

# Nottingham City Council

## Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 24 June 2022 from 10.32 am - 1.05 pm

### Membership

#### Present

Councillor Sajid Mohammed (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jane Lakey  
Councillor AJ Matsiko

#### Absent

Councillor Ethan Radford  
Councillor Andrew Rule  
Councillor Roger Steel (as substitute)

### Colleagues, partners and others in attendance:

Councillor David Mellen	- Portfolio Holder for Strategic Regeneration and Communications
Councillor Linda Woodings	- Portfolio Holder for Adult Social Care and Health
Clive Heaphy	- Interim Director of Strategic Finance
Nicki Jenkins	- Director for Economic Development
Steve Oakley	- Acting Director of Commissioning and Procurement
Simon Salmon	- Head of IT
Shail Shah	- Head of Audit and Risk
Caroline Stevens	- Principal Risk Specialist
Kate Morris	- Governance Officer

### 5 Appointment of Vice Chair

Resolved to appoint Councillor AJ Matsiko as Vice-Chair of this Committee for this municipal year (May 2022 to April 2023)

### 6 Apologies

Councillor Ethan Radford  
Councillor Andrew Rule - Leave, sent substitute  
Councillor Roger Steel (as substitute) - Unwell

### 7 Declarations of Interests

None

### 8 Minutes

The Committee confirmed the minutes of the meeting held on 6 May 2022 as a correct record and they were signed by the Chair.

### 9 Future Meeting Dates

The Committee agreed to meet on the following Fridays at 10.30am  
22 July 2022

30 September 2022

25 November 2022

24 February 2022

## **10 Update from Working Groups**

The Chair invited feedback from the Working Groups:

- (a) Councillor Jane Lakey updated the committee on the work of the Capital Working Group which has been focusing on issues around Asset sales and large capital projects such as Broadmarsh. Concerns around the accuracy of some of the forecasting have been raised and project management resource shortages have led to delays on some projects. The group has yet to see the Gateway Review of the Eastcroft Project which has been requested since February.
- (b) Concerns were raised about the delay in progressing the project, following the initial presentation to Labour Group detailing options some time ago. Concerns were also raised about how the potential appointment of Commissioners might impact large capital projects, but it is still unclear what impact this would have if they are appointed;
- (c) The Interim Corporate Director for Finance and Resources advised the Committee that Eastcroft Project has yet to be considered by the Executive Board, and that Audit Committee members would have the opportunity to review the Gateway review following normal process. The report to Executive Board is still in draft form;
- (d) The committee requested a briefing to the Capital working group on the Gateway review for the Eastcroft Project at the earliest opportunity;
- (e) Councillor Mike Edwards updated the committee on the work of the Risk Working Group that has reviewed the risk register presented later in the agenda. One stand out risk is the importance of staffing. The situation is similar across many local authorities, and in discussion with other Core Cities they are reporting difficulties in retaining key positions;
- (f) Councillor Graham Chapman updated the committee on the Fraud working group. He informed the committee that the working group has achieved the refocus of fraud resources and there is now a system in place for following up on fraud alerts sent to departments. The Committee agreed that the Fraud working group should be disestablished;

The Chair thanked Committee members for their continued work on the Working Groups.

## **11 Audit Committee Annual Work Programme**

Shail Shah, Head of Internal Audit and Risk presented the Annual Work Programme to the Committee. He informed the committee that the work programme was subject to change. The following points were highlighted during discussion:

- (a) The programme had been collated following consultation with the Chair, the previous Chair, and with Sean Nolan, Improvement and Assurance Board Member and represents good practice whilst being risk focused.
- (b) There are no fixed dates for the External Audit Report to be presented to Committee as the accounts from 19/20 and 20/21 are still outstanding

The Committee noted the work programme

## **12 Together for Nottingham Theme Two: Asset Management**

Councillor David Mellen, Portfolio Holder for Strategic Regeneration and Communication, and Nicki Jenkins, Director of Economic Development and Property gave a presentation detailing the work around Nottingham Together Theme 2: Asset Management. They highlighted the following information:

- (a) Following the recommendations made by the Caller report the City Council voluntarily agreed a ban on all additional external borrowing. This means that all Capital projects must be funded, either by grant funding such as the Levelling Up Fund and Transforming Cities Fund, or by Capital receipts for the sale of land/properties;
- (b) The Council owns around 3600 properties, split into three areas, General, Housing Revenue Account and Bridge Estate. This presentation and the information relates only to the properties that fall into the General area, it does not apply to the properties within the Housing Revenue Account or the Bridge Estate;
- (c) Asset Management aims to bring property and land to sale, in a timely way, once they have been declared surplus to operational requirements in order to support current commitments within the Capital Programme;
- (d) Since the Asset Rationalisation programme started, forecasted income for 20/21 and 21/22 have been exceeded, and in 22 year to date £5.3million has already been achieved. This money is not then committed to capital projects until it has been received through the sale process;
- (e) Future forecasts will show two sets of figures, those properties identified as available for sale, in the pipeline, and properties earmarked for receipt within the year. Both of these figures will be risk adjusted and it is the risk adjusted figure that is used to inform the Capital Programme;
- (f) The forecast for this year is higher than for other years as there is a handful of high value assets in the pipeline for disposal this year;
- (g) The programme risk register is monitored on a monthly basis by the Asset Rationalisation Board (ARB), as is the risk adjusted forecast. The very high value assets are prioritised in the process and they are monitored on a weekly basis and reported to the ARB;
- (h) There is a heavy focus on the governance and assurance around decision making in order to maximise capital receipts. A new disposals policy has been developed and implemented to ensure all disposals reach best consideration

or market value. A sale is below market value must be justified by a business case report to the ARB;

