

# Nottingham City Council

## Audit Committee

**Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 28 July 2023 from 10.30 am - 12.34 pm**

### Membership

#### Present

Councillor Samuel Gardiner (Chair)  
Councillor Sulcan Mahmood (Vice Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Andrew Rule  
Councillor Adele Williams

#### Absent

Councillor AJ Matsiko  
Councillor Naim Salim

### Colleagues, partners and others in attendance:

Debbie Bowring - Risk and Assurance Manager  
Shabana Kausar - Director of Finance  
James Lavender - Governance Officer  
James Rhodes - Head of Analysis and Insight  
John Slater - Group Governance & Audit Assurance Manager  
Simon Parsons - Audit Manager  
Malcolm Townroe - Director of Legal and Governance

### 18 Apologies

Councillor A J Matsiko – Work commitments

### 19 Declarations of interests

In the interests of transparency in relation to agenda item 8 (Annual Investment Strategy 2023/24 Revision), Councillor Graham Chapman declared that he is the Chair of Nottingham City Transport (NCT), but he did not consider this to constitute an interest that would require him to leave the meeting.

### 20 Minutes

The minutes of the meeting held on 30 June 2023 were confirmed as an accurate record and signed by the Chair.

### 21 Statement of Accounts Progress Update

Shabana Kausar, Director of Finance, delivered the report which provided an update to the Committee about the progress the Council is making with its statement of accounts relating from 2019/20 to 2022/23. The following points were highlighted:

- (a) following the Audit Committee meeting on 30 June 2023, the draft 2019/20 accounts have been submitted to the external auditor Grant Thornton LLP;

- (b) the draft 2019/20 accounts are due to be completed by the Improvement and Assurance Board (IAB) deadline of 30 September 2023;
- (c) draft sets of accounts for 2020/21 and 2021/22 will be ready for the IAB's deadline of 30 September 2023;
- (d) recent discussions between the Council, Public Sector Audit Appointments (PSAA) and Grant Thornton LLP have resulted in the PSAA agreeing additional fees of £92,350 to reflect the level of work and the issues encountered during the audit of the 2019/20 accounts;

During the discussion and in response to questions from the Committee, the following points were raised:

- (e) there is assurance that the 2019/20 accounts will be completed by the end of September;
- (f) the draft 2020/21 accounts are 60% completed. The draft 2021/22 and 2022/23 accounts are being worked on simultaneously;
- (g) the £92,350 will be added to the existing £132,531 fees to be paid to Grant Thornton LLP for auditing the 2019/20 accounts.

**Resolved to:**

- (1) receive the external auditor opinion on the financial statements for 2019/20 at the Committee meeting on 24 November 2023 if available;**
- (2) note the report.**

## **22 Finance Improvement Plan Update**

Shabana Kausar, Director of Finance, delivered the report which provided an update on the Council's Finance Improvement Plan (FIP) activity undertaken to the end of June 2023 and its plans over the next three months. The following points were highlighted:

- (a) the original FIP was presented to the IAB in January 2023 and sets out eight improvement themes:
  - strengthening financial leadership;
  - improving the approach to managing and governing the capital programme;
  - enhancing financial systems to meet user needs;
  - a well-designed and robust system of internal financial control;
  - embedding professional accounting practice;
  - capacity building and training;
  - enhancing financial strategies;
  - understanding and effectively managing its finances (social care);

- (b) a revised version mapped to the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code was presented to the IAB in May as the FIP is a dynamic plan;
- (c) Appendix 1 of the report outlines specific improvements delivered to date across the eight improvement themes;
- (d) finalising the draft accounts from 2019/20 to 2021/22 is a priority for the Council. Additional team members have joined the accounts team to provide further capacity and enable progress on the draft 2021/22 accounts;
- (e) there has been progress on the control environment with good progress experienced in the use of journals and internal recharge controls;
- (f) dashboards are in use to provide management insight and analysis on journal activity and thresholds;
- (g) the East Midlands Shared Service (EMSS) and Mastek are currently testing the required system changes to the Council's journal authorisation rules, which will be introducing an in-system authorisation workflow for all journals with control totals in excess of £20,000;
- (h) the pausing of all recharging activity has facilitated the design and development of a new, holistic control framework for managing, accounting for and reporting recharges;
- (i) there is now a corporate control, accounting and recording framework for grants into the Council that is embedded through finance into each directorate. The grant register has been updated. Guidance notes have been circulated to budget managers on how to process, manage and record grant funding;
- (j) two dashboards are in use by the Finance Team to cover budget management and spending controls, the latter of which provides insight into spending activities and profiles across specified subjective codes designated as non-essential spend. More dashboards for specific financial activities will be implemented;
- (k) an action plan to address weaknesses within the recording and budget monitoring processes within the Adult Social Care (ASC) budget has been created. An Oversight Board monitors the ASC's progress against the plan;
- (l) integrating Transformation Programme finances into mainstream financial control and reporting processes has already enabled the Council to have an enhanced grip on the programme and its implications for the Medium-Term Financial Plan (MTFP). The Transformation Programme is now in its second year of delivery, with MTFP gross savings of £15.671m to be delivered in 2023/24 in addition to 2022/23 gross savings of £1.765m;
- (m) the management of staffing establishments is a fundamental management control for the Council. Having robust mechanisms that facilitate the provision

of effective and accurate establishment data for reporting at a statutory and organisational level is of paramount importance;

