

# Nottingham City Council

## Audit Committee

Minutes of the meeting held remotely via Zoom - and streamed at <https://www.youtube.com/user/NottCityCouncil> on 18 December 2020 from 10.32 am - 12.12 pm

### Membership

#### Present

Councillor Audra Wynter (Chair)  
Councillor Graham Chapman  
Councillor Michael Edwards  
Councillor Jane Lakey  
Councillor Sajid Mohammed  
Councillor Anne Peach  
Councillor Andrew Rule

#### Absent

Councillor Leslie Ayoola  
Councillor Jay Hayes

### Colleagues, partners and others in attendance:

|               |   |
|---------------|---|
| Beth Brown    | - Head of Legal and Governance          |
| Clive Heaphy  | - Interim Director of Strategic Finance |
| Paul Millward | - Head of Scrutiny and Resilience       |
| Shail Shah    | - Head of Audit and Risk                |
| Kate Morris   | - Governance Officer                    |

### 56 Apologies for Absence

Councillor Leslie Ayoola  
Councillor Jay Hayes

### 57 Declarations of Interests

None

### 58 Minutes

Subject to the amendment of minute 51 removing Councillor Graham Chapman from the list of members of the Risk and Assurance working group, the minutes of the meeting held on 27 November 2020 were confirmed as a true record and were signed by the Chair.

### 59 Work Programme and Action Log

The Committee considered the Work Programme. Suggested items for bringing forward include a focused look at Nottingham City Homes, Thomas Bow and EnviroEnergy.

The Committee noted the content of the work programme.

## **60 Report in the Public Interest - Appointment of Councillor Directors**

Beth Brown, Head of Legal and Governance, introduced the report focusing on the work undertaken to review the use of Councillors on company boards as a result of the Action Plan produced in response to the Public Interest Report. She highlighted the following points:

- (a) Committee members are invited to provide comments for inclusion in the final review due to go to the Council meeting in January 2021;
- (b) The review proposes a strengthening of the role of the Companies Governance Executive Sub Committee (CGESC) as shareholder, which will allow it more robust controls and a greater degree of influence over the companies strategic and policy objectives;
- (c) The review did not find that there was any prohibition to Councillors sitting on company boards as Directors. Where Councillors do sit as Company Directors it should further the interests and needs of the company and further consideration should be given to the use of independent Directors. Where elected members act as Company Directors they must act in the best interests of that Company;
- (d) Where elected members are on boards they should not participate in any Council decision in relation to the company they are a director of. Consideration is being given to whether members of the CGESC should serve on boards, whether executive members should sit on boards where they also act as portfolio holder, and whether they should be members of committees where the responsibility of being a Company Director conflicts with being an elected member;
- (e) Appointments to company boards should be made in the best interest of the company, ensuring that the skill set of the Board enhances and promotes the core business of that company;

During discussion the following points were made:

- (f) In the process of the review there has been an emphasis on Councillor training. Officer training also needs to be prioritised, specifically around whistleblowing and raising concerns;
- (g) A further review of Council owned companies should take place into why certain companies exist. The Strategic Director of Finance confirmed that a larger piece of work reviewing all companies was underway in order to create a more robust strategy and financial stability for the companies and for the Council;
- (h) Further information around procurement rules specifically from Council owned companies would be useful for new committee members. Officers confirmed that this would be beneficial and that this training would be included in the Member training programme;

