

Nottingham City Council

Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 26 July 2024 from 9.32 am - 11.58 am

Membership

Present

Councillor Adele Williams (Chair)
Councillor Michael Edwards
Councillor Patience Uloma Ifediora
Councillor Sulcan Mahmood
Councillor Sajid Mohammed
Councillor Andrew Rule

Absent

Councillor AJ Matsiko
Councillor Maria Joannou
Councillor Eunice Regan

Colleagues, partners and others in attendance:

Councillor Linda Woodings - Executive Member for Finance and Resources
Debbie Bowring - Corporate Risk and Assurance Manager
Beth Brown - Monitoring Officer
Beverley Gouveia - Head of Property
Glenn Hammons - Interim Finance Lead – Technical Finance
Nicki Jenkins - Director of Economic Development and Property
Shabana Kausar - Director of Finance
Tony McArdle - Lead Commissioner
Kate Morris - Scrutiny and Audit Support Officer
John Slater - Group Auditor
Andrew J Smith - Grant Thornton -
Damon Stanton - Scrutiny and Audit Support Officer

19 Apologies

Councillor Maria Joanna - Work Commitments
Councillor Eunice Regan - Personal

20 Declarations of interest

In the interests of transparency, Councillor Michael Edwards highlighted that he was a member of a board on a community organisation which is a major user of a community centre being actively reviewed by the Council. He would not make any points in relation to this. This did not preclude him from speaking on any item.

In the interests of transparency, Councillor Andrew Rule highlighted that he attended the committee meetings at Park Gate Community Centre. This did not preclude him from speaking on any item.

In the interests of transparency, Councillor Sajid Mohammed highlighted that he was a director of an organisation which had a temporary lease for a community centre. This did not preclude him from speaking on any item.

21 Minutes

The Minutes of the meeting held on 28 June 2024 were confirmed as a true record and they were signed by the Chair.

22 Work Programme

The Chair presented the Committee's Work Programme for the 2024/25 Municipal Year. The following points were discussed:

- a) Once the Improvement Plan has been approved by City Council the Chair and officers will assess what should be brought to Committee for it to receive assurance on progress and oversight.
- b) Due to workload there will be an additional meeting scheduled for 06 September 2024.

23 Recommendation Tracker

The Chair presented the Committee's Recommendation Tracker and the latest responses received to its recommendations.

The Committee noted the Recommendation Tracker.

24 Revision of Audit Committee Terms of Reference

The Chair presented a report on the revised Terms of Reference for the Audit Committee. The following information was highlighted:

- a) As part of the Audit Committee Improvement Plan one of the action was to refresh and revise the Committee's Terms of Reference to bring it in-line with the CIPFA 2022 guidance.
- b) The revisions do not change the remit of the Committee, its objectives, or the day-to-day operations of it.

Resolved to endorse the revised Audit Committee Terms of Reference for approval at Council.

25 Update on Theme 2 Asset Management of Together for Nottingham Plan and IAB Instruction 2.8.

Nicki Jenkins, Director of Economic Development and Property, and Beverley Gouveia, Head of Property, presented a report which set out progress made on implementing Theme 2 (Asset Rationalisation) of the Together for Nottingham Plan and related IAB instruction 2.8. The following information was highlighted:

- a) The report sets out the closing down of the Asset Management theme that was in the together for Nottingham Plan and the IAB instruction relating to Asset Rationalisation.

- b) The Asset Management theme within the Together for Nottingham Plan focussed on three priorities: the expansion of capital receipts, improve the assurance of governance around disposals, and the implementation of the corporate landlord model for property management.
- c) The IAB instruction went further which instructed to further increase the pipeline of capital receipts.
- d) The Council has a strong record of delivery and performance in regards to delivery of capital receipts over the four year period, which showed an increase of delivery where the target was met in all but one year. Over the four year plan over £80 million of capital receipts has been secured.
- e) The Together for Nottingham Plan and IAB instructions pre-date the Section 114 Notice and approval of Exceptional Financial Support (EFS). The Council will need to pay back EFS through the delivery of capital receipts. As such work continues on identifying a pipeline of capital receipts through a disposals programme and is a theme within the Council's Improvement Plan. Work is being done to ascertain the necessary timeframes for delivery and to accelerate the pipeline. This will be reported back to the Committee at a future meeting.