- (n) an Establishment Control project has been established and led by the Director of HR and EDI. The project is a key activity in supporting the delivery of the HR Improvement Plan and aligns with the FIP;
- (o) Price Waterhouse Cooper (PwC) have been commissioned to assess the design and operation of the establishment control across all directorates within the Council;
- (p) there is a continued imperative to ensure the council maintains a credible medium term financial strategy that addresses IAB instructions. To this end, the Director of Finance and the Corporate Director of Finance and Resources, in consultation with the Corporate Leadership Team (CLT), have formulated and presented the 2024/25 Budget Strategy approach and MTFP to the Executive Board in July 2023;
- (q) as part of the FIP, it has been important to reconsider the capacity for both finance and budget holders in preparing the in-year financial monitoring reports. In line with the recently agreed timetable, the first bi-monthly forecasting report has been presented to the Executive Board in June 2023;
- (r) the CLT receives regular updates regarding the FIP, particularly on key controls, financial processes and timetables;
- (s) a remediation project has been scoped and EY (Ernst & Young) commissioned to deliver a twelve-week focused controls remediation response. The project commenced on 12 June 2023 and is currently on schedule. There are ten areas of work which are in scope within three key themes (see Table 5.2.1 of the report). 86% of actions have been identified and 3% have been identified and implemented;

During the discussion and in response to questions from the Committee, the following points were raised:

- (t) the outturn figures for 2022/23 were validated as part of the process followed. The outturn figures are provisional, but will be audited;
- (u) there are challenges around forecasting in the ASC environment. These include the recording of changes to committed social care spending. Variations in inflationary pressures will impact the ASC budget and spending. Any variations in the outturn from provisional figures will be relatively small, but there will still be a large budget gap similar to the forecast;
- (v) all of the thirty-seven actions in the remediation project are priorities for creating a basic control environment;
- (w) budget savings is a part of the day-to-day business;

- (x) there are regular meetings with EY regarding the remediation project and some actions that are indicated 'red' in the report can be updated to 'amber' as those actions have been identified by EY since the publication of the report;
- (y) there is currently no clear framework about why the Council does internal recharges, hence the need for a framework about where and why internal recharges should take place, so that there is a good understanding of impact, and recharges are only undertaken when and where it is necessary to do so;
- (z) a monitoring 'health check' will identify the progress of the controls being implemented. EY will develop a process for how this health check will work. Any extension of the time for the FIP would need to be based on the monitoring;
- (aa) these actions are quick fixes. Permanent actions need to be development as part of the next stage of the process;
- (bb) enforcement of compliance to the financial processes needs to be monitored;
- (cc) some of the systematic changes identified in the FIP have already been implemented such as the journal updates;
- (dd) the Committee was assured at the last meeting in June that no money has been misspent or has been incorrectly reallocated;
- (ee) the start of year figures are still in a state of flux. Work is ongoing to establish how accurate these figures are;
- (ff) identifying internal drivers of fluctuations within budgeting and forecasting is a corporate priority and it is considered in the FIP and the control environment.

**Resolved to note the report.**

## **23 External Audit Update**

Shabana Kausar, Director of Finance, met with Grant Thornton LLP prior to the Committee meeting. Grant Thornton stated that a report on the financial statements for 2019/20 may be ready to present to the Committee on 24 November 2023.

**Resolved to note the update.**

## **24 Treasury Management 2022/23 Annual Report**

Shabana Kausar, Director of Finance, delivered the report into the Council's treasury management for the 2022/23 financial year. The following points were highlighted:

- (a) the Council's debt levels are going down;
- (b) the Council complies with its prudential indicators for 2022/23 which were set in March;

- (c) there are no concerns regarding the level of capital receipts, nor with Housing Revenue Account (HRA) borrowing;
- (d) the Voluntary Debt Reduction policy is being adhered to;

During the discussion and in response to questions from the Committee, the following points were raised:

- (e) future reports will include a consolidation of the debt statements and an appendix about the returns where debt supports property investment;
- (f) the voluntary debt reduction is where the debt level is being reduced;
- (g) the debt target has not shifted, but it will be reviewed. An examination of the risk and benefits into whether the debt target should change will be undertaken before a decision is made to shift the debt target;
- (h) it is difficult to compare supported and unsupported debt with other local authorities, however options will be explored with the Treasury Team and advisors;
- (i) an explanation of the amount of investment shown in Table 4 as 'overseas' will be provided to the Committee by the Treasury Team;
- (j) a Member stated that the Council's district heating saves £5m per year in gate fees for waste disposal.