- (i) Four specific points were made and supported by other committee members:
- Executive Board members should not serve as a member of a Board which comes within their remit as Portfolio Holders.
  - CGESC members should not be members of Company Boards as exempting themselves from discussion would not work as an overall approach to governance given the conflict of interest.
  - The role of the Portfolio Holder needs to be defined in relation to the company within their remit. There needs to be regular meetings with the shareholder representative, Portfolio Holder and the company to allow detailed conversations.
  - There needs to be definition and role of independent members needs along with the function they provide. There is a need for independence in their appointment;
- (j) A change in company boards should not take place too rapidly, as it could be destabilising, however the public, External Auditors and the Ministry of Housing Communities and Local Government (MHCLG) need to have confidence that changes will be made. Overlap of company appointments and membership of other Committees should also be closely considered. Elected members need to be able to do both roles effectively without conflict of interest arising;
- (k) A good governance framework is the aim of the review and action plan to allow companies to thrive, and drive performance. Board composition should look at aggregate skills to achieve the core business and ensure the right people are on the Board. Companies should provide board members with job specifications. There is a programme of full training for all Company directors in development which includes Induction training for new members and refresher training for existing members;
- (l) The roles of Shareholder and Shareholder Rep need to be very clearly defined. Work is taking place to finalise this distinction, with the Share Holder Rep being the conduit between the Shareholder to the Company. The Shareholder is the Council and the CGESC is the body that manages that responsibility. Shareholder Representatives should not be part of the day to day management of companies. The relationship between Shareholder and Shareholder Rep is achieved through the normal Portfolio Holder briefings;
- (m) As part of the response to the MHCLG review work is being undertaken on the Constitution to ensure more robust governance is in place across all decision making;
- (n) The role and appointment of Independent members of Company Boards is a matter for the companies to determine. The CGESC should have oversight of company performance including the skills held by board members and the behaviour of the company towards the Council;
- (o) A Good Governance framework is critical. It is a separate, but linked item to the management of the companies and cultural change to ensure that learning is embedded;

Officers committed to summarising the points made by the committee, and circulating them to Committee members prior to formal submission for Council papers at the end of December.

### **Resolved to**

**1) Approve the following for inclusion in the comments to accompany the report to Council:**

- **Executive Board members should not serve as a member of a Board which are overseen by their remit as Portfolio Holders.**
- **Members of the Companies Governance Executive Sub Committee should not serve as Directors on any council-owned company (as this Committee directly oversees the activities and performance of all such companies.)**
- **The role of the Portfolio Holder needs to be defined in relation to the company within their remit. There needs to be regular meetings with the shareholder representative, Portfolio Holder and the company to allow detailed conversations.**

**2) Note the work undertaken so far on the review of the use of Councillors on Company Boards.**

### **61 'No Deal' Brexit Planning**

James Rhodes, Head of Analysis and Insight, and Paul Millward, Head of Resilience, introduced the report updating the Committee on the Council's "No Deal" Brexit planning for the end of the EU Transition period. During the presentation the following points were highlighted:

- (a) Reasonable worst case scenarios against service delivery and projects are being reviewed on an ongoing basis;
- (b) Even with a trade deal some risks may develop due to regulatory changes impacting supply chains;
- (c) Risks detailed in the presentation and in the report do not necessarily represent a "cliff edge" situation with immediate impact on 1 January 2021. Most are likely to develop gradually which allows mitigation to be put into place;
- (d) General risks identified by the Government include
  - Border disruptions and supply chain disruptions.
  - Settlement scheme applications for EU Nationals – All applications must be submitted by June 2021
  - Utility supplies in terms of supply chain disruption for parts – Severn Trent Water have confirmed that there are no concerns around water treatment
  - Increase in cost of fuel and food
  - Reduction in choice of fresh fruit and vegetables.
  - Public Disorder – Local intelligence suggests there won't be issues.

- Medical supplies – Mitigations are in place nationally
  - Health and social care – Workforce issues have been mitigated somewhat due to Covid and the rise in unemployment as a result. Extra cost of service provision due to need for PPE, self-isolation etc. may become problematic, however local mitigation is in place
  - Economic impact on GDP potential for inflation and an increase in the cost of borrowing which may impact some projects in the City;
- (e) Specific local risks and mitigations include:
- Winter Pressures on NHS and Adult Social Care – the Covid pandemic has added additional pressure to this risk. There may be increased pressure on hospitals to discharge people to care, which then puts additional pressure on Social Care services: This is being monitored and will be escalated if necessary;
  - Social Care External Market – Recruitment and retention issues: Unemployment is on the rise as a result of the impact of Covid on the economy and so more people will look to the care sector for employment. The EU Settlement scheme is being promoted. There is also a recruitment and retention campaign due to take place in January;
  - PPE – increased cost and disruption to supply chain: Department of Health and Social Care have stockpiles and the Council has around 60 days stockpile of PPE supplies;
  - Data Protection and Data sharing: UK law is robust and there would be no reason why the Council would not be granted an adequacy notice should one be required. Information sharing agreements will need to be addressed to ensure that they refer to UK law – this is a work in progress;
  - Construction sector projects and supply chains: Could impact on construction projects across the city. Supply chain disruption was tested through the first wave of the Covid pandemic and the situation is being monitored closely;
  - Development industry confidence: There are regular conversations with businesses and fee income is monitored;
  - Economic downturn: consulting on the Council's Economic Recovery Plan is an ongoing piece of work
  - PFI linked to grants: If inflation increases the cost of the project will go up, but the grants from government do not increase in line with inflation. This will create a budget pressure, and it is not possible to mitigate against inflation increase. This situation will be monitored very closely;
- (f) There are two phases to the Emergency Planning arrangements, Planning which takes place prior to the event, and Response which will start on 1 January 2021. Both of these stages are split into two sections, planning and response within the Council, and planning and response by the Local Resilience Forum (LRF);
- (g) The Senior Resilience Group is a Council group of Directors who champion preparedness in their departments. A sub group, the Brexit Officers Working

