

Nottingham City Council

Audit Committee

Minutes of the meeting held remotely via Zoom -
<https://www.youtube.com/user/NottCityCouncil> on 26 February 2021 from 10.31 am - 1.35 pm

Membership

Present

Councillor Audra Wynter (Chair)
Councillor Leslie Ayoola (Vice Chair)
Councillor Graham Chapman
Councillor Michael Edwards
Councillor Jay Hayes
Councillor Jane Lakey
Councillor Anne Peach
Councillor Andrew Rule

Absent

Councillor Sajid Mohammed

Colleagues, partners and others in attendance:

Councillor David Mellen

Theresa Channell	- Head of Strategic Finance
Beth Brown	- Head of Legal and Governance
Glyn Daykin	- Senior Accountant Treasury Management
Ian Edward	- Strategic Advisor on Companies
Clive Heaphy	- Interim Director of Strategic Finance
John Gregory	- Grant Thornton External Auditors
Nick Lee	- Director of Education Services
Shail Shah	- Head of Audit and Risk
John Slater	- Group Auditor
Sue Risdall	- Team Leader, Technical Finance
Thomas Straw	- Senior Accountant Capital Programmes
Catherine Underwood	- Corporate Director for People
Janine Walker	- Head of Service SEND and Vulnerable Pupils
Kate Morris	- Governance Officer

64 Apologies

Councillor Sajid Mohammed

65 Declarations of Interests

None

66 Minutes

The minutes of the meeting held on 18 December 2020 were confirmed as a true record and were signed by the Chair.

67 Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188

Councillor David Mellen, Leader of the Council and Portfolio Holder for Regeneration Schools and Communication introduced the report detailing the Report of the Ombudsman following investigation Ref: 18 018 188 where the Ombudsman held against the Council regarding school transport for a special needs pupil. Nicholas Lee, Director of Education Services and Janine Walker, Head of Service SEND and Vulnerable Pupils, gave additional detail. They highlighted the following points:

- (a) Nottingham City Council fully accepts all of the recommendations made by the Local Government Ombudsman (LGO) in this case;
- (b) The LGO made a number of recommendations, including financial recompense to the parent for the financial impact of the decision to remove transport, and that an apology be issued. These have been completed;
- (c) Further recommendations were made:
 - A review of procedures show how the service takes into account individual circumstances, that evidence is supplied to parents and carers to show rationale for the decisions taken by the services
 - Ensure that second stage appeals are properly minute
 - Demonstrate that decisions are robust and defensible
- (d) These recommendations have been taken on board and steps have been taken to address each one. In its report the LGO recognised that steps had been taken prior to its formal recommendation to improve the service in line, to prevent this occurring again and the LGO is assured by the actions taken to improve;
- (e) The Service at the time of the complaint was split into two parts. A restructure has brought the transport service into the SEND oversight which has allowed for centralised oversight of all applications. Decisions are now subject to a monthly monitoring system to ensure consistency and any issues and risk to access to school is identified earlier than before and can be addressed;
- (f) In the 2019/20 academic year, 398 children were receiving home to school transport support. During that year there were 76 successful additional requests for travel and 23 unsuccessful requests or changes to eligibility, following annual review. A number of these 23 had become eligible for independent travel training, a programme developed to help young people travel to school independently;
- (g) Of the 23 unsuccessful requests or changes to eligibility ten went to first stage appeal, two were upheld and eight dismissed. Two of these unsuccessful appeals went on to the second stage, one was upheld and one was dismissed. The numbers are very small in terms of the wider Service;
- (h) The Service is working hard to manage demand, and the pressure that this puts on the budget. Young people capable of managing their travel with training and support are offered the travel training programme, the transport

providers within the city have been very supportive of this initiative and have worked closely with the Council. This enables young people to learn an important life skill and develop a sense of independence;

- (i) High dependency support vehicles and escorts are very high cost. The Service is currently investigating the use of lease cars as a way of reducing costs and improving quality of life for families with the highest level of need and ensuring appropriate transport is available for children to access school;
- (j) Outcome based decision making is a focus of the vision and practice of the Service. Staff are encouraged to think in the round to support good outcomes for children and families, whilst also recognising that there are alternative ways to deliver services;

During discussion and questions from Committee members the following additional information was provided:

- (k) As a statutory bound Service, procedures and policies are reviewed regularly as a result of legislative changes as part of standard work. Colleagues are engaged with regional and national SEND networks to understand good practice and the Service actively seeks opportunities for peer review and external challenge. Part of the development plan for this year is around the quality assurance and monitoring processes from across the service area;
- (l) There will always be cases where parents/carers appeal the decision made. However assurance can be given to the Committee that improved the oversight of process is now embedded. Cases are managed at an appropriate level and escalation and risk are being identified earlier which allows swifter resolution;
- (m) There is now a built in section of the working check-list used by Case Officers to ensure that evidence is gathered early in the process and parents are asked for permission to share and collect data on medical grounds. This is done earlier in the process than before. A training package, including a tool kit is being developed and a wider range of experience across the appeals panel members is being supported;
- (n) Any change to policy is subject to the completion of an Equality Impact Assessment. This is the underpinning equality assessment for the process of application and appeals. Staff have a whole range of equality training and the wider workforce development supports a wider understanding of factors that may affect individual families and their decision making is reflective of this understanding;

Resolved to

- (1) Note the Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188 and be assured that all recommendations contained within have been fully enacted; and**
- (2) Receive an annual monitoring report to ensure that new procedures and improved management oversight are effective in ensuing learning from**

the Local Government Ombudsman's Report in the Public Interest are embedded and effective in the experience of applicants for SEND travel assistance.

Some Committee members felt that an annual report was disproportionate. The Chair indicated that on receipt of a report in 12 months' time the committee could consider if further monitoring reports should come back.

68 Treasury Management Strategy 2021/22 & Capital Strategy 2021/22

Clive Heaphy, Strategic Director of Finance, introduced the report on the Treasury Management Strategy 2021/22 and Capital Strategy 2021/22. He gave a presentation outlining the following points:

- (a) Treasury management is managed in line with the Code from the Chartered Institute of Public Finance and Accountancy (CIPFA) as well as the Ministry of Housing, Communities and Local Government (MHLCG) and includes a number of different, but linked strategies;
- (b) The Capital Strategy sets out the framework for delivery of Capital investment and financing decisions. It is a requirement to link the Capital Strategy to the Treasury Management Strategy. Treasury Management sets out the Councils approach to cash management, investment, borrowing and debt repayment and funding both the Capital and Revenue strategies;
- (c) The Capital Strategy supports the objectives of the Council. The strategy aims to align the ambitions of the Council with spend on assets and compliments revenue spend;
- (d) The Strategy works to increase transparency and good governance by establishing a Capital Board, chaired by the Leader, to scrutinise the programme and funding, as well as to look at individual requests for capital spend and monitoring capital programmes. The Board will also monitor borrowing and capital receipts. 100% grant funded and Health and Safety schemes will be prioritised as they do not then create revenue impact for the Council;
- (e) The Prudential Code dictates that capital investment must be prudent and affordable, and this is the context in which the Council is funding Capital. Projects will be prioritised to align with Council ambition and the long term financial implications of each project will be assessed;
- (f) Good practice dictates that that all schemes have robust business cases and that whole life costing of each scheme is considered, including the revenue impacts;
- (g) One of the criticisms from the Non-Statutory Review by MHCLG was that the Council's overall level of external debt was too high. Current external debt currently costs £56million to service. This is 27% of the Council Budget. This is higher than national comparators and the Capital Strategy aims is to contain and reduce the external debt;

- (h) New regulations introduced nationally state that Local Authorities can no longer borrow in order to generate a yield. This means that it is not possible to pursue new invest property opportunities. Investment must be linked to service needs;
- (i) The Capital Board will be considering assets that are not being fully utilised where, if they were sold, the receipt could be used to fund capital spend without resorting to borrowing. All capital schemes will be started when Capital receipt has been received, rather than the current practice of starting schemes in anticipation of capital receipt;
- (j) The Capital working group are invited to look at the controls in place around the Capital programme, projects, schemes and variances;
- (k) The Council is has created a Voluntary Debt Reduction Policy. The recommendations from the Non-Statutory review suggested that the Government should consider putting legislation in place to bar Nottingham City Council from further borrowing, however in discussions they were satisfied that a voluntary policy would deliver the same objectives. Due to commitments already in place there will need to be small amounts of borrowing to continue to fund the existing capital programmes. By 2022/23 there will be nil net new borrowing;
- (l) This new policy means that by 2024/25 external debt will be reduced to around £929million which is more acceptable when compared to the peer group;
- (m) The vast majority of the debt is fixed term, in line with most other Council authorities. Periods can vary from the short term, 3/5 years, up to 60 years. The average rate on debt is 3.3% which is reasonably competitive;

