

Nottingham City Council

Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 24 November 2023 from 10.32 am - 12.59 pm

Membership

Present

Councillor Samuel Gardiner (Chair)
Councillor Michael Edwards
Councillor Sulcan Mahmood (Vice Chair)
Councillor Andrew Rule
Councillor Adele Williams (item 49 onwards)

Absent

Councillor AJ Matsiko
Councillor Graham Chapman
Councillor Naim Salim

Colleagues, partners and others in attendance:

Nancy Barnard - Head of Governance
Debbie Bowring - Corporate Risk and Assurance Manager
Beth Brown - Head of Legal and Deputy Monitoring Officer
Ross Brown - Corporate Director for Finance & Resources
Glenn Hammons - Interim Finance Lead – Technical Finance
Shabana Kausar - Director of Finance
Lucy Lee - Head of Customer Services
Kevin Lowry - Strategic Director of Housing
Neil McArthur - Director of Commercial, Procurement and Contract Management

Councillor David Mellen - Leader of the Council and Portfolio Holder for Strategic Regeneration and Development, Communications and Marketing

Kate Morris - Scrutiny and Audit Support Officer
Steve Oakley - Acting Director of Commissioning and Procurement
Dom Omelia - Head of Customer Access
James Rhodes - Head of Analysis and Insight
John Slater - Group Auditor
Andrew J Smith - Grant Thornton
Damon Stanton - Scrutiny and Audit Support Officer

43 Apologies

Councillor Graham Chapman – personal
Councillor AJ Matsiko - personal

44 Declarations of interest

In the interests of transparency, Councillor Michael Edwards stated that he was a Director of 12 London Road Energy Supplies Company in relation to agenda item 11 IAB Instructions: Companies.

45 Minutes

The Minutes of the meeting held on 29 September 2023 were confirmed as an accurate record and signed by the Chair.

46 Work Programme

The Chair gave an overview of the Committee's work programme for the remainder of the municipal year and reminded Members that it was an agile document which was subject to change depending on corporate priorities.

Resolved the Committee note the work programme.

47 Recommendation Tracker

The Committee noted the recommendation tracker.

48 Statements of Accounts Progress Update

Glenn Hammons, the Interim Finance Lead – Technical Finance, provided an update on the Statement of Accounts. The report provided a formal update on the progress the Council was making with its Statement of Accounts relating to 2019/20 to 2022/23. The following information was highlighted:

- a) Four years of accounts are yet to be finalised and audited.
- b) The Improvement and Assurance Board (IAB) has issued a directive that the outstanding issues with these accounts should be resolved by 30 September 2023.
- c) All queries from Grant Thornton relating to the 2019/20 accounts have been responded to by the Council and that a revised draft set of accounts have been submitted incorporating any of the agreed adjustments made since the previous version of the draft accounts were submitted.
- d) Grant Thornton continue their audit work in relation to the 2019/20 accounts.
- e) There is an expectation that by the end of November 2023 there will be a draft set of accounts for 2020/21, and good progress is being made on subsequent years.
- f) The Council has recruited temporary staffing resources to support the Technical Finance Team with the production of the accounts.
- g) The Government is looking at proposals on a national level to deal with backlogs in accounts and the Council is expecting to be consulted on this shortly. This could affect the proposed timeline in resolving the outstanding Statement of Accounts.
- h) Grant Thornton have raised a number of queries in relation to the 2019/20 accounts. The volume of additional queries, clarification questions and the resulting changes to the accounts for that year have been greater than

anticipated and has impacted the timeline for the 2019/20 accounts and subsequent years. The timeline could be further impacted by any additional queries and government proposals.

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

- a) During the last 6-9 months the resourcing has improved in the finance team and the External Auditor confirmed that queries were responded to enthusiastically and in a timely manner.
- b) In late September Grant Thornton had requested further information about the internal controls assessments undertaken by Ernst & Young (EY). Access to the working papers were not provided by EY and so alternative procedures were conducted by Grant Thornton based on the evidence shared by the Council to EY. That work is now complete.
- c) The External Auditor will be meeting with the Council's Section 151 Officer to discuss the completion plans for the audits. The External Auditor is committed to complete the audits as soon as possible.
- d) The CIPFA review which identified issues with charging from the General Fund to the Housing Revenues Account (HRA) was discussed, and as part of the audit process due diligence had taken place, this work was ongoing as part of the accounts process.

The Chair thanked Grant Thornton and Officers for providing assurance to the Committee and the commitment to complete the accounts as soon as possible.

Resolved that the Committee note the current position with the Statement of Accounts for the years 2019/20 through to 2022/23.

49 Financial Improvement Plan Update

Shabana Kausar, Head of Finance and Deputy S151 Officer presented a report which provided an update on the progress made against the Council's Finance Improvement Plan at October 2023. The following information was highlighted:

- a) The Finance Improvement Plan (FIP) was set up to deliver a comprehensive and coordinated improvement of the Council's financial management arrangements.
- b) Of the 232 clearly defined financial improvement actions identified as at the end of October 2023, 33% have been completed, 37% in progress, and 23% not started yet due to dependencies on other actions which are currently in progress. 5% are now classified as business as usual activities, and the remaining 2% are on hold due to dependencies on other activities and action.
- a) Overall, good progress is being made on the FIP considering capacity issues within the Finance Team. The Head of Finance outlined how resourcing has affected the delivery of the FIP including capacity issues to deliver the improvements and various restructuring which had been a long process.

- a) The Adult Social Care Improvement plan which has been developed by the service was discussed and how the Finance Team have assisted in shaping the financial improvement elements of it such as forecasting and assurance.
- a) A Financial accountabilities framework has been developed and the Council is in the process of consulting the Corporate Leadership Team and Human Resources to ascertain views before it is rolled out to services in the new year.
- b) The Establishment Control work commissioned to PWC is progressing as expected and is a key part of the HR improvement plan but has a clear link with the FIP. It is expected to go to Corporate Leadership Team for sign off in the coming months.
- c) The Council is experiencing significant pressures relating to increase in demand and complexity of need and costs of social care. At the end of Period 6, the Council is forecasting a net pressure of c£23 million with over 80% of the forecasted net pressure within People's Services. Since July 2023 the Council has implemented a Financial Intervention Strategy intended to mitigate the Council's in-year pressures.
- d) An update was provided on the Control Remediation Project which was completed by EY in September 2023. All 38 remediation activities identified have agreed controls in place. 68% have been fully implemented with 32% with implementation in progress.

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

- e) Purchase to pay, as part of the Controls Remediation Project will be implemented by April 2024.
- f) Resourcing has been challenging regarding implementing the FIP due to vacancies and capacity issues.
- g) The Committee received clarification that the EY report was a 12 week focused controls and remediation project which sought to ensure that the Council establishes financial grip by designing, enhancing, and implementing a number of controls to help mitigate risks.
- h) Stronger compliance and adherence to rules is now becoming more evident, with the Council better understanding risk and the importance of good governance
- i) 70% of the 232 actions are either active or complete showing that the Council is transitioning towards a financially controlled environment and that there is an appropriate and balanced focus on the improvements made.
- j) The Committee is pleased to see that RACI methodology has been adopted. A more comprehensive review will be brought back to a future Committee meeting but in summary it will set out clear responsibilities and financial accountability across the Organisation.

Resolved that:

- 1) The Committee receive a further update on the adopted RACI methodology once the consultation period has ended and as part of a future FIP update; and**
- 2) the Committee note the progress to date on the Finance Improvement Plan and remediation controls project and that the Committee continue to receive regular updates on its progress.**

50 External Audit Update

Andrew Smith, representing Grant Thornton, the Council's external auditors, provided a verbal update to the Committee. Members were reminded that an auditor annual report will be brought to the Committee in February 2024 to bring value for money reporting up to date.

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

- a) The Committee discussed whether the focus on the Statement of Accounts has been so strong that it could miss other areas which have been typically identified in external auditor reports. Members received assurance that this was not the case and that whilst value for money reporting has been delayed due to the focus on the accounts, regular conversations and reporting had been completed on other relevant areas.
- b) The requirements for value for money reporting has changed and thus reporting measures and what the Council's external auditors produce is different.

Resolved that the update be noted.

51 Treasury Management 2023/24 Half Yearly Update

Glenn Hammons, the Interim Finance Lead – Technical Finance set out details of Treasury Management actions and performance from 01 April 2023 to 30 September 2023. The following information was highlighted:

- a) No new long term borrowing has been undertaken in the period to 30 September 2023, the balance of external loans debt has decreased by £7.9 million and is within the forecast Voluntary Debt Reduction Policy.
- b) The average interest rate payable on the debt portfolio did not change (3.37%) between 01 April 2023 to 30 September 2023.
- c) No debt rescheduling has been undertaken to 30 September 2023.
- d) The average return on investments to 30 September 2023 was 4.85% against a benchmark rate of 5.18%.
- e) There has been compliance with prudential indicators for 01 April to 30 September 2023.

- f) A minor technical breach of the investment policy occurred for a short period during the period 01 April to 30 September 2023. Some dividends had been reinvested back into a money market fund when it was already at its £30 million limit. Once it was identified it was immediately corrected.

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

- g) The breach of the investment policy is a minor breach and that controls are in place to prevent it from reoccurring. Members enquired about the implications for the Council and were informed that it resulted in a higher than recommended amount of investment in a single institution which arguably put the Council at risk. It was, however, quickly rectified and Committee members were assured that controls were now in place.
- h) The current economic climate was discussed which included the amendment of forecasts.

Resolved to note the treasury management actions taken in 2023/24 to September 2023.

52 IAB Instructions: Corporate Planning

Councillor David Mellen, Leader of the Council and Portfolio Holder for Strategic Regeneration and Communications, and James Rhodes, Acting Assistant Chief Executive and Director of Policy, Performance at Communications gave a presentation to the Committee outlining progress made on four IAB instruction made in relation to Corporate Planning. The following information was highlighted:

- a) Approve the fully integrated Strategic Council Plan 2023-27 (SCP), Medium Term Financial Plan (MTFP), Transformation and Recovery Plans.
- The SCP 2023-27 and MTFP were agreed at full Council on 06 March 2023. The SCP will be refreshed every year.
 - The SCP is fully integrated through the annually refreshed divisional and service plans and provides a 'golden thread' through the Organisation.
- b) Instil a truly corporate commitment in the fulfilment of the Council's Plan.
- Divisional level corporate planning.
 - Clear accountability mechanisms have been introduced.
 - Monthly and quarterly performance management mechanisms.
 - Enhanced role of Overview and Scrutiny Committees and Audit Committee.
- c) Provide a clear and direct link between the Corporate Plans and the Performance Management regime.
- Integrated business planning and performance management.
 - Business planning linking to the rolling four year MTFP.
 - Accountable Officers for every element.

- Monthly performance clinics as an opportunity to review performance data, risk, capital, transformation programmes and ensure best value.
- d) Compile a clear plan and procedure for monitoring performance against plans.
- The Corporate Performance Management Framework (PMF) captures both the statutory duties and business-as-usual work of the Council.
 - The PMF reflects deliverables from the SCP, and critical indicators set at divisional level.
 - Performance clinics and further scrutiny of performance throughout the Organisation.
 - The SCP is under review and the performance reporting procedures and PMF will be iterated further in 2024.

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

- e) Implementing good governance practice has not been easy given the Council's financial situation and funding issues.
- f) Monthly progress reporting from service and project managers is important and there is a cultural element to performance management.
- g) The performance management process is there to support managers and outline precisely what the Organisation expects of them.

Resolved to note the update.

53 IAB Instructions: Companies

In the interests of transparency, Councillor Michael Edwards stated that he was a Director of 12 London Road Energy Supplies Company in relation to agenda item 11 IAB Instructions: Companies. This did not preclude him from participating in this item.

Councillor David Mellen, Leader of the Council and Portfolio Holder for Strategic Regeneration and Communications introduced the report and commented that good progress has been made on the IAB instructions. Neil McArthur, Interim Director of Commercial and Procurement, presented the report and outlined in more detail progress to date made on several IAB instructions relating to companies the Council owns or is involved in. The following information was highlighted:

- a) A new policy board and process for board appointments was agreed by the Executive at the end of May. Appointments have been approved at the boards of Nottingham City Homes Limited, Nottingham Ice Centre Limited, and Nottingham City Transport Limited. Further appointments will commence shortly.
- b) The Companies Governance Handbook was agreed in November 2022 and out of 42 requirements across six companies, only four requirements are outstanding by the deadline.
- c) The Shareholder Unit is in the process of implementing the decisions made by Companies Governance Executive Committee in July.

