

## **Governance and Ethics Committee**

**Wednesday, 03 May 2023 at 10:30**

**County Hall, West Bridgford, Nottingham, NG2 7QP**

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### **AGENDA**

1	Minutes of last meeting held on 22 March 2023	3 - 6
2	Apologies for Absence	
3	Declarations of Interests by Members and Officers:- (see note below) (a) Disclosable Pecuniary Interests (b) Private Interests (pecuniary and non-pecuniary)	
4	Local Government & Social Care Ombudsman Report February to March 2023	7 - 32
5	Governance & Ethics Committee Annual Report 2022-23	33 - 42
6	Local Code of Corporate Governance & Annual Governance Statement 2022-23	43 - 66
7	Statement of Accounts 2022-23 Accounting Policies	67 - 84
8	Informing the Audit Risk Assessment – 2022-23	85 - 116
9	External Audit - Annual Audit Report 2021-22	117 - 146
10	Work Programme	147 - 150

## **Notes**

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Kate Morris (Tel. 0115 804 4530) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>



Meeting **GOVERNANCE AND ETHICS COMMITTEE**

Date **Wednesday 22 March 2023 (commencing at 10.30am)**

**membership**

### **COUNCILLORS**

Philip Owen (Chairman)  
Johno Lee (Vice-Chairman)

Richard Butler  
Errol Henry JP - **apologies**  
Andy Meakin - **apologies**  
Michael Payne  
Sue Saddington - **apologies**

Helen-Ann Smith  
Nigel Turner  
Roger Upton - **apologies**  
Daniel Williamson

### **SUBSTITUTE MEMBERS**

Councillor Chris Barnfather for Councillor Mrs Sue Saddington  
Councillor Jim Creamer for Councillor Errol Henry  
Councillor Tracey Taylor for Councillor Roger Upton

### **INDEPENDENT PERSONS IN ATTENDANCE**

Ian Bayne  
Craig Cole  
Rob White

### **OFFICERS IN ATTENDANCE**

Sue Batty	- Adult Social Care & Public Health
Glen Bicknell	- Chief Executives
Heather Dickenson	
Catherine Haywood	
Simon Lacey	
Kate Morris	
Keith Palframan	
Marjorie Toward	
Nigel Stevenson	
Jill Norman	- Children and Families

### **OTHERS IN ATTENDANCE**

Andrew Smith - External Auditor, Grant Thornton.

## **1. MINUTES**

The Minutes of the last meeting held on 22 February 2023, having been previously circulated, were confirmed and signed by the Chairman.

## **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from:

- Councillor Errol Henry (Other Reasons)
- Councillor Andy Meakin (Other County Council Business)
- Councillor Mrs Sue Saddington (Medical / Illness)
- Councillor Roger Upton (Other Reasons)

## **3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS**

None.

## **4. UPDATE ON LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN DECISIONS (JANUARY 2023 TO FEBRUARY 2023)**

The report set out information about two complaints against the Council where fault was found by the Local Government and Social Care Ombudsman. Members were given the opportunity to ask questions of officers and seek assurance about actions put in place from the relevant departments regarding those complaints.

Jill Norman, Group Manager for Integrated Children's Disability Service and Sue Batty, Service Director for Community Services and Aging Well answered members questions on the complaints where fault had been found.

During discussion members requested a further report in the future providing an update on performance around the timely annual review of the Education, Health and Care Plans.

### **RESOLVED: 2023/11**

- (1) That members note the findings of the Local Government and Social Care Ombudsman and welcome the lessons learned and actions taken in response to the findings
- (2) That a further report on the Annual reviews of Education, Health and Care Plans be brought to this committee in 6 months' time to consider how improvements made have impacted performance against national targets.

## **5. UPDATE ON COMMUNICATION IMPROVEMENTS IN RESPONSE TO THE LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN FINDINGS**

The report provided an update to the Committee on improvements made in Adult Social Care Financial Services in response to the corporate review of complaints and the subsequent departmental review undertaken with the Service to address concerns raised in the September 2022 meeting of this Committee.

Members were given the opportunity to ask questions of officers and agreed that the work undertaken and the changes being implemented were positive. They thanked officers for their work on implementing the changes described in the report.

**RESOLVED: 2023/12**

- 1) That members note the improvements delivered in response to the findings of the Local Government and Social Care Ombudsman and the actions planned in response to the findings.
- 2) That the Committee receive a further report in 12 months' time to review the impact of the measures introduced as a result of the review.

**6. ANNUAL AUDIT FINDINGS 2021 - 22**

The report set out the findings of the Annual Audit 2021-22. Nigel Stevenson, Service Director for Finance, Infrastructure & Improvement and Section 151 Officer, and Andrew Smith, External Auditor from Grant Thornton answered members technical questions.

Members sought assurance around a number of issues including previously identified actions required and the Medium Term Financial plan.

**RESOLVED: 2023/13**

That the Committee notes the external auditors' Audit Findings Report 2021/22

**7. INTERNAL AUDIT TERM 2 PROGRESS REPORT & TERM 1 PLAN 23-24 REPORT**

**RESOLVED: 2023/14**

That the Committee notes the outcome of the Internal Audit work carried out in Term 2 – 2022/23 and the planned coverage of Internal Audit's work in Term 1 of 2023/24 be progressed to help deliver assurance to the Committee in priority areas.

**8. CORPORATE GOVERNANCE UPDATE**

The report provided an update on the progress being made on the Governance Action Plan for 2022/23 detailing work undertaken across a number of issues.

Members sought assurance that where proposed changes to the constitution impacted external bodies on which County Council Members sat, that the external body would be consulted. The Chairman confirmed that the cross party working group that considered changes to the constitution included members from all parties, as well as officers, and that feedback from the working group would highlight any suggested changes.

**RESOLVED: 2023/15**

That Members note the actions taken to update the governance issues raised in this report.

## **9. CODE OF CONDUCT FOR COUNCILLORS REPORT**

The report updated the Committee on the work carried out by the Members Working Group to produce a new Code of Conduct for Members. The Independent persons thanked Members and Officers for taking into account their input throughout the process and encouraged all members to participate in the upcoming training events.

Members thanked the Independent Persons for their input throughout the process, and thanked officers for their support and hard work on drafting the revised Nottinghamshire Code.

### **RESOLVED: 2023/16**

- 1) That Committee recommends to Council the adoption of the revised draft Nottinghamshire Code attached to the published report at Appendix 1
- 2) That appropriate mandatory training be arranged for members, to be completed as soon as practicable.
- 3) That members review their declarations of interests following notification by Democratic Services.
- 4) That authority be delegated to the Monitoring Officer to develop, amend and implement guidance and procedures as may be necessary to sit alongside the revised Nottinghamshire Code, in consultation with the Chairman of Governance Committee where appropriate

## **10. WORK PROGRAMME**

### **RