

Auditor's Annual Report on Nottinghamshire County Council

2022/23

28 February 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

| Criteria | 2022-23 Risk assessment | 2022-23 Auditor judgement on arrangements | 2021-22 Auditor judgement on arrangements | Direction of travel |
|---|--|--|---|---------------------|
| Financial sustainability | No risks of significant weakness identified. | G No significant weaknesses in arrangements identified. | G No significant weaknesses in arrangements identified, but improvement recommendations made. | ↔ |
| Governance | No risks of significant weakness identified. | G No significant weaknesses in arrangements identified. | G No significant weaknesses in arrangements identified, but improvement recommendations made. | ↔ |
| Improving economy, efficiency and effectiveness | No risks of significant weakness identified. | G No significant weaknesses in arrangements identified, but improvement recommendation made. | G No significant weaknesses in arrangements identified, but improvement recommendations made. | ↔ |

G No significant weaknesses in arrangements identified, but improvement recommendation made.

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council is operating in an increasingly uncertain financial environment, especially in relation to funding arrangements, inflation and interest rates. Despite this uncertainty, the Council has maintained a good financial position. The Council set a balanced budget for 2022-23 and 2023-24, whilst the Medium Term Financial Strategy (MTFS) also proposes a balanced budget for 2024-25, the February 2023 Budget Report noted a funding gap of £30.8m up to 2026/27. In its latest budget proposals to Cabinet in February 2024, the MTFS has been extended a year to 2028 and the overall revised gap identified as £36.0m.

We are satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.



Governance

Building on our 2022-23 review, which we reported in April 2023, we found the risk management processes at the Council to be good, and that management are well supported by internal audit in monitoring the control environment.

Arrangements for budget setting and monitoring of performance against the budget are effective. The Council also has a good set of policies and procedures in place to ensure it maintains appropriate legislative and regulatory standards.



Improving economy, efficiency and effectiveness

The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Its costs compared to other county councils are low, although there are some areas of 'very high' cost. We have discussed these areas with management and are satisfied that the Council has put adequate arrangements in place to monitor and manage its costs.



Financial Statements opinion

We have completed our audit of your financial statements, and we anticipate that we will issue an unmodified opinion for 2022/23 following the 28 February 2023 meeting of the Governance and Ethics Committee. In line with many other local government audits, this is after the 30 September national timetable, reflecting wider challenges in the audit sector.

Our findings are set out in further detail on pages 25 to 26.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 19.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Nottinghamshire County Council (the Council) was established in 1889 under the Local Government Act 1888, covering the administrative county which excluded the county borough of Nottingham. It is an upper-tier local authority for the non-metropolitan county of Nottinghamshire in England. The Council is elected every four years, with currently 66 county councillors being elected at each election. The most recent election was in May 2021 when the Council became a Conservative administration from no overall control. The constituents of Nottinghamshire voted to leave the EU in the June 2016 referendum.

Nottinghamshire County Council, along with Derbyshire County Council, Derby City Council and Nottingham City Council, has signed up to work on a £1.14 billion devolution deal with the Government. Each council has now formally agreed a draft proposal in relation to the devolution deal, which will be the basis of a full public consultation. The public consultation took place from 14 November 2022 to 9 January 2023. All four councils voted to accept the results of the consultation in March 2023. Following the Royal Assent of the Levelling Up and Regeneration Act 2023 in October 2023, the devolution proposal was submitted to Government on 1st November 2023.

The Council faces demand pressures and inflationary pressures across its services and particularly in relation to social care. Combined with uncertainties at the national policy making and funding settlement levels, the Council has faced significant challenges in balancing its budgets and identifying necessary savings.

Following a recent SEND inspection of Nottinghamshire Local Area Partnership in which arrangements were reported as being inadequate, the Council has needed to work closely with its local area partners to put in place an improvement plan.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2022-23 and ongoing financial pressures

In its 2022-23 budget, the Council set out the continuing challenging financial landscape. The challenges included the ongoing impact of COVID-19, which were forecast to be £138m in total for 2022-23 and previous financial years, a one-year funding settlement, the delayed Fair Funding Review, funding uncertainties associated with the Adult Social Care Reform and Government funding uncertainty overall. This lack of certainty, coupled with increasing demand on Council services, especially in the areas of adult and children's social care, meant a challenging year for financial planning from the outset. Despite these challenges, the Council approved a balanced budget.

The Council's budget requirement for 2022-23 was £559.5m compared with £530.3m in 2021-22. Savings plans totaled £8.1m for the year. There was no change to the budget requirement during the year.

In June 2023, the Council reported an underspend of £20.1m, including £11.8m of departmental underspends, more than half of which related to Adult Social Care and Public Health (£4.4m) and Economic Development and Asset Management (£4.7m). The £20.1m underspend was transferred to corporate and departmental reserves, with £1.6m being transferred to the General Fund. Overall, usable reserves increased by £16.9m year on year.

| Year Ending | General Fund £m | Other Usable Reserves £m | Total Usable Reserves £m |
|---------------|--------------------|-----------------------------|-----------------------------|
| 31 March 2023 | 36.8 | 273.5 | 310.3 |
| 31 March 2022 | 35.2 | 258.2 | 293.4 |
| 31 March 2021 | 32.1 | 209.3 | 241.4 |
| 31 March 2020 | 22.0 | 171.7 | 193.7 |

As shown in the table above, £36.8m was the Council's risk-assessed minimum balance on its General Fund Reserve as at 31 March 2023. This was unchanged in the 2023-24 budget. Total usable reserves are forecast to decrease from £310.3m to £198.6m over the period of the MTFS proposes i.e. period ending 31 March 2027. Of the total movement of £49.7m, £3.9m is being used to deliver a balanced budget in 2023-24.

Based on our audit work on the Council's minimum revenue provision (MRP) charge for 2022-23, we are satisfied that the overall MRP charge in-year was prudent, and we have not identified any significant issues or concerns for future years based on the Council's historic policy decisions.

Financial sustainability

2023-24 and beyond

In setting the 2023-24 budget, the Council forecast pressures of more than £44m, of which nearly a half related to Adult Social Care and Public Health inflation. Despite these pressures, the use of corporate budgets and reserves meant that the savings requirement was only £8.7m.

The Council approved its budget for 2023-24 in February 2023. The net budget requirement for the year was £591.3m. The budget update to Cabinet in February 2024 reported a forecast underspend for the year of £5.5m at the end of month 8. This was mainly as a result of additional management actions and additional income from interest. Underspends forecast on central items total £18.8m whilst overspends of £8.6m, £2.3m and £1.3m have been forecast for Transport & Environment, Children & Families and Adult Social Care respectively.

We are satisfied that the Council has identified all significant financial pressures and risks in its MTFS and has adequate savings plans to deliver a balanced budget in 2023-24.

The Council's performance against key financial and performance metrics is set out in this table.

| | 2022/23 | 2021/22 |
|--|---------|---------|
| Planned revenue expenditure | £559.5m | £530.3m |
| Actual revenue expenditure | £539.4m | £491.2m |
| Planned capital spend | £102.5m | £109.1m |
| Actual capital spend | £93.2m | £96.0m |
| Planned savings target (recurrent/non-recurrent) | £8.1m | £1.7m |
| Year-end cash position | £85.7m | £106.9m |

Financial sustainability

Identifying savings

The Council set a savings target of £8.7m for 2023-24 to help it achieve a balanced budget for the year. This consisted of 23 different saving schemes. The latest in-year savings monitoring report has assessed the progress with delivering the planned savings as follows:

- £6.2m (71%) on target
- £2.1m (24%) experiencing obstacles
- £0.4m (5%) compromised.

The Council has got a good track record of delivering planned savings and is making good progress with the delivery of its 2023-24 savings target.

Medium term financial planning

The MTFS is updated annually as part of the Council's financial planning process for setting its budget. The MTFS covering the period up to 31 March 2027 was approved by the Council in February 2023. This shows a balanced budget for both 2023-24 and 2024-25 and a gap of £30.8m in total for the following two years.

Capital expenditure

A robust, monthly capital monitoring process is in place which culminates in relevant information being reported to the Cabinet as part of the monthly Financial Monitoring Report. The Council's actual capital spend for 2022-23 was £93.2m compared to a revised budget figure of £102.5m. The reasons for the reduction in capital spend were included in the outturn report

Financial planning

The Council issued a 10-year plan "The Nottinghamshire Plan 2021-31 Healthy, Prosperous, Green" which features in the MTFS. The Plan was approved by Council on 25 Nov 2021 and highlights nine ambitions which will act as the framework for all Council activity:

- Helping our people live healthier, more independent lives
- Supporting communities and families
- Keeping children, vulnerable adults and communities safe
- Building skills that help people to get good local jobs
- Strengthening businesses and creating more good-quality jobs
- Making Nottinghamshire somewhere people love to live, work and visit
- Attracting investment in infrastructure, the economy and green growth
- Improving transport and digital connections
- Protecting the environment and reducing our carbon footprint.

The Plan sets out what the Council will do over the next four years to achieve these ambitions as well as how it will measure progress and success. This will have a particular focus on supporting Nottinghamshire's communities and businesses to recover from the socio-economic impacts of the COVID-19 pandemic.

The MTFS has clear links to the 10-year plan and the capital strategy is also clearly aligned. The identified capital schemes link in with the Council's ambitions and link in with the MTFS in terms of increasing capacity and thereby reducing pressures on services.

Financial governance

Annual budget setting

The budget setting process incorporates several stages including a sensitivity analysis of the impact of high-level assumptions on key areas of the MTFS including:

- Pay
- Savings
- Pressures
- Core grants
- Council tax and
- Business rates.

This detailed analysis was presented to Members and CLT for consideration.

The budget and the MTFS are considered concurrently and incorporated into the Council's annual budget, which includes a four-year MTFS. The longer-term projections and any risks to the medium term are also incorporated into the annual budget and financial monitoring reports are considered by Cabinet monthly.

Prior to 2023-24, the public had not been consulted on the budget, but a detailed exercise was undertaken from November 2022 to January 2023. Over 2,000 members of the public responded and their views were taken into account when drawing up the proposals contained in the budget report. The Overview Committee conducted a review of the consultation which indicated that the exercise began later than hoped, but there were no delays to the decisions of the Cabinet and Full Council. For 2023/24 the process was started earlier than 2022/23.

Budgetary control

There are good systems in place for oversight of the budget. Monthly financial monitoring reports are presented to Cabinet. There is oversight of the budget at a high level, including Full Council, Cabinet and CLT reviewing and assessing the actual outturn and future risks to the budget. The monthly budget monitoring reports detail variances at a department level demonstrating a regular identification of in-year variances.

As the level of savings required for 2021-22 was only £1.7m, reporting to Committee on the delivery of savings schemes was discontinued (previously the Improvement and Change Sub-Committee). However, given the increased savings required for 2023-24 i.e. £8.7m, the process has been re-introduced, although reporting to members, via the Cabinet Member for Finance, will only be by exception.

| | 2023-24 |
|---|---------|
| Planned savings | £8.7m |
| Planned savings as a % of income | 1.6% |
| Planned savings (recurrent/non-recurrent) | 100% |
| Planned saving schemes rated amber/green | 95% |

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

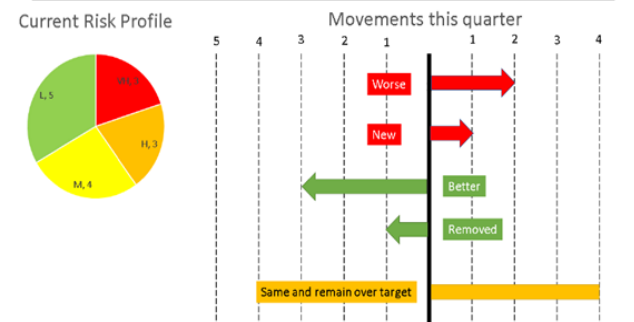
In our 2020-21 report, we noted that the Council had appointed Zurich Municipal to undertake an independent review of its risk management arrangements. A report containing eight key findings was presented to the September 2021 Governance and Ethics Committee. In March 2022, the Council again reported to the Committee on the actions taken. Progress had been made and work was underway to fully address the findings.

The Council's current Risk Management Strategy and Risk Management Policy was approved by Governance and Ethics Committee in March 2018, following its development by the Risk, Safety & Emergency Management Board (RSEMB) and approval from the Corporate Leadership Team (CLT). The strategy was due to be refreshed in March 2022 following the adoption of the 10-year Nottinghamshire Plan. However, this has been delayed until the approach, which was revised following the review by Zurich, has been established and settled. In addition, as noted in the report to Committee in November 2023, "due to operational issues, this work has been delayed but it has now restarted, and a further update will be provided to Committee as soon as possible".

Revised departmental and corporate risk registers have been developed and a new corporate reporting format has been agreed with the CLT. Work currently continues to review and update both departmental and corporate risk registers along with updating the risk management framework for subsequent reporting to the Governance and Ethics Committee. The Council intends for a new framework to be published in early 2024. Work has also continued to recruit a permanent resource to lead on Corporate Risk Management, though recruitment to post has proved difficult so far. The Council is following appropriate HR actions to address.

The Council has one fully trained Counter Fraud Officer. The key fraud risk areas for local government are highlighted by the CIPFA Counter Fraud Centre (CCFC)'s annual 'Counter Fraud and Corruption Tracker' (CFaCT). The Council participates in this.

Risk profile and movement



National Fraud Initiative (NFI) - the 2020-22 exercise was completed and the key statistics for Nottinghamshire were: 28 reports matching NCC data against data from DVLA, DWP, mortality data, etc 14,209 total matches 1,551 high priority matches Council staff examined 14,209 matches on a risk basis and 1 case remained in progress.

The Council has an in-house internal audit function which we found to be adequately resourced and effective. The latest PSIAS assessment was completed in March 2023 by an external consultant and a fully compliant opinion given.

Governance

Informed decision making including the Audit Committee

Appropriate leadership is in place. The Council voted on 31 March 2022 to switch from a Committee Model to a Leader and Cabinet Model in May 2022. This has brought the Council in line with most upper tier shire counties and Nottinghamshire district and borough councils.

The intention is for the Governance and Ethics Committee to keep the new arrangements under review with a formal review after 12 months.

The Constitution, which was fully updated to reflect the changes arising from the move to a Leader and Cabinet Model, sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, whistleblowing, declarations of interests and gifts and hospitality.

Monitoring and ensuring appropriate standards

The Council has both an employee and a Members' code of conduct which are up-to-date to communicate its expected behaviours.

The Council has published the updated Constitution on its website for public use, this includes, for instance, the financial regulations, officers' code of conduct, protocols for registering and declaring interests and the scheme of delegation.

Conflicts of interests declared by Members can be found in their individual biographies on the Council's website.

When undertaking our audit of the 2021-22 financial statements, we identified some instances of members not declaring interests in companies they have an interest in per Companies House. A recommendation was raised in the 2021-22 Audit Findings Report in relation to this issue. We identified similar issues in our 2022/23 audit and we have raised in our 2022/23 Audit Findings Report that improvement is still required in this area.



| | 2022/23 | 2021/22 |
|--|--|--|
| Annual Governance Statement (control deficiencies) | Reasonable or Substantial assurance only. | Reasonable or Substantial assurance only. |
| Head of Internal Audit opinion | Reasonable assurance opinion on the arrangements in the Council for governance, risk management and control. | Reasonable assurance opinion on the arrangements in the Council for governance, risk management and control. |
| Ofsted inspection rating | SEND: Significant failings in the service | Not applicable |

The Council's performance against key governance metrics is set out in the table above.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

Due to a change in governance arrangements, from a committee model to a cabinet model performance is now reported to Cabinet. The first report was the Q2 report, which was presented to Cabinet in December 2022. This showed that all actions were on track or had been completed. Performance measures are shown for quarters 1 and 2 and some narrative is provided. However, it would help to understand performance if the target and, maybe, the 2021-22 outturn, was included alongside the in-year performance. This was raised as an improvement recommendation in our 2021/22 AAR issued in April 2023.

In May 2022, the Council published its Annual Delivery Plan to outline the key actions in 2022-23 to deliver the Council Plan. This Plan provides greater detail about the specific deliverables and provides information about how the Council will work with partners to achieve our ambitions for Nottinghamshire. It is available on the Council's website. The Council has also published its Annual Report for 2022-23, which provides more information to the public regarding progress against the Council Plan and Annual Delivery Plan. This has also been made available on the Council's website.

The Council has identified that improvements can be made in respect of place-based performance reporting to drive evidence-based change and service improvement. The Council has taken initial steps to address this, including the publication of its Data Strategy 2023-2028 as reported to Cabinet in December 2023.

The Council's Annual Delivery Plan for 2023-24 includes setting the baseline for Key Performance Indicators as well as setting out the Council's ambition against each indicator.

Benchmarking

The Council uses benchmarking to compare its costs and performance to other county councils. As an example, Adult Social Care is currently reviewing the Use of Resources report from the LGA published in October 2023 to assess any opportunities for service improvements.

We have used CFO Insights (based on 2022-23 budgets) to compare the Council's unit costs against other two-tier county councils (see next page). This shows that, overall, the Council's unit costs are low. However, there are some areas where the cost is very high (in comparison). These are Children's Social Care, Planning and Development, Public Health and Other Services. Following meetings with the relevant directors of services we are satisfied that the Council has adequate arrangements in place.



Improving economy, efficiency and effectiveness

| Nottinghamshire | | 2022/2023 (£000s) | Unit | Unit Cost (£) | Unit Cost Score |
|---|--|----------------------|------------|------------------|--------------------|
| TOTAL EDUCATION SERVICES (RA) £/aged 0-18 | | 413,643.00 | 176,807.00 | 2,339.52 | Low |
| TOTAL HIGHWAYS ROADS AND TRANSPORT SERVICES (RA) £/head | | 44,218.00 | 833,377.00 | 53.06 | Average |
| TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17 | | 163,202.00 | 168,481.00 | 968.67 | Very High |
| TOTAL ADULT SOCIAL CARE (RA) £/aged 18+ | | 281,256.00 | 664,896.00 | 423.01 | Low |
| TOTAL CULTURAL AND RELATED SERVICES (RA) £/head | | 10,863.00 | 833,377.00 | 13.03 | Low |
| TOTAL PLANNING AND DEVELOPMENT SERVICES (RA) £/head | | 11,622.00 | 833,377.00 | 13.95 | Very High |
| TOTAL HOUSING SERVICES (GFRA only) (RA) £/head | | (37.00) | 833,377.00 | (0.04) | Very Low |
| TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RA) £/head | | 38,266.00 | 833,377.00 | 45.92 | Very Low |
| TOTAL CENTRAL SERVICES (RA) £/head | | 4,429.00 | 833,377.00 | 5.31 | Very Low |
| TOTAL PUBLIC HEALTH (RA) £/head | | 49,286.00 | 833,377.00 | 59.14 | Very High |
| TOTAL OTHER SERVICES (RA) £/head | | 20,614.00 | 833,377.00 | 24.74 | Very High |
| TOTAL SERVICE EXPENDITURE (RA) £/head | | 1,037,362.00 | 833,377.00 | 1,244.77 | Low |

Partnership working

Internal Audit published a report on the governance of Category A bodies in December 2021. This included six priority one actions which are all overdue. In November 2023 it was reported to the Governance and Ethics Committee that no progress has been made due to no additional resources being made available to support the work. Legal Services has asked for the 'Due Dates' for the work assigned to them to be reviewed and extended by a further 12 months pending additional resources being made available. In addition, an annual governance report on the companies is to be provided to the Governance and Ethics Committee and Internal Audit will follow up on this in the next six months.

In May 2022, the Council published its Annual Delivery Plan to outline the key actions in 2022-23 to deliver the Council Plan including information about how the Council will work with partners to achieve our ambitions for Nottinghamshire. The Council has also published its Annual Report for 2022-23 which includes more explicit reference to the impact of its partnership activity and the outcomes achieved by working with key partner agencies. The Annual Delivery Plan and the Annual Report are available on the Council's website.

Reports from regulators

The last OFSTED inspection was in 2019, so the next one is expected early in 2024. However, an area SEND inspection of Nottinghamshire Local Area Partnership was undertaken by OFSTED between 30 January 2023 and 3 February 2023 and the report published on 16 May 2023 stated that the local area partnerships arrangements for SEND were inadequate.

In response to OFSTED's area SEND inspection report, the Council worked closely with its local area partners to put in place an improvement plan which was agreed in June 2023 and good progress is being made against the identified areas for priority action. This has been acknowledged by OFSTED in the improvement plan update reported to CLT in November 2023. We have raised an improvement recommendation for the Council to continue to take the necessary remedial action to address the weaknesses in the local area partnership's SEND arrangements identified in OFSTED's report.

Improving economy, efficiency and effectiveness

Reports from regulators (continued)

Although not a regulator, a standing item on the agenda of the Governance and Ethics Committee is an update of Local Government and Social Care Ombudsman Decisions. These decisions are reviewed to see what, if anything, went wrong and how to learn from the Ombudsman's findings.

Commissioning and procurement

The Council's Procurement Strategy 2019-2023 sets out the following six principles which underpin all its procurement activity:

- Place Nottinghamshire residents at the centre of all commissioning and procurement decisions
- Drive best value for public money
- Commercially focused procurement and sourcing aligned with strategic, business and operational plans, and operating a competitive approach in line with internal and external regulations
- Compliance with procurement legislation and the key principles of equal treatment, transparency and proportionality
- Innovation in Performance Management to ensure we are getting the most from all our commissioning and contracting arrangements
- Enhance Sustainability – environmental, economic, and social for the ongoing wellbeing of the people of Nottinghamshire.

A report covering planned contracting activity for 2021-23 was presented to the Finance Committee in September 2021 but a similar report was not presented in 2022 as a revised format had to be agreed following the move to the Leader and Cabinet Model. Various options have been considered and an updated approach will be used moving forward by the Council.

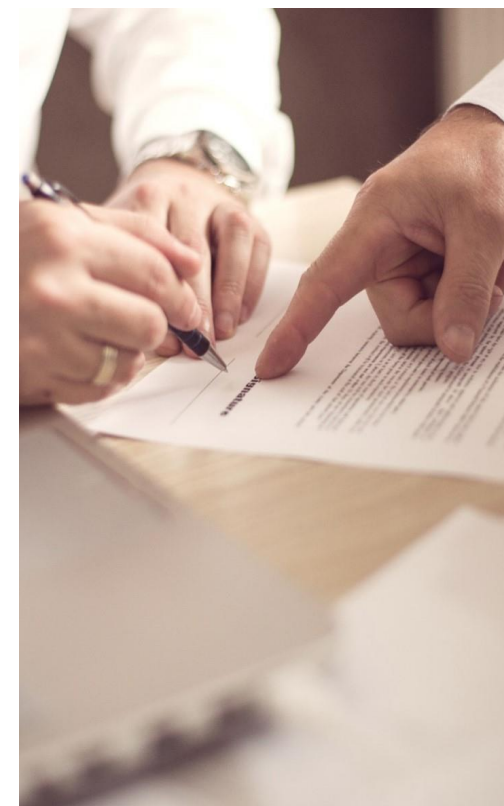
Commissioning and procurement (continued)

As widely reported, there have been significant increases in the cost of energy, both gas and electricity. However, the Council has purchased energy in advance through the Government's Crown Commissioning Services (CCS). This has meant that the Council has somewhat mitigated these increases as CCS buys wholesale price gas and electricity in advance in very large quantities, which provides significant savings and allows the Council to manage the risk of sudden price spikes.

The Group Manager for Procurement presents an annual waiver report to Governance and Ethics Committee in September following the relevant year end. For 2022-23, the number of waivers received decreased significantly from 44 to 23. The approved value of the waivers (£2.02m) was 37% lower than 2021-22 (£3.21m approved). 22% of the waivers were rejected in 2022-23 compared to 20% rejected in the previous year. Significant scrutiny continues to be undertaken on the reason and timing of waiver requests.

Climate Change/ Net Zero

In March 2020, the Council approved a new Corporate Environmental Policy that reaffirmed its commitment to protecting and enhancing the environment for current and future generations. It subsequently declared a climate emergency and committed to becoming carbon neutral for its activities by 2030 and achieving a net zero Nottinghamshire by 2050, in line with the national target. The Council's key sources of emissions are street lighting and other highways assets, its buildings and fleet.



