

# Nottingham City Council

## Audit Committee

Minutes of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 28 February 2020 from 10.00 am - 11.43 am

### Membership

#### Present

Councillor Steve Battlemuch (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jay Hayes  
Councillor Jane Lakey  
Councillor Lauren O`Grady  
Councillor Andrew Rule  
Councillor Audra Wynter (Vice Chair)

#### Absent

Councillor Leslie Ayoola  
Councillor Anne Peach

### Colleagues, partners and others in attendance:

Glyn Daykin - Senior Accountant Treasury Management  
Laura Pattman - Strategic Director of Finance  
Shail Shah - Head of Audit and Risk  
John Slater - Group Auditor  
Thomas Straw - Senior Accountant Capital Programmes  
John Gregory - Grant Thornton External Auditors  
Helen Lillington - Grant Thornton External Auditors  
Kate Morris - Governance Officer

### 63 Apologies

Councillor Leslie Ayoola – Council Business  
Councillor Anne Peach – Unwell

### 64 Declarations of Interests

Councillors Steve Battlemuch, Lauren O`Grady and Audra Wynter declared an Other Interest in agenda item 13 Exempt minutes (minute number 76) because they are members of Robin Hood Energy Board. They left the room prior to discussion and voting on this item.

Councillor Graham Chapman declared an Other Interest in agenda item 8 External Audit Report (minute number 70) because he is a member of the Nottingham City Transport Board. This did not preclude him from taking part in discussion or voting on the item.

Councillor Michael Edwards declared an Other Interest in agenda item 8 External Audit Report (minute number 70) because he is a member of the EnviroEnergy Board. This did not preclude him from taking part in discussion or voting on the item.

## **65 Minutes**

The minutes of the meeting held on 31 January 2020 were confirmed as a true record and were signed by the Chair.

## **66 Governance of Major Projects**

Richard Beckett, Head of Major Projects, gave a presentation to the Committee on the governance structure behind all major projects within Nottingham City Council. He highlighted the following points:

- (a) A major project is generally a project worth over £1m and / or is considered to be particularly complex. Major projects are then split into two tiers
  - Tier 1 – projects worth over £10m
  - Tier 2 – projects worth less than £10m
- (b) There are currently 15 Tier 1 projects in various stages of development amounting to approximately £400m investment in Nottingham. This is not all Council money, much of it is from grants and private investment, there are a further 6 Tier 1 projects in the initial stages of consideration;
- (c) All projects have to be assessed at the initial stage before work starts, this assessment is done at Corporate Leadership level, allows Corporate Leaders to impose conditions or recommendations/parameters to the development.
- (d) After the project has received support from the Corporate Leadership Team they can progress. Within the lifecycle of the project, there are 2 gateway reviews, one at the initial business case stage, prior to the project receiving formal approval, and the second during the life of the development to give assurance that the project is running efficiently.
- (e) The Gateway review is completed by colleagues who have experience in disciplines the project draws upon but who are not involved in the project being reviewed. They review the project documentation, meet with the project team and then produce a report giving assurance and/or making recommendations. The Project team then respond to the written report and any recommendations with an action plan that is then implemented;
- (f) Each project has a sponsor within the Council who is an officer who champions the project, is accountable for its performance and ensures the correct level of resources are provided to ensure the success of the project;
- (g) The Major Project Team have also formed a Portfolio Management Office that administers the assurance process and reviews monthly monitoring looking at projects. Monthly monitoring reports consider a number of factors, for example how a project is performing, financial information, risk, programme and change. These monthly monitoring reports are transformed into Dashboards which give a high level overview that is then distributed to relevant officers and members;
- (h) The review process involved people who are able to challenge and test projects at a number of different levels and throughout their life. At the end of

each project there is a final process where the project team look at lessons that have been learnt and how these should be fed back to colleagues;

- (i) The Major Projects team maintain a project management handbook available on the intranet which reflects lessons learnt and best practice;

The Committee had a number of questions and comments following the presentation, the following information was highlighted during discussion:

- (j) A number of projects have gone to the CLT initial review stage and have been given the initial go ahead. Other projects that have been through a review process have been significantly amended following the Review's conclusions about the strength of the project's business case.
- (k) Projects have gone through the gateway review stage and issues around risk have been flagged up, these have been addressed and contracts renegotiated and the risk to the Council has been reduced;
- (l) The initial review, Gateway Zero, where the project goes before the Corporate Leadership Team allows CLT to be made aware of grant funding, capital investment and allows the Council to link major projects to City Council aims. This gives a council wide view of each project whereas prior to the introduction of this initial review each project was developed at a department level without the overarching view;
- (m) The information from the Portfolio Office feeds into a number of different boards and governance structures within the Council. These include the Capital Monitoring Group which is largely and finance focussed.
- (n) Stress testing is a key aspect of every project as is risk analysis. These issues are considered by the review process and extensive sensitivity testing is built into business cases at the beginning of each project life cycle. These elements are continually monitored;
- (o) The role for Audit committee in this process is oversight of this process, as a Committee, Audit cannot be involved in the individual assessment of projects;
- (p) There are a number of checks and balances that are in place to ensure that all of the review processes and assessments are carried out to the same standard. The Portfolio Office are proactive in looking for non-compliance and any incidents are escalated up through the various boards to be addressed;
- (q) The review processes outlined have been used on the New Build element of the Housing Revenue Account (HRA), to date this hasn't been rolled out further across the HRA;
- (r) All project managers within Major Projects are trained with the relevant qualification.

**Resolved to take a more detailed look of outcomes of projects and how lessons learned are applied to new projects and their impact at the May 2020 Audit Committee**

## **67 Partnership Governance Annual Health Checks of Nottingham City Council's Significant Partnerships**

Colin Monckton, Director of Strategy and Policy and James Schrodell, Policy and Performance Manager introduced the report updating the Committee on the Partnership Governance Annual Health Checks of Nottingham City Council's significant partnerships. The following points were highlighted:

- (a) Each year all partnerships are asked to complete a self-assessment. The vast majority of partnerships scored themselves with good or excellent in all areas;
- (b) Each year some of the partnerships go through the verification process, this year it was D2N2 LEP and Children's Partnership Board;
- (c) The D2N2 LEP verification noted capacity issues that may impact on Council Plan objectives. It also notes that recommendations made as part of the last verification around conflicts of interest have been addressed and formalised;
- (d) The verification for the Children's Partnership Board recommends that the Board's online presence be reviewed as documents such as terms of reference are not easily found;
- (e) Further recommendations for the CPB include feedback facilities for the public, a statement on conflicts of interest be added to the terms of reference and risk management and recording be reviewed;
- (f) The Nottingham City Safeguarding Children Partnership scored itself a 3 (some key areas for improvement) for Finance. This score has been 3 for the last three years as the Partnership has indicated that there is significant pressure on the proposed budget for the Safeguarding Boards 2019/20 and there will be for the foreseeable future;
- (g) The proposed change to the register is the removal of the Green Partnership. Governance documentation has not been in place because the group has no formalised administrative function. Following discussion with colleagues it has been suggested that the partnership does not meet the threshold of a formal partnership and should be removed;
- (h) The removal of the Green Partnership from the register will not affect its status as a themed partnership with One Nottingham and so oversight of the work will still be in place.

Following questions and comments from Committee members the following information was given:

- (i) The framework of the review was put in place in 2009. The framework itself and the guidance provided works well as evidenced by it still highlighting issues;

**Resolved to:**

- (1) Note the key findings from the Partnership Governance Health Checks of partnerships on the Register of Significant Partnerships;**
- (2) Note the findings and recommendations following verification of governance documentation of three of the partnerships; and**
- (3) Remove the Green Nottingham Partnership from the Register of Significant Partnerships.**

**68 Council Plan Corporate Performance Reporting**

Colin Monckton, Director of Strategy and Policy and James Schrodell, Policy and Performance Manager, introduced the Council Plan Corporate Performance report to the Committee advising them of the corporate performance framework used by Nottingham City Council. The following points were highlighted to the Committee:

- (a) The new Council Plan, that was adopted at the Council meeting in November 2019 is subject to the new performance cycle. This has been amended to reduce the metrics under each element, and reduce the amount of time between the end of a quarter and reporting.
- (b) This performance reporting programme has two RAG ratings for each element – one that reflects expected performance at the end of the Council Plan, and another that reflects performance at the current time. In addition to the Council Plan PIs there is a set of strategic indicators;
- (c) Departmentally, colleagues update the Performance Management software along with supporting comments, which is then collated and analysed to produce the updates which are fed up to CLT and Portfolio Holders, and then on to Exec Board;
- (d) Performance reporting comes to Audit Committee annually;
- (e) Budget is set within the MTFP for the whole Council. If finance becomes an issue for any Council Plan commitment, then this is flagged up in the supporting text when reported .

**Resolved to note the corporate performance framework**

**69 Treasury Management Strategy 2020/21 and Capital & Investment Strategy 2020/21**

Glyn Daykin, Senior Accountant – Treasury Management and Thomas Straw, Senior Account – Capital Programmes, introduced the report setting out the Treasury Management Strategy and the Capital & Investment Strategy for 2020/21. They highlighted the following points:

- (a) The report outlines the Authority's borrowing and investment strategy and how the activity will take place in a strategic context.

- (b) there have been no significant changes to the MRP strategy from 2019/20 and continues to focus on repaying debt along the life of assets;
- (c) Nottingham City Council continues to take advantage of lower shorter term loan interest rates for its borrowing;

**Resolved to:**

- (1) Note the Treasury Management Strategy for 2020/21 and in particular**
  - a. The Strategy for Debt Repayment (minimum revenue provision) in 2020/21**
  - b. The Treasury Management Investment Strategy for 2020/21**
  - c. The Prudential Indicators and limits for 2020/21 to 2022/23**
  - d. The Treasury Management Policy Statement**
- (2) Note the Capital & Investment Strategy 2020/21**

**70 External Audit Report**

John Gregory, Director – Audit for Grant Thornton, External Auditors, introduced the 2019/20 External Audit Plan to the Committee. He informed the Committee that the overall approach to the audit would be broadly the same as 18/19. He highlighted the following points:

- (a) The 19/20 External Audit has to be progressed despite the 18/19 audit not yet being fully finalised;
- (b) Significant risks are broadly the same as for 18/19 including Group accounts;
- (c) Value for Money has not yet been confirmed as the 18/19 accounts need to be settled before work can start. Company governance and sustainability are likely to be flagged;
- (d) Materiality has reduced from 1.75% to 1.4% of gross revenue as a result of changes to regulators guidance;
- (e) Audit fees have increased due to increase in regulation since last year but remain lower than 2017/18. The fee variation for 18/19 is still pending completion of the audit.

**Resolved to note the content of the report.**

**71 Annual Governance Statement - Progress Made To Date On Issues Reported 2018/19 And Process For Producing 2019/20 Statement**

Shail Shah, Head of Audit and Risk, introduced the Annual Governance statement to the Committee. He informed them that the report covered progress made to date on issues reported in 2018/19 and the process for producing the 2019/20 statement.

He advised the committee that the Annual Governance Statement will look different this time as it has been evolved to be more accessible, but that the process will be similar and that the final report will be brought to the committee later in 2020.

In answer to questions from the committee officers confirmed that the cash flow within the Housing Revenue Account was sufficient and that the working balance was increased to mitigate against universal credit. This model replicates what has been done with the General Fund.

**Resolved to:**

- (1) Note the progress made to date in addressing the issues reported in the 2018/19 Annual Governance Statement**
- (2) Note the process and timetable for compiling and completing the 2019/20 annual governance statement;**

**72 Internal Audit Progress Report 2019/20**

Shail Shah, Head of Audit and Risk, introduced the report updating the Committee on the Internal Audit Progress outlining the work of Internal Audit for 2019/20. He reported that work was on track to complete the audit plan and that a full report would be brought to the Committee in the new financial year with a list of audit topics for the committee to choose from for closer examination.

The Committee commented on the positive work happening around anti-fraud and were pleased to see that the annual income target of £400,000 had been exceeded and currently stands in excess of £1.5m.

**Resolved to suggest to the portfolio holder that we establish a task and finish group to see what scope there is for further income through fraud detection.**

**73 Work Programme**

Shail Shah, Head of Audit and Risk introduced the Work Programme to the Committee. This is a new standing item to keep the committee apprised of upcoming items.

Shail Shah confirmed that the Area Based Grant work was taking place as part of another work stream and did not appear on the Audit Committee work plan for this reason.

The Committee noted the content of the Work Programme.

**74 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 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.

**75 Treasury Management Strategy 2020/21 and Capital & Investment Strategy 2020/21 - Exempt appendix**

In a change to the published agenda the Committee agreed to take item 14, Treasury Management Strategy 2020/21 and Capital & Investment Strategy 2020/21 – Exempt Appendix before item 13 Exempt minutes.

The Committee noted the contents of the exempt appendix.

**76 Exempt Minutes**

Councillors Steve Battlemuch, Lauren O’Grady and Audra Wynter declared an Other interest in this item because they are Directors of Robin Hood Energy. They left the room prior to discussion on this item.

Following a vote the Committee agreed to appoint Councillor Jane Lakey as Chair for the remainder of the meeting because both Councillor Steve Battlemuch (Chair) and Councillor Audra Wynter (Vice Chair) had left the meeting.

Subject to amendments detailed in the exempt minutes of this meeting the Committee confirmed the minutes of the meeting held on 31 January 2020 as a correct record and they were signed by the Chair.