Group (BOWG) is made up of the designated leads for departments and subject matter experts to assess the impact of “No Deal” on council services;

- (h) Each Departmental lead has assessed their services against the Government’s reasonable worst case scenario and the specific guidance for Local Authorities and a risk register has been developed;
- (i) The LRF Strategic Coordination Group has been meeting regularly throughout the year as a result of Covid, but has also focused on Brexit planning. Individual organisations are responsible for planning;
- (j) The LRF reports on the state of preparedness to the Government on a regular basis. This is currently on a weekly basis although this may change;
- (k) Escalation and reporting procedures have been put into place. BOWG members will report weekly on the impacts of Brexit on their services. Mitigations in the departments will be considered, and, if necessary, will be escalated to a corporate level via the Corporate Leadership Team;
- (l) Information from the BOWG will be collated and passed to the LRF who in turn collate information from across the county and report to central government. The frequency of these reports has not yet been determined by the Government;
- (m) If a cross organisational response is required then the LRF’s Strategic Coordinating Group will facilitate the organisation of that response;

During discussion and questions the following points were highlighted:

- (n) There are a number of EU funded projects that the Council is involved with. Officers have not flagged the funding for these as an issue and no concerns have been raised about existing grants from the EU;
- (o) Data sharing is a national risk and has been flagged. There may be disruption to information and intelligence sharing between national organisations, this is more national and regional risk than a Nottingham City Council specific risk;
- (p) Further information on the specific ways that Nottingham will be impacted by these risks would be beneficial, more specific information around which contracts may be impacted, which construction projects etc. Modelling around the PFI contracts, specifically the street lighting contract, can take place and be circulated to Committee members. All of these risks are monitored at the Brexit group and they can be flagged if they increase;
- (q) Risks are being monitored and being fed back to project and service managers. This is then reflected in project and service plans. The Risk & Assurance working group can look more closely at the scale of risk and add more detail to the 5 x 5 risk matrix. An indication of level of financial impact on the council of these risks would also be beneficial;

- (r) Officers will feed back to the Committee to what extent the evaluation of risk has taken into account borrowing from Earmarked reserve;
- (s) A robust Equalities Impact Assessment should take place to establish how these risks affect those people with protected characteristics, not just the economic analysis but also economic resilience within these communities. This would need to feed into the Economic Recovery Plan. The Council has a legal duty to consider equality impact assessments in all policy proposals;
- (t) Committee members asked that the full list of the risks identified be circulated;
- (u) Some software may require EU domains, and as such, their ongoing use will not be possible or significantly restricted after 1 January 2021. IT will be consulted to ensure that there are plans in place to mitigate this situation;
- (v) Nottingham City has a strong history of emergency planning. Committee members thanked officers for their work on ensuring a robust plan is in place;

**Resolved to note the risks and mitigating action identified.**

## **62 Exclusion of the Public**

The Committee decided to exclude the public from the meeting to discuss the exempt minutes of the last meeting held on 25 November 2020 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. The minutes are a record of the decision(s) made in private at the meeting.

## **63 Exempt Minutes**

The exempt minutes of the meeting held on 25 November 2020 were confirmed as a true record and were signed by the Chair.