Committee members commented on the presentation and asked a number of questions, the following additional information was highlighted:

- (n) Some committee members felt that although not necessarily in the best interests of the citizens of Nottingham the need to reduce debt by ensuring capital receipts before new projects are started is necessary. The Capital programme must driven by outcomes for the City;
- (o) If a Voluntary Debt Reduction Policy was not put in place by the Council it was made clear that one would be imposed by Central Government;
- (p) The active treasury management strategy will work toward reducing the overall debt of the Council and colleagues are considering a variety of use of resources to this aim. There is a balance to be found between using released funds from debt reduction on revenue services and paying down further debt;
- (q) The Council does have a positive yield from the investment portfolio. Consideration will be given to reducing the portfolio to remove the lower yield assets with a view to paying down debt associated with it, assuming that there is no financial penalties;

- (r) Net debt is difficult to calculate, all of the measures as part of reporting across Local Government are in gross debt. 27% of net spend is probably the highest in Local government and would suggest that the Council has invested much more heavily in assets infrastructure and property than most other Authorities;
- (s) Details on debt fall out will be shared with the Capital working group, as part of more detailed work;
- (t) A focus on the control framework is the principle role for Audit Committee, ensuring that an effective control framework in place, is robust, and will lead to a programme that achieves its objectives within an affordable cost envelope. Audit will also look at lessons learned, and reporting mechanisms for correcting this when necessary and when projects do not run favourably;
- (u) The Property market is changeable. The Asset Transformation Group work to link the Asset Disposal Programme with regeneration aims of the city to ensure the right assets are being sold to support economic growth in the City and that best value is achieved for those assets;
- (v) The Treasury Management report, and the Capital Strategy is intrinsically linked to the Budget setting process. This year the budget process has been difficult. This has been compounded by the impact of Covid 19 and the subsequent need for the in-year budget process. The difficult context in which the budget has been set has led to late filing of this report for this Committee. The process for next year will be set in the context of a medium term financial plan and will be less compressed than this year;

Resolved to:

- (1) To note the Treasury Management Strategy for 2021/22, attached as Appendix 1 to the published report, and, in particular:**
 - **the Strategy for Debt Repayment (Minimum Revenue Provision Statement) in 2021/22**
 - **the Borrowing Strategy including the Debt Policy**
 - **the Treasury Management Investment Strategy for 2021/22;**
 - **the Prudential Indicators and limits for 2021/22 to 2023/24; and**
 - **the Treasury Management Policy Statement**
- (2) Note the Capital Strategy 2020/21 including the Voluntary Debt Reduction Policy Statement.**

69 Treasury Management 2020/21 Half Yearly Update

Clive Heaphy, Strategic Director of Finance summarised the Treasury Management Half yearly update indicating that there had been no long-term borrowing undertaken to September 2020, the average interest rate had increased slightly, and no further debt scheduling undertake, and the average return on investment has outperformed the LIBID rate.

Resolved to note the treasury management actions taken in the first half of 2020/21

70 Review of Accounting Policies 2020/21

Sue Risdall, Team Leader for Technical Accounting, introduced the annual report on the Review of Accounting Policies for 2020/21. She informed the committee that the policies had been fully reviewed and contained no significant changes from 2019/20.

Following questions from Committee members the following additional information was highlighted:

- (a) Movements between reserves are shown as part of the Balance Sheet and as a note to the accounts. They are reviewed on a monthly basis and as part of standard monitoring;
- (b) Finance Colleagues are in discussion with CIPFA to deliver training on accounts to Committee members with the aim to ensure that the training is delivered as close to the time that the final accounts will come to committee for discussion.

Resolved to:

- (1) Agree the Statement of Accounting Policies for inclusion in the 2020/21 annual accounts; and**
- (2) Agree the proposals where International Financial Reporting Standards allow a degree of choice.**

71 Audit Committee Terms of Reference

Shail Shah, Head of Audit and Risk presented the report on the refreshed Terms of Reference for Audit Committee. He highlighted the following points:

- (a) The Terms of Reference (TOR) required review as part of recommendations made by the Report in the Public interest. Following an internal review CIPFA were also consulted were satisfied that the proposed TOR are appropriate and commented that they are more extensive than comparative authorities;
- (b) One change to highlight is the end of Audit committee oversight of Partnership Governance Framework. This work is conducted elsewhere within the council and is duplicated by Audit Committee. This does not preclude Audit Committee from looking at the risks associated with this workstream.

Resolved to

- (1) Recommend to Council that it approves the adoption of a revised Terms of Reference for the Audit Committee and amends the Constitution accordingly**
- (2) Note the outcome of the review by CIPFA; and**

(3) Note the end of Audit Committee oversight of the Partnership Governance Framework, including annual Health Checks and the Register of Significant Partnerships and the associated workstream.

72 Action Log and Work Programme

In a change to the published agenda the Chair took agenda item 4, Action log and Work Programme, at this point.

Shail Shah, Head of Audit and risk confirmed to the committee that the Work Programme was due to be updated. The Chair asked that feedback from the working groups be added as an agenda item and that work from the working groups be added to the Action Log.

73 External Audit Update

John Gregory, External Auditor – Grant Thornton, gave a verbal update to the Committee on the External Audit process. The update included information on the 18/19 final accounts and value for money findings, the progress with 19/20 and the 20/21 accounts and audit. He highlighted the following points:

- (a) The 18/19 Value for Money opinion will be complete in time for the next Committee meeting (March 2021). Delay on the 18/19 accounts has been compounded as a result of the Covid 19 pandemic and to allow the completion of the Report in the Public Interest and the Non-Statutory Review to be completed and recommendations issued. A certified conclusion will be issued in time for the March 2021 Committee;
- (b) For the 18/19 accounts there are three items currently outstanding
 - there is a small issue regarding the valuation of Nottingham City Homes held assets, their external Auditor had not raised this as an issue and so work is being carried out by Grant Thornton to be satisfied that it is not a material issue.
 - Work to ensure that assets held by Nottingham City Council that have not been revalued are still held with appropriate values, this has been identified as a non material understatement.
 - A slight change in the narrative report since the draft accounts have been issued;
- (c) The 19/20 draft accounts were produced and published in August 2020. Work on them continues, however there has been a knock on effect from the delay to the 18/19 accounts. Work on routine evidenced asset values and substantive testing of some transactions remains outstanding. There is also the question on how assurance for Robin Hood Energy accounts will be gained as there is no completed external audit for that company at present. The MacIntyre Hudson audit report is awaited;
- (d) Work on the 20/21 accounts has started, with many live issues still in progress including
 - Budget position
 - Financial plan

- Capitalisation directive

The aim is to significantly catch up to the standard timetable this year.

In response to questions and comments from committee members the following further information was highlighted:

- (e) The City Council has a fairly complex group structure with a number of different external auditors for the various companies contained within the group. There is a degree of reliance on these auditors although there is a great deal of communication and review of their findings and files by Grant Thornton. As the Authority's external auditors Grant Thornton will issue instructions around risk and request assurance from the external auditors for group companies;

The Committee thanked John Gregory for his update and noted its content.

74 Internal Audit Progress Report Q1-Q3 2020/21

Shail Shah, Head of Audit and Risk introduced the Internal Audit Progress Report for Q1-3 2020/21. He informed the Committee that the report outlines the work that has taken place so far, that the audit plan for 2020/21 is on target and gives some brief detail of the peer review process looking forward.

In response to questions and comments from the Committee the following further information was given:

- (a) Staff reallocations to prioritise Business rate fraud detection in relation to Covid 19 grants has meant that staff previously working on fraud detection has meant that that revenue stream has been impacted. However those staff will be returning to that work and recovery of income will start again shortly and a piece of work to look at how the team's resources is underway;
- (b) There has not been much improvement in terms of the Traffic Capital Projects since it came before the committee last time. A follow up is planned, and the exact timescale will be notified to committee members.

Resolved to:

- (1) Note the performance of Internal Audit during the period and the effect of Covid 19; and**
- (2) Note the proposed approach to the Public Sector Audit Standards compliance review i.e a Core Cities peer review**

75 Exclusion of the Public

The Committee decided to exclude the public from the meeting during consideration of this/ the remaining agenda item(s) in accordance with Section 100A(4) of the Local 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 Paragraph(s) 3 of Part 1 of Schedule 12A to the Act

76 Treasury Management Strategy 2021/22 & Capital Strategy 21/22 - Exempt appendix

The Committee discussed the content of the exempt appendix as detailed within the exempt minutes, and noted its content.

77 Control Environment and key risks for City Council controlled companies

The Committee received a presentation by Ian Edward, Strategic Advisor on Companies, and discussed the content as detailed within the exempt minutes. They noted the presentation content.