- d) An internal review was completed which evaluated the effectiveness of the shareholder unit by reference to the criteria set out in the companies governance handbook. The review concluded that good progress has been made and an action plan is being implemented to build on those foundations and the changes implemented.
- e) The Shareholder Unit is currently working with each company to establish the data it needs to inform a review on Council owned companies.
- f) All deadlines set out in the IAB instructions have been met.

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

- g) The assumed timelines for liquidation for some Council owned companies was confirmed.
- h) It is important that the companies the Council owned are not just financially viable but also deliver for the citizens of Nottingham City.
- i) The relationships between companies and the Council has improved as a result of the review of the Shareholder Unit.

Resolved to note the contents of the report.

54 Contract Management and Procurement Audit Reports update

Steve Oakley, Acting Director of Commissioning and Procurement, updated the Committee on actions completed on the two reports issued by internal audit into contract management and procurement dispensations. The reports identified a number of actions that the Council needs to implement across all departments to ensure compliance with contract procedure rules and to deliver best value. The report the Committee considered outlined the actions completed and future actions. The following information was highlighted:

- a) As a result of the implemented changes there has been a reduction in exemptions from 16 per quarter in 2019 to 2021 to an average 8.25 exemptions approved each quarter in 2022/23 which equates to a 48.4% reduction.
- b) Improved focus on governance has led to improvements in the quality of decisions and in the specifications of requirements resulting in more effective and efficient procurement. This has reduced costs and/or increased income from concession contracts of c£2 million since April 2022.
- c) The Organisation is responding positively to the changes made and this has been seen in the Commercial Oversight Board that undertakes commercial reviews and considers the commercial strategy and approaches to markets that the Council takes.

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

- d) The Committee agreed that significant progress has been made.
- e) There is a universal recruitment freeze across the Council, however there is a weekly board that considers the appropriateness and essential nature of any further appointments that are made.
- f) Recruitment issues are preventing officers from turning some of the amber status actions into green status actions more quickly. There is enough capacity to deliver the actions however this is on a slower than originally scheduled basis.

Resolved to:

- 1) Note the actions already completed and the impacts of these actions; and**
- 2) Agree actions planned and being implemented, noting the planned impact of these actions.**

55 Complaints Annual Assurance Report 2022/23

Dominic Omelia, Head of Customer Access, presented a report which provided an annual reflection on complaints received by the Council. Members noted that Nottingham City Homes complaints now formed part of the report due to the service being brought in-house. The following information was highlighted:

- a) An effective complaints handling process requires early intervention. 99% of complaints were handled at the first stage process and just 0.1% of complaints ended up resulting in an Ombudsman investigation.
- b) There has been a change in the way the Local Government Ombudsman (LGO) handles complaints. The LGO are being selective with the complaints they investigate due to resource issues which has resulted in the number of successful complaints upheld increasing. 38% of complaints where the LGO had found faults the Council had already found fault through its earlier stage complaint resolution process.
- c) There is an Ombudsman consultation underway to consider having a single complaints process for customers as a statutory requirement.

Resolved to note the contents of the report.

56 Corporate Risk and Assurance Register Update

The Committee considered the Corporate Risk and Assurance Register which was presented by Debbie Bowring, Corporate Risk and Assurance Manager. The following information was highlighted:

- a) The Corporate Risk and Assurance Register has been updated by Directors and Corporate Directors and that there had been good engagement.

- b) Officers are looking to update the actions that are relevant to this financial year over the next quarter.
- c) A recent independent review of Risk Management within the Council completed by Zurich has been encouraging and demonstrated positive progress in Risk Management culture.

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

- d) The Council has improved its ability to identify risk and engagement in corporate risk management has improved throughout the Organisation.
- e) The importance of Managers regularly reviewing the risk register at levels throughout the Council was highlighted.

Resolved to note the Corporate Risk and Assurance Register.

57 Exclusion of the public

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda item 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.

58 Corporate Risk and Assurance Register Update - Exempt Appendices

Debbie Bowring, Corporate Risk and Assurance Manager, presented the exempt appendices. Following discussion, the committee noted the appendices and requested additional information as set out in the exempt minutes.