit and Risk
John Slater - Group Auditor
Amanda Wright - Customer Experience Lead
Nancy Barnard - Governance Manager

23 CHANGE OF MEMBERSHIP

The Committee noted that Councillor Rosemary Healy had left the Committee and welcomed Councillor Nick Raine as a new member. The Committee recorded their thanks to Councillor Healey for her contribution to the work of the Committee.

24 APOLOGIES FOR ABSENCE

John Gregory, Grant Thornton

25 DECLARATIONS OF INTEREST

None.

26 MINUTES

The minutes of the meeting held on 20 July 2018 were agreed as a correct record and were signed by the Chair. The Committee noted that, subsequent to the meeting, there had been no substantial amendments to the Statement of Accounts.

27 TREASURY MANAGEMENT TRAINING SESSION

David Chefneux, Director, Link Asset Services delivered a training session on Treasury Management to the Committee during the meeting. The slides he presented are attached to these minutes and covered the following matters:

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- a) The legal, regulatory and other drivers of treasury management,
- b) Risk factors to consider when examining the Council's Treasury Management, with the three most important risks being credit and counterparty risk, liquidity risk and interest rate risk,
- c) Comparison of Nottingham and other local authority clients of Link in relation to suggested treasury management metrics, and potential reasons for the variation seen in these metrics.
- d) The balance sheet, affordability, sustainability and prudence

During the discussion that followed the presentation the following points were made:

- e) Nottingham's approach has been to borrow internally which has advantages as it currently saves £6m per annum in interest charges, However because it mismatches the term of the borrowing, the authority needs to determine when to fix borrowing. So the authority must continue to identify opportunities to fix a good long-term interest rate on its underlying borrowing requirement, including future borrowing, but this must be also be assessed for affordability.
- f) Nottingham maintains a Treasury Management risk reserve that helps it to manage interest rate fluctuations.
- g) Major issues such as potential economic instability and factors such as Brexit could impact on Treasury Management and need to feature in our planning,
- h) Councils are right to look to bolster their income streams through commercialisation and selling services as these help to mitigate against cuts however these investment projects need to meet due diligence criteria and deliver the income streams sought.
- i) Nottingham's status as a large core city means it is in the top four for capital finance amongst the local authorities Link Market Services works with but is similar to other core cities. Nottingham has an acceptable gearing ratio (debt to long term assets) and needs to maintain this by converting capital programme items into assets. Nottingham has a rolling programme of revaluation of its assets, which meets its obligations under accounting standards.
- j) Nottingham's performance on treasury management investments is in the range that Link would expect the authority to achieve given the authority's risk appetite.

RESOLVED to:

- (1) Thank David Chefneux for his informative presentation,**
- (2) Request that the Head of Strategic Finance and Senior Accountant, Treasury Management develop a forward plan of items to bring back to the committee based upon some of the Treasury Management risks identified in the training,**
- (3) Include the following in the forward plan for the Committee:**
 - **The potential impacts of factors such as Brexit or an economic crash on treasury management;**
 - **A statement on internal borrowing and risks associated with it;**
 - **A statement on the capital programme.**

28 LOCAL GOVERNMENT OMBUDSMAN ANNUAL LETTER 2018

Amanda Wright, Customer Experience Lead, presented the report of the Corporate Director, Strategy and Resources to the committee covering the following points:

- a) The report outlines complaints about the City Council referred to the Local Government Ombudsman (LGO) and the decisions taken by the Ombudsman in relation to those complaints. It also outlines the Council's internal process for dealing with complaints and the changes in the culture and handling of complaints over the last two years.
- b) Colleagues are now supported in responding to complaints and in listening to and understanding the complaint and using the information to improve and innovate services through root cause analysis.
- c) The revised approach appears to have resulted in low rates of complaints being upheld by the LGO (4/15 investigated complaints) compared with an average uphold rate of 57% nationally. None of the four upheld complaints had been through Have Your Say as they related to statutory complaints processes.
- d) The numbers of Ombudsman complaints are too small to draw reliable conclusions on causation. Similarly, the core cities analysis did not enable specific conclusions because of the small numbers involved and lack of information about their internal complaints process.
- e) Next year it is planned to report on Have Your Say complaints and Ombudsman complaints together.
- f) Currently demographic information about complainants is not captured when complaints are made it is therefore not clear whether some demographic groups are more or less likely to complain than others.

RESOLVED

- (1) To request a briefing providing further understanding of comparison of Ombudsman complaints for Nottingham and other Core Cities.**
- (2) For Councillors Ayoola and Raine to meet with the Customer Experience Lead to discuss how demographic information and information from Councillor casework could be used to enhance the Council's response to complaints and service improvements.**
- (3) To note the content of the report and to welcome the changes made to the complaints process and the impact this appears to be having.**

29 AUDIT COMMITTEE TERMS OF REFERENCE

Shail Shah, Head of Audit and Risk Shail introduced the report, which outlined draft revised terms of reference for the Committee. The terms of reference had been amended to comply with best practice in the 2018 revision of CIPFA guidance on Audit Committees.

RESOLVED to

- (1) Request that the Head of Audit and Risk ensures that each of the items in the terms of reference is included in the work programme for the committee on a rolling basis.**
- (2) Endorse the revisions to the terms of reference for submission to Full Council for approval at its November meeting.**