Improving economy, efficiency and effectiveness

Climate Change/ Net Zero (continued)

A Carbon Reduction Plan covering the Council's activities has been approved. The Council has chosen to exclude emissions from its alternative service delivery organisations, such as Via East Midlands and the Arc Partnership, as it does not have direct control over the policies and activities that influence their emissions. However, the Plan notes that the Council "will use its relationship with these organisations to support and encourage reporting and reductions of their emissions in line with the Council's commitment, especially where the Council owns or has a significant stake in the organisation".

The plan aims for a 50% reduction in greenhouse gases by 2025 and 100% by 2030, noting that there was a 32% reduction from the 2019-20 baseline at the end of 2021-22, which suggests that the Council is on target to meet its 2025 aspiration.

In addition, to the Council's Carbon Reduction Plan, there is also a specific green plan for the Nottingham and Nottinghamshire Integrated Care System. This is NHS led, but the Council is a key partner and several references are made to what the Council is doing and to its ambitions.

Pension Fund

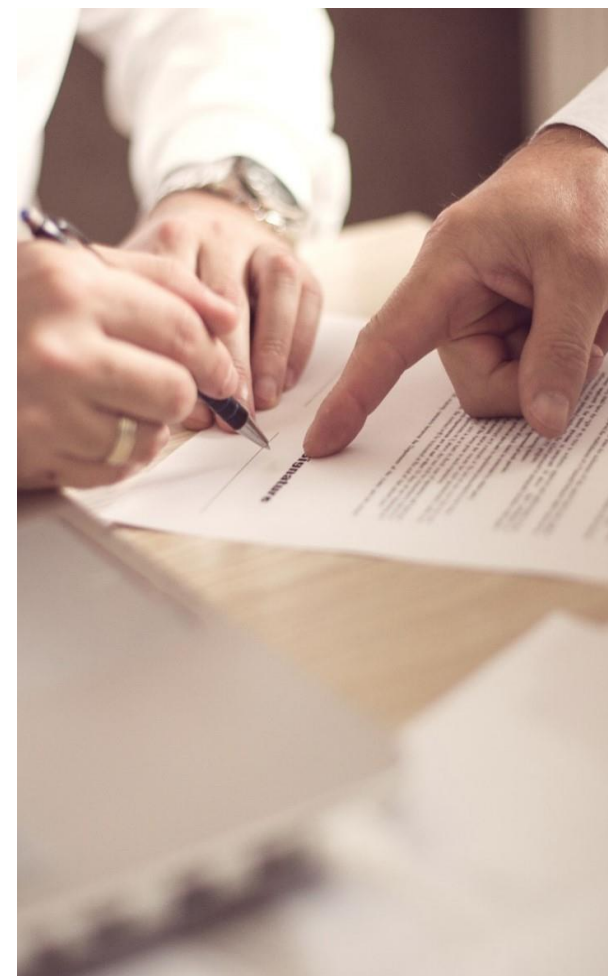
The Pension Fund's AGM was held on 12 January 2023, which although held in 2023 related to 2021-22. Included on the agenda were presentations on:

- Actuarial Issues – Barnett Waddingham LLP Presentation
- Management and Financial Performance – Financial Management Presentation
- Investment Performance – Pensions & Treasury Management Presentation
- Pensions Administration


At the AGM it was reported that although the investment return was below the benchmark over one year, it was slightly ahead over three years and ahead of five years.

In terms of the cost of managing the fund, Nottinghamshire administration costs compared to the average cost per member within the CIPFA Benchmarking Club were £14.08 v £21.05 (2021 latest available figures)

We concluded that the pension fund uses information about its costs and performance to improve the way it manages and delivers its services.



Improvement recommendation

| | |
|------------------------------------|---|
| Improvement Recommendation 1 | The Council should continue to take the necessary remedial action to address the weaknesses in the local area partnership's SEND arrangements identified in OFSTED's report. |
| Improvement opportunity identified | The Council will be able to provide satisfactory services for its customers with special educational needs and disability (SEND) . |
| Summary findings | SEND inspection of Nottinghamshire Local Area Partnership was undertaken by OFSTED between 30 January 2023 and 3 February 2023 and the report published on 16 May 2023 stated that the local area partnerships arrangements for SEND were inadequate. |
| Criteria impacted |  Improving economy, efficiency and effectiveness |
| Auditor judgement | Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements. |
| Management comments | The Nottinghamshire local area SEND Partnership continues to undertake focussed work to improve the experiences and outcomes of children and families. This work is captured in a joint Improvement Plan, that was approved by Ofsted and the CQC on 14 July 2023, and responds to findings of the Ofsted/CQC local area SEND inspection that took place in January/February 2023. Revised SEND governance arrangements have been implemented across the local area partnership and continue to be embedded. This includes the establishment of a SEND Partnership Improvement Board, which meets monthly to provide oversight, challenge and scrutiny of the partnership's performance, progress and implementation of the actions needed to improve services and the provision of care. |

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|---|---|------------------------|-------------|---|------------|---|
| 1 | The Council should include financial information for its subsidiaries, associates and joint ventures in its financial plans and monitoring reports. | Improvement | April 2022 | The Council delivers some of its services through companies it has holdings with. These are reflected in the MTFS approved by Full Council each year as part of the Annual Budget Report and in the Council's Statement of Accounts as part of the related party note. There is also a six-monthly meeting with each company to discuss progress. Following a review of how this information can be incorporated into reports to Members, a section on these relationships was included in the 2022-23 Management Accounts report to Cabinet in June 2023 and will be included henceforth. | No | A section has been included in the 22-23 management accounts report to Cabinet, but this lacks any financial information so transparency of financial performance and financial position of the companies should be improved. |
| 2 | The Council needs to fully identify and develop saving plans across the medium term to address the identified funding gap. | Improvement | April 2022 | In light of the continuing one-year settlements from Central Government, the Council does not consider it inappropriate to fully identify and develop savings plans to address the funding gap across the medium term as it recognises that savings are not the only means of addressing the funding gap. The 2023-24 Provisional Local Government Settlement, for example, provided the Council with £11.8m more grant than previous anticipated. Also, the Government allowed Councils to increase Council Tax by up to 3% and the Adult Social Care Precept by up to 2%. This has allowed services to be maintained without the need to identify even further savings. | Ongoing | Our recommendation extends to cover further funding gaps identified. |
| 3 | Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web. | Improvement | April 2022 | The Council has previously undertaken an exercise to identify such categorisation and determined that it became a nice to know rather than a need to know when considering the significant financial challenges and decision making that was needed to balance the budget. There has been no change from this position, which the Council considers to be consistent with other councils. | No | We consider the proposed action to be good practice and therefore our recommendation still stands. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|---|---|------------------------|-------------|---|-------------|--|
| 4 | The Council should continue to progress the actions required as a result of the key findings reported by Zurich Municipal on the Council's risk management arrangements. | Improvement | April 2022 | The Council has continued to work with Zurich Municipal to change its approach to the management of Corporate Risk. A report was approved by the Cabinet Member for Finance in July 2023 setting out the rationale and approach. A new framework will be published in early 2024 making risk management being assessed by departmental teams alongside finance and performance reporting. In the meantime the Council continues to maintain robust risk management processes in departments and at the corporate level. | In progress | Update the risk management policy and embed the revised arrangements throughout the Council. |
| 5 | Whilst interests declared by Members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of Members' interests. This would enable a review of the interests of specific Committees as a whole. | Improvement | April 2022 | The Council's view is that the requirement to have a register of interests is currently met by a physical copy of the register being available for inspection at County Hall and the information comprised in the register also being available on the Council's website via each Councillor's personal register of interests section on their individual page on the website. The Council also consider that there a risk in having a secondary form of online register as it may lead to issues of consistency and errors in updating may arise. A single location for the information is therefore preferred so, as a result, the Council does not intend to change the current arrangements relating to the register. | No | We consider the proposed action to be good practice and therefore our recommendation still stands. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|---|--|------------------------|-------------|--|------------|--|
| 6 | The Council should consider providing training to its employees to reduce the risk of significant data breaches occurring. | Improvement | April 2022 | <p>The Council requires all employees to undertake Data Protection and Information Governance training on an annual basis. Training covers a broad range of data protection matters including a focus on data breaches and their potential impact. The latest position is that 89% of staff have undertaken the training.</p> <p>This training has been augmented by targeted training sessions for specific cohorts and on particular subjects, such as the delivery of training on data redaction for social care. The Council continuously reviews its Data Protection training offer, considering any identified trends in data incident metrics which are indicative of a need to focus additional training resources on a particular area of work or staffing group.</p> | Ongoing | Ensure that all employees undertake the required training. |
| 7 | We recommend that Internal Audit should undertake a review of the data quality of KPIs as part of its 2022/23 Internal Audit plan. | Improvement | April 2022 | Internal Audit considered this work as part of the risk intelligence processes during 2022/23. However, given other higher risk pieces of work, the audit is yet to be undertaken but will be rolled forward for consideration during subsequent risk assessment processes to determine the most appropriate timing for completion. | No | Consider for inclusion in a future Internal Audit plan. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|----|--|------------------------|-------------|---|------------|---|
| 8 | The Council should consider utilising the LGA Plus benchmarking tool to inform its budget processes. | Improvement | April 2022 | The Council has a commitment to making greater use of a full range of comparator and benchmarking tools, including LGInform Plus and the LGInform Value for Money tool to provide valuable comparator data for various projects & reviews undertaken by Transformation & Change team. Examples include input into Adult Social Care Reviews using Adult Social Care & Health data for older adults; and also validation of measures and indicators to compare performance of local authorities across key metrics proposed by the Office of Local Government (Oflog). | Ongoing | Implement the commitment to make greater use of tools including LGA Plus. |
| 9 | The reasons for significant movements in the budgeted and actual capital spend should be set out in the outturn report. | Improvement | April 2023 | Explanations for significant variances in the capital programme were set out in the 2022/23 Management Accounts Report. | Yes | |
| 10 | The Council should complete the remaining work on the revised risk management strategy and policy and report to the Governance and Ethics Committee. | Improvement | April 2023 | Due to unavoidable circumstances, work on revising the Council's Risk Management Strategy has been delayed. Work currently continues to review and update both departmental and corporate risk registers along with updating the risk management framework for subsequent reporting to the Governance and Ethics Committee. Work has also continued to recruit a permanent resource to lead on Corporate Risk Management. | Ongoing | Complete the remaining work on the revised risk management strategy and policy and report to the Governance and Ethics Committee. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|----|---|------------------------|-------------|---|------------|--|
| 11 | Include the 2022-23 performance target and 2021-22 result alongside the quarterly performance figures. | Improvement | April 2023 | The Council's Annual Delivery Plan for 2023-24 includes setting the baseline for Key Performance Indicators as well as setting out the Council's ambition against each indicator. | Ongoing | Ensure that prior year comparators are used in future years. |
| 12 | Internal Audit's report on the Viability and Sustainability of Category A Bodies should be finalised as soon as possible. | Improvement | April 2023 | Work is ongoing to finalise the Internal Audit Report on the Viability and Sustainability of Category A Bodies. The report is likely to be submitted to the Governance & Ethics Committee in Autumn 2024. | Ongoing | Finalise the report. |

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We anticipate that we will issue an unqualified opinion on the Council's 2022/23 financial statements.

The full opinion will be included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

We issued our Audit Plan in July 2023, and this was presented at the 19 July 2023 meeting of the Governance and Ethics Committee.

The Council provided draft financial statements in line with the national timetable and our audit took place mainly remotely over the period July–December 2023.

There were no significant issues encountered in performing the audit., however there were non material findings and related adjustments made to the accounts. We also raised a small number of recommended actions for management to take to improve the audit process in future years and to improve the control environment. Of the seven improvement points we recommended in our 2021/22 Audit Findings Report we found that four had not been fully addressed and we rolled forward our recommendations. Further detail is set out in in our 2022/23 Audit Findings Report which accompanies this report

We anticipate that we will issue an unmodified opinion on the financial statements for 2022/23 following the 28 February 2023 meeting of the Governance and Ethics Committee. In line with many other local government audits, this is after the 30 September national timetable, reflecting wider challenges in the audit sector.

Findings from the audit of the financial statements

The key issues were:

- We identified numerous disclosure issues, some of which have been adjusted in the final version of the financial statements and some of which management have elected not to adjust for
- We identified IT security and access weaknesses in the Council's financial ledger system
- We identified undeclared relationships of the Council's members and senior officers which required further audit work and disclosure amendments to the related party transaction note.

More detailed findings are set out in our Audit Findings Report, which is presented to the Council's Governance and Ethics Committee alongside this report on 28 February 2024. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Other opinion/key findings

We anticipate issuing an unmodified opinion in respect of the other information presented with the financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 28 February 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council was below the threshold requiring extended procedures. We anticipate that we will issue the required 2022/23 assurance statement to the NAO shortly.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

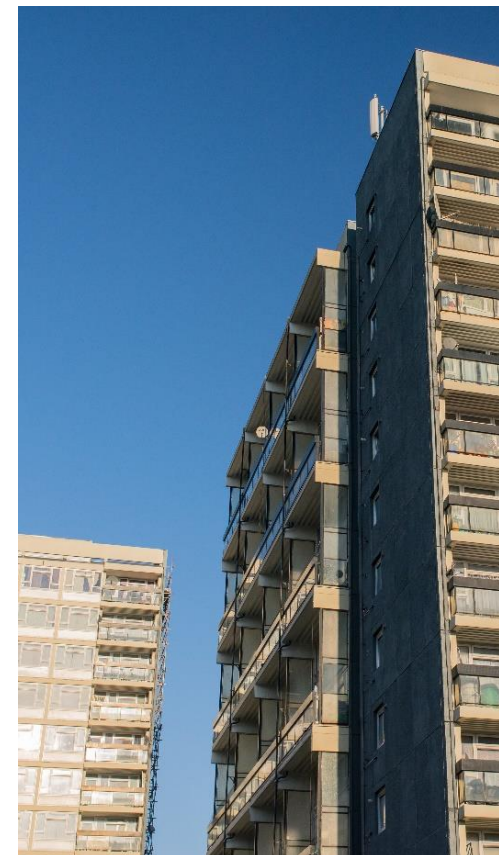
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

| Type of recommendation | Background | Raised within this report | Page reference(s) |
|------------------------|---|---------------------------|-------------------|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. | No | N/A |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council’s arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’. | No | N/A |
| Improvement | These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements. | Yes | 19 |

Appendix C:

Sources of evidence



Staff involved

- Adrian Smith, Chief Executive
- Melanie Williams, Corporate Director (Adult Social Care and Health)
- Colin Pettigrew, Corporate Director (Children and Families)
- Derek Higton, Interim Corporate Director (Place)
- Nigel Stevenson, Service Director (Finance, Infrastructure and Improvement)
- Marjorie Toward, Service Director (Customers, Governance and Employees)



Documents Reviewed

- Detail all key documents reviewed