The following points were raised in discussion:

- f) The Committee queried how the Council achieved best value when it was disposing of assets. It was explained that best value was achieved throughout the process which included competitively pricing external agents through quotes, using the expertise of internal officers, and looking at the market value of the property to determine the price. Members noted that properties were achieving market value and in some cases achieving above market value.
- g) Members discussed Exceptional Financial Support (EFS) and the importance of generating capital receipts in order to pay that back. It was explained that within the current financial year the amount of EFS needed is around £41 million, and there is forecast to be a £25 million contribution from capital receipts towards returning EFS. The rest will need to be paid for by temporary borrowing. The capital receipts expected to be generated in 2025/26 from the pipeline will pay off the remaining element of EFS from this financial year.
- h) It was clarified that properties were assessed on an individual basis as to whether they were sold by Council officers or outsourced for external agents to sell. If it was a specialised building it may require specific expertise which the Council did not have. It could also depend on market value or the capacity within the Team. Marketing reports are received prior to a property going to market which outlines factors such as estimated length of sale and agent skill set. This helps determine which external agent the Council opts for from a number of quotes.
- i) The Committee queried the disposals process and how factors such as social value were taken into account. It was explained that the Council owned an asset either because it was required for operational use, it generated income,

or there was an economic or social reason. As the review takes place it will be determined whether a property meets that criteria (with operational use and income generated taking priority over economic or social reasons), and the disposals team work closely with finance colleagues to understand all of the financial implications such as income and expenditure. Proposals are then submitted to an officer group and then a report outlining the rationale for decision will be submitted for consideration by Councillor/s in line with the decision value as outlined in the Council's constitution. The key consideration for social use was whether the Council had to own it in order to deliver that use.

- j) The Council is mindful of the third sector wishing to purchase properties and the potential issues of those parties with affordability, however the Council is unable to sell below market value as it needs to generate significant capital receipts and demonstrate value for money. The Council is looking at how it can support the voluntary sector, including the potential for a new delivery model for community assets. The Community Asset Transfer Policy is also currently being reviewed.
- k) The Committee heard that there is consideration given to whether an asset sits outside the City or is located within it. There is now a very small number of assets outside of the City and those that are have been held because of the revenue they generate.
- l) Members noted that a Disposals Policy was in development which looked to provide a formal policy for all Council departments when considering disposing of assets. It would incorporate social and economic value considerations. The Policy was in its early stages but would be going through scrutiny as part of its policy development function. The only disposals that have taken place so far are those surplus to requirement and none which have any social value.
- m) The Council is unable to mitigate all risk associated with property transactions, but it does work closely with partners to try to minimise them. It was explained, for example, that when capital receipts forecasting takes place, high risk properties are removed from the forecasts to prevent an expectation that large receipts will be realised, or a sale becomes significantly delayed. The Council has also terminated sales and gone back to market when the buyer does not perform or progress with sufficient pace.
- n) Capacity and issues with recruitment and retention is a challenge within the Council and nationwide. Additional resource has been allocated as it is needed if the Council is to meet its accelerated targets for delivering capital receipts. There was a consensus that robust processes needed to be in place so that assets surplus to requirements can be taken to market quickly given the challenging context of EFS.
- o) The Committee sought assurance on how future revenues will be generated as the pipeline for capital receipts dwindles. The work currently being done was to assess all the assets across different departments so the Council could understand exactly what it has in its portfolio. Currently, only assets identified as surplus to requirements were being disposed of. The shaping of the

Disposals Policy from a political and officer perspective will then determine what type of assets the Council has left to dispose of in the future.

- p) Assets were assessed from an income, expenditure, and future liability perspective and so all costs were taken into account when determining the disposal of assets.

RESOLVED:

- 1. to note the work undertaken to successfully deliver the action plan under Theme Two (Asset Management) of the Together for Nottingham Plan and IAB instruction 2.8.**
- 2. That as part of its policy development role, the relevant Overview and Scrutiny Committee consider the emerging Disposals Policy particularly around assets that have a social or economic value.**
- 3. That a breakdown of the number of properties disposed of internally and externally be provided, as well as a list of the different agents used when a property has been disposed of externally.**

26 External Audit Update

Andrew Smith, representing the Council's External Auditors Grant Thornton, presented a report which provided the Committee with an update on progress on delivering its responsibilities as external auditors. The following information was highlighted:

- a) Good progress has been made with the 19/20 accounts and it is hoped that a report will be brought to the Committee's September meeting.
- b) The auditors are awaiting further clarification but it is likely that the backstop dates could be pushed back to mid-December in respect of the 2021/22 and 2022/23 audits.
- c) The Council will need to publish its outstanding accounts prior to the backstop dates, and it was clarified that it did not have to wait until the completion of the 19/20 audit to do this.
- d) Planning work is being done towards the 2023/24 accounts and a number of queries have been made to the Council and initial steps were outlined to the Committee.

The following points were raised in discussion:

- e) The Council was cautious of publishing accounts before the 2019/20 accounts had been finalised due to the issues identified during that year, and the potential for changes needing to be made to future accounts.
- f) Public inspection dates had been established for the 2021/22 accounts and future years prior to the backstop dates. The Council needed assurance that

the opening balances were correct and to do this it needed for the 2019/20 accounts to be finalised.

- g) There was a consensus that the Council and Nottingham residents were not getting good value from its external auditors. The Chair would be writing a letter to the relevant authorities outlining the Council's concerns.
- h) A backstop disclaimer opinion will be placed on the accounts that are unable to be completed. As such, full assurance cannot be given on the opening balance for the 2023/24 accounts due to limited procedures.

Resolved:

- 1) For the Chair to write to the relevant authorities outlining the Council's concerns in regards to the performance of the external auditors.**
- 2) To note the External Audit Update.**

27 Statement of Accounts Update

Glen Hammons, Interim Finance Lead – Technical Finance presented a report which provided an update on the Statement of Accounts. The following information was highlighted:

- a) In regards to the 2019/20 accounts, the Council has responded to all queries and a revised set of accounts were submitted to Grant Thornton in November who are currently progressing through their quality assurance processes.
- b) Revised draft accounts have been completed for the 2020/21 accounts and this was done in December 2023.
- c) Draft accounts were completed in May 2024 for the 2021/22 accounts.
- d) Draft accounts for the 2022/23 accounts are expected to be completed in August 2024.
- e) The draft accounts need to go out for public inspection and this inspection period lasts for 30 working days. The 2020/21 and 2021/22 accounts are in a position to be put forward for the public inspection and the 2022/23 accounts will then follow.
- f) In order to move the accounts into the public inspection process it is proposed that in advance of that there will be consultation done with the Audit Committee Chair to ensure that Audit Committee have been engaged prior to the draft accounts being release for inspection.
- g) Based on current expectations, the accounts for 2020/21 and 2021/22 could meet the September backstop if it was in place. The 2022/23 accounts are unlikely to meet the September backstop date. This is all, however, subject to further risks and the potential for the backstop date to be pushed back.

- h) The preparation of the 2023/24 accounts will begin once the 2022/23 draft accounts have been completed. The report set out the indicative timelines but there are a number of risks to these, particularly with completing the audit opinion for the 2019/20 accounts, backstop dates, and staffing capacity.

The following points were raised in discussion:

- i) The Section 151 Officer is required to give a true and fair opinion on the draft accounts prior to them being released for public inspection.

Resolved:

- 1) To take assurance the current position with the Statement of Accounts for the years 2019/20 through to 2023/24.**
- 2) To note the impact on the Council in meeting the proposed national backstop date due to external audit opinion for the draft 2019/20 Statement of Accounts scheduled to be presented to Audit Committee in September 2024.**
- 3) To take assurance from the indicative timeline and associated risks for publishing the Statement of Accounts for financial years 2019/20, 2020/21 and 2021/22 to meet the proposed national backstop dates as set out in Section 3.6 of the report.**
- 4) To note that, from the revised indicative timeline and associated risks draft Statement of Accounts for the financial year 2022/23, will not meet the proposed national backstop date as set out in Section 3.6 and a revised timeline has been identified.**
- 5) To take assurance from the progress, indicative timeline and associated risks for publishing the Statement of Accounts for financial year 2023/24 as set out in Section 3.7 of the report.**
- 6) To note that the draft Statement of Accounts for 2020/21, 2021/22 and 2022/23 will be published by officers for public consultation following consultation with the Chair.**

28 Corporate Risk and Assurance Register Update

Debbie Bowring, Corporate Assurance and Risk Manager was present at the meeting to provide an update on the Corporate Risk and Assurance Register. The following information was highlighted:

- a) Further details would be provided on the register during the exempt session.
- b) The risks and existing mitigations have been reviewed through performance clinics and individual meetings with risk owners for Q4.
- c) Work is currently underway to assess the Council's Improvement Plan and areas of priority for risk management to further embed and support the

Council's improvement journey which will include further development and training for officers and Members and refresh of corporate risks.

29 Additional Meeting

After discussion early in the meeting the committee felt it necessary to call an additional meeting to consider the 19/20 audit opinion.

Resolved to meet on 06 September 2024 at 09:30am.

30 Exclusion of the Public

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

31 Corporate Risk and Assurance Register Update - Exempt Appendices

Debbie Bowring, Corporate Risk and Assurance Manager, presented the exempt appendices to the report providing an update on the Corporate Risk and Assurance Register.

Following discussion, the committee made resolutions as set out in the exempt minutes.

32 Recommendation Tracker - Exempt items

The Chair presented the Committee's exempt Recommendation Tracker and explained that further updates on these will be requested for the Committee's September meeting.

The Committee noted the tracker.

33 Exempt Minutes

The exempt Minutes of the meeting held on 28 June 2024 were confirmed as a true record and they were signed by the Chair.