

# NOTTINGHAM CITY COUNCIL

## AUDIT COMMITTEE

**MINUTES of the meeting held at LB 31-32 - Loxley House, Station Street, Nottingham, NG2 3NG on 5 July 2019 from 10.32 am - 1.25 pm**

### Membership

#### Present

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

#### Absent

Councillor Leslie Ayoola

### Colleagues, partners and others in attendance:

Theresa Channell - Head of Strategic Finance  
Glyn Daykin - Senior Accountant Treasury Management  
John Gregory - Grant Thornton External Auditors  
Laura Pattman - Strategic Director of Finance  
Sue Risdall - Team Leader, Technical Finance  
Shail Shah - Head of Audit and Risk  
John Slater - Group Auditor  
Thomas Straw - Senior Accountant Capital Programmes

## 1 APPOINTMENT OF VICE-CHAIR

**RESOLVED to appoint Councillor Audra Wynter as Vice Chair for the 2019/20 municipal year**

## 2 APOLOGIES FOR ABSENCE

Councillor Leslie Ayoola – Personal

## 3 DECLARATIONS OF INTERESTS

Although not formally required to declare as interests, in the spirit of transparency, the following members informed the Committee of the connections below which are mentioned within the agenda:

Councillor Steve Battlemuch is a member of the Robing Hood Energy Board, The Play House Management Board and the Trusts and Charities Committee (Bridge Estate)

Councillor Lauren O`Grady is a member of the Robin Hood Energy Board

Councillor Michael Edwards is a member of the EnviroEnergy Board;

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Councillor Anne Peach is a member of the Trust and Charities Committee and a Director of Nottingham Ice Arena;

Councillor Andrew Rule is a member of the Trusts and Charities Committee (Bridge Estate).

Councillor Graham Chapman is a member of the Nottingham City Transport Board

Councillor Audra Wynter is a member of the BID and the Nottingham City Transport Board.

This did not preclude the above listed from speaking or voting on any items.

#### **4 MINUTES**

With the correction in minute 45 to Councillor Anne Peach's name and the addition of apostrophes in resolution 1 and 3 of minute 53 the minutes were agreed as an accurate record and were signed by the Chair.

#### **5 DRAFT STATEMENT OF ACCOUNTS 2018-19**

Theresa Channell, Head of Strategic Finance provided training on the Statement of Accounts to Members which covered the role of Audit Committee Councillors, the timetable of events leading up to the production of the Statement and statutory requirements of the statement. Following the training the discussion moved to the Draft Statement presented to the Committee. The following points were highlighted:

- (a) The revenue outturn for 2018/19 is an overspend of £1.681m. The biggest impact on the overspend was the cost associated with Children in Care;
- (b) Nottingham City Council maintains reserves at a lower rate than statistical and local comparators. An additional £1m was added to the reserves as part of the budget this year and further review of reserve levels will take place throughout the year;
- (c) Work is taking place around the roll out of Universal Credit and the likely impact it will have. Work is progressing with Nottingham City Homes, Housing Associations and initiatives to mitigate some of the expected issues are being developed. The budget set in 18/19 did include some modelling to take into account this issue;
- (d) Debt levels have increased and in line with CIPFA recommendations external advisors are regularly involved to assess level of debt compared to asset value. In terms of level of debt to asset value Nottingham City Council's level is considered to be proportionally comparable.
- (e) Risks around debt are reviewed on a regular basis, Nottingham City Council, like all Local Authorities, has low budget flexibility;

**RESOLVED to note the Draft Statement of Accounts 2018-19 and receive the final document at the next meeting**

In a change to the published agenda the Chair agreed to take External Audit Items Report within the exempt part of the meeting.

## **6 TREASURY MANAGEMENT ANNUAL REPORT 2018-19**

Glyn Daykin, Senior Accountant – Treasury Management, introduced the Treasury Management Annual Report 2018-19 setting out the performance in respect of the Council's external debt and investments. The following points were highlighted:

- (a) External debt has increased to £953.2million in 2018-19. This does not include Private Finance Initiatives liabilities;
- (b) The average interest rate on the debt portfolio decreased to 3.359% at 31 March 2019. This was a reduction of 0.039%;
- (c) £130m of long term low rate loans were raised which helps to bring stability to borrowing;
- (d) Investments earned an average interest rate of 0.728% benchmarked against the LIBID;

Committee members discussed the content of the report and following questions further information was given:

- (e) There is an internal treasury management panel, which reviews treasury management work on a regular basis. The panel is responsible for monitoring risk around treasury management among other elements. The risk register can be circulated to Members following the meeting;
- (f) A technical adjustment totalling £11.346m was made in 2018/19 to account for annual impairment review of non-treasury investment. This relates to loans and parent company guarantees;
- (g) The work of the internal treasury management panel is supported by external advisors who specialise in treasury management and asset management. A full briefing and training can be offered to members at a later session;

**RESOLVED to note the performance information in relation to Treasury Management for 2018/19**

## **7 INTERIM ANNUAL GOVERNANCE STATEMENT 2018-19**

Shail Shah, Head of Audit and Risk introduced the report on Interim Annual Governance Statement 2018/19 to the committee. The report reflects the governance arrangements operating within the Council and its significant partners and is used to provide assurance that the Council is achieving its statutory requirements. Following discussion, these points were highlighted from the report and further information given:

- (a) This is an interim report and the final version will be presented to the following Audit committee later in July 2019 alongside the final Statement of Accounts;

- (b) Some issues are reported every year. This is not an indication of inaction, but an indication of importance of the issue to the Council and its business, such as cyber security;
- (c) The Council is undertaking a large piece of work to standardise written agreements with all the group companies. The Committee agreed that this piece of work should be prioritised. This will ensure that companies align their financial closedown timetables and continue to ensure best practice for governance of companies;
- (d) Councillors felt that something needed to be added to the final report to address work around climate change.

**RESOLVED to:**

- (1) Note the interim Annual Governance Statement 2018/19 as published with the agenda;**
- (2) Receive a full update on the progress of standardising written agreements with group companies to a future meeting**

**8 MEETING DATES**

**RESOLVED to meet at 10.30am on the following Fridays:**

**2019**

**27 September**

**29 November**

**2020**

**31 January**

**27 March**

**9 TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME**

Shail Shah, Head of Audit and Risk, presented the report on Terms of Reference and Annual Work Programme to the committee.

This report outlines the roles and responsibilities of the Audit Committee and gives a draft work plan that ensures that statutory responsibilities are met.

**RESOLVED to:**

- (1) Note the role and functions of the Audit Committee, including the terms of reference, which comply with best practice in the 2018 revision of CIPFA guidance on Audit Committees (the 2018 Guidance) including the additional elements prescribed by the Public Sector Internal Audit Standards (PSIAS) as set out in appendix 1 of the published report.**
- (2) Endorse the outline work programme as set out in appendix 2 of the published report.**

**10 EXCLUSION OF THE PUBLIC**

**RESOLVED** to exclude the public from the meeting during consideration of the remaining 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 outweighs the public interest in disclosing the information.

**11 EXEMPT MINUTES**

The exempt minutes of the meeting held on 22 February 2019 were confirmed as a true record and were signed by the Chair.

**12 EXTERNAL AUDIT ITEMS**

**RESOLVED** to note the verbal update provided.

**13 EMSS ANNUAL REPORT 2018/2019**

**RESOLVED** to approve the recommendation as set out in the exempt report.