**Resolved to:**

- (1) examine the levels of supported or unsupported debt levels of competitor local authorities;**
- (2) ask the Treasury Team to provide clarification on the Council's overseas investments;**
- (3) note the report.**

## **25 Annual Investment Strategy 2023/24 Revision**

Shabana Kausar, Director of Finance, delivered the report which considered where the Council will invest its cash balances across different counterparties and financial instruments. The following points were highlighted:

- (a) the Treasury Management Strategy was approved by Full Council on 6 March 2023. As part of this, the Annual Investment Strategy (AIS) sets the operational and strategic parameters for how treasury management activity will take place during the current financial year;
- (b) the strategy has been altered to increase counterparty limits, which allows the Council to benefit from interest earned with high quality counterparties where it can;

- (c) the AIS also clarifies that for the UK banks split into ringfenced and non-ringfenced banks, each entity will be treated separately for determining counterparty limits;
- (d) there is also a change to the interest earned by the HRA on its share of cash balances which will now be the average interest rate earned for the year on the Council's investments instead of the three-month Treasury bill rate. This has the effect of HRA and General Fund balances benefitting from the actual investment returns achieved by the Council;

During the discussion and in response to questions from the Committee, the following points were raised:

- (e) a separate risk assessment on the revisions to the AIS has been completed. External treasury and market experts provide guidance into this strategy.

**Resolved to:**

**(1) note the revisions to the Annual Investment Strategy for 2023/24, attached as Appendix 1, and, in particular:**

- **the increase to counterparty limits;**
- **other technical changes;**

**(2) request details of a risk assessment on overseas investments.**

## **26 Improvement and Assurance Board Governance Instructions Update**

Malcolm Townroe, Director of Legal and Governance, James Rhodes, Head of Analysis and Insight, and Debbie Bowring, Corporate Risk and Assurance Manager, delivered the report which updated the Committee on the progress made in implementing the IAB's instructions relating to Governance. The following points were highlighted:

- (a) the following six instructions were set by the IAB relating to the Governance workstream:
  - operate an efficient and effective decision-making process;
  - applying the Council's Member/Officer Protocol;
  - regularising good communication and engagement with stakeholders;
  - consolidate best practice in governance relating to partnership working;
  - finalise the implementation of the restructured commissioning and procurement system;
  - delivering a robust and rigorous risk management system;
- (b) the IAB's instructions on the Council's decision-making processes, the Member/Officer Protocol and the commissioning and procurement systems have been implemented;

- (c) an evaluation of all Council stakeholders has fed into the communications strategy. There is an appetite for a regular newsletter to stakeholders about the Council's improvement strategy;
- (d) a Terms of Reference, best practice guidance and a register relating to Strategic Partnerships have been developed;
- (e) in terms of risk management, there are regular updates of quarterly risk registers, the most recent being reported to Audit Committee on 31 March 2023. There will be annual reports regarding risk management, with examples of mitigating risk, a training programme for Audit Committee, Executive Councillors and all colleagues. NHS Clinical Commissioning Groups and other public sector bodies are risk assessed;
- (f) all of the following actions outlined were included in the governance workstream report to the IAB;

During the discussion and in response to questions from the Committee, the following points were raised:

- (g) the Council is aware that they score well in terms of people being informed and being involved with their local authority compared with others. There is an improvement in engagement with partners.

**Resolved to note the work undertaken in respect of the six IAB instructions regarding Governance.**

## **27 Audit Committee Work Programme**

The External Audit Report for the draft 2019/20 accounts will likely be presented to the Committee on 24 November 2023.

A Member suggested that an item or discussion on procurements and how the Real Living Wage would filter down through suppliers.

The Committee noted the Work Programme.

## **28 Recommendation Tracker**

Following from the June meeting, it was requested that two example business cases from the sale of assets be provided to the Committee.

The Committee noted the Recommendation Tracker.

(At 12:25, the Committee agreed to a 5 minute comfort break. The meeting started again at 12:30pm).

## **29 Exclusion of the Public**

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda items in accordance with Section 100A(4) of the Local



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Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information as defined in paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act.

### **30 Exempt Minutes**

The exempt minutes of the meeting held on 30 June 2023 were confirmed as an accurate record and signed by the Chair.

### **31 Recommendation Tracker - Exempt Items**

The Committee noted the exempt items on the Recommendation Tracker.