- (i) There are a 3 methods of sale considered in each disposal, auction, informal treaty with bids, and public treaty. Each method has its benefits and the best method varies from property to property but the default position is open market. All properties are publicly advertised prior to disposal;
- (j) There are two types of property, Operational and Non-Operational. Operational properties are declared surplus when a service identifies them as no longer needed to deliver a service. Non-Operational Properties are identified as surplus when they are no longer generating income or repair costs are too high, are at high risk of being void, where there is significant management cost, or where there is capital growth in a particular sector;
- (k) There is an ongoing review process in place that looks at the Non-Operational properties to ensure those likely to bring beneficial capital receipts are brought into the programme;
- (l) Once identified as surplus each asset is appraised and expert advice from Legal and Finances colleagues is sought. Where external expertise is required this will also be commissioned. The Corporate Asset Management Group then reviews this information followed by review by the ARB. Formal decision making takes place through the Council's governance Framework;
- (m) Continuing forward, work is ongoing to complete the review of all commercial assets and with services to bring forward properties as surplus and investment properties are being reviewed to ensure that they are still viable;
- (n) The implementation of the Corporate Landlord model is progressing, aiming to improve efficiency and bringing together the work of the Property team;
- (o) A new Community Asset Policy is being developed and is will be out for consultation soon, and a new Corporate Asset Management strategy is being developed;

During comments and questions from Committee Members, the following points were highlighted:

- (p) Committee members asked if there was sufficient strategic thinking happening around disposals of assets and the requirements of the city, with the example of student housing being used. The Corporate Asset Management Strategy, will be developed following the implementation of the Corporate Landlord model, which will improve strategic asset management and better strategic oversight. However it is not possible to compel developers to use land or properties for specific uses once sold, plans for use sometimes change and this is not under the control of the Council;
- (q) The Council is currently working to complete regeneration projects that were approved years ago. The Asset Rationalisation programme is trying to create a level playing field moving forward to ensure regeneration projects continue to be affordable in the longer term;

- (r) It is no longer possible to let community centres for peppercorn rents. There are a variety of different arrangements in place for properties and it is important that these are standardised. Leases with repair clauses are being replaced with more emphasis on the property not becoming problematic in terms of repair costs. At the same time leases are being redesigned to ensure that they do not become a burden on community groups. The development of the Community Asset Policy will ensure consistency and will ensure that community groups know what expenses they are liable for from the start of their lease;
- (s) Once a community property is identified as surplus work is done with interested community groups to help them prepare business cases for purchase;
- (t) Every decision to sell a property is assessed to establish the revenue impact of sale versus rental income and how this then impacts on the property budget overall and how the capital receipt contributes to reducing debt;
- (u) The Asset Management Strategy is taking a long term view, not just looking to the immediate short term;
- (v) Many commercial properties are in a less than satisfactory state of repair and require capital investment to bring them up to a better standard. Maintenance of stock has not been prioritised as it should have been and data around rental income generation is also historical. Many leases on commercial properties have not been reviewed or assessed in many years, work is underway to rectify this and to update values attributed to assets;
- (w) Resources to facilitate the completion of sales are stretched, but the Council always prioritises the high value assets to ensure timely capital receipt.

The committee thanked both the Portfolio Holder, and the Director of Economic Development and Property for their continued hard work, and for that of their colleagues supporting them.

**Resolved to record the Committee's appreciation and significant recognition of the progress made on the Asset Rationalisation Programme, whilst still acknowledging the challenges that remain.**

### **13 Exemption from Contract Procedure Rules quarter four 2021/22**

Steve Oakley, Head of Contracting and Procurement introduced the report on Exemption from Contract Procedure Rules for quarter 4 2021/22. He highlighted the following points:

- (a) Out of 10 requests 9 were unavoidable, one could have been avoided if better planning had been in place. One was rejected as it was retrospective;
- (b) Procurement continue to work with departments to implement compliant plans ensuring the number of exemptions is reduced;

- (c) Quarter 4 is usually the busiest period for procurement and exemption requests are lower than previous quarters. This lower level is comparable to that of other authorities;

Following comments and questions by committee members the following points were made:

- (d) All options are explored when considering contracts, exemptions from contract procedure rules is only used when there is no other option;
- (e) Departments are advised that projects must be costed in full at the outset and that breaking down contracts into phases should not be an appropriate course of action in most cases. This reduces the likelihood of exploitation of the exemption procedures;
- (f) Procurement have to balance the need for best value and the need for timely action. A range of methods is used by the team to ensure that this is reached. If a department were found to be deliberately splitting contracts in order to circumvent the exemption process this would result in disciplinary action;
- (g) Committee members raised specific questions around 7 contracts awarded to the same company. The Head of Procurement and the Interim Corporate Director of Finance and Resources assured the committee that each contract was for a different service, and that each contract had been through the appropriate route of procurement. In each case, the contracts were handled on their own merit and awarded to represent best value;
- (h) Committee members asked for specific assurance that a process was in place to prevent the circumventing the system by splitting contracts. The Interim Corporate Director for Finance and Resources confirmed to the committee that protocol was in place;

Committee members requested a schedule of the 7 contracts in question detailing their value, the process procurement went through and the justifications for granting the contracts. The Interim Corporate Director for Finance and Resources confirmed that he would circulate these details to committee members.

#### **Resolved to**

- (1) Note the number of exemptions from Contract Procedure Rules during quarter four of 2021/22**
- (2) Note the actions being taken to ensure that contracts are awarded in line with contract Procedure rules**

#### **14 ICT Procurement Audit**

Simon Salmon, Head of IT and Steve Oakley, Head of Procurement presented the report on the ICT Procurement Audit which had identified actions needed to improve. They gave an update on the actions taken in response to the Audit and proposed work for the upcoming 12 months. The following points were highlighted during discussion:

- (a) Work has focused on centralising ICT and bringing it back in line with Procurement through the Procurement Transformation Programme looking at best practice and delivering improvements;
- (b) Historically teams have stepped outside the existing frameworks to purchase equipment, which is often not supported by IT teams. These individual purchases mean that the asset register is inaccurate;
- (c) A change in mentality has started to take place and teams are more minded to work with Procurement through the correct governance structures;
- (d) Procurement colleagues are now directly linking with IT colleagues, and all ICT purchases are reviewed and approved by the Head of IT. This has stopped the ad hoc purchases of various software and devices that may not be supported by IT colleagues and ensures a more joined up approach and that systems can be integrated with existing technology;

### **Resolved to**

- (1) Note the actions completed and planned as detailed in the published report;**
- (2) Note the plans to implement further ICT procurement actions through the Procurement Transformation programme;**
- (3) Agree that future reports on ICT procurement are reported as part of a wider report on Procurement including Audit and Compliance updates.**

### **15 Corporate Risk And Assurance Update**

Caroline Stevens, Principal Risk Specialist, and Shail Shah, Head of Audit and Risk introduced the report on Corporate Risk Management and Corporate Risk and Assurance Register Update to the Committee. The Risk Policy and Risk and Assurance Register had been reviewed by both the Executive Board meeting and the Risk working group. They highlighted the following points:

- (a) There has been extensive revision of the Risk Policy and the Framework which has been supported by this Committee and by senior leadership. The Improvement and Assurance Board has also responded positively to the updates and an external review also responded favourably, the policy and framework are now considered an example of best practice;
- (b) The annual report, attached as an appendix to the published report, gives assurance on various functions and details the progress made, including a substantial program of training for Officers, elected Members and Senior Managers;
- (c) The Register is regularly reviewed by DLTs and by CLT and Leadership along with Executive Panel, Executive Board and the Audit Committee and working group;
- (d) It is hard to measure the benefits of a good risk register, as the outcomes are events or circumstances that have not happened. It is comparable to good

health and safety where the best outcome is no events. Good risk management is taking place through regular review and discussion of significant risks and the result of good management is that they do not crystallise;

- (e) The biggest change is in the consistency of risk being identified and recorded across the framework. There is an increased awareness of key risks and senior Leadership receive regular assurance on these;
- (f) Committee members were unclear whether the Council requires Officers to complete monthly reports and demonstrate that they are managing the risk. They felt that there were still some areas for improvement regarding this;
- (g) Committee members were pleased to see a more realistic assessment of risks, despite in resulting in an increased in risks rated red;
- (h) Risks and the actions required for mitigation are owned by the departments they sit within. The centralised Risk Team do not own the risks recorded within the register, they facilitate the management of the risk;
- (i) Committee members offered their congratulation to the Risk Team for developing a solid, robust policy. They cautioned that this is only as good as the stakeholders and that proper cascading of risk information must take place throughout the Council to continue to show improvements;

**Resolved to:**

- (1) Note the annual report and progress made to review existing processes and further embed Risk Management across the Council;**
- (2) Note the Corporate Risk and Assurance Register.**

**16 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 3 of Part 1 of Schedule 12A to the Act**

**17 Corporate Risk and Assurance Update - Exempt Appendices**

The Committee considered the exempt appendices and following discussion outlined in the exempt minutes noted their content.

**18 Together for Nottingham Theme 3 - Companies Update - Exempt Report**

Councillor Linda Woodings, Portfolio Holder for Adults Social Care and Health, and Executive sponsor for Theme 3 Together For Nottingham Plan, along with Clive Heaphy, Interim Corporate Director of Finance and Resources presented the report updating the Committee on work around Council owned companies.

Audit Committee - 24.06.22

Following discussion detailed in the exempt minutes they resolved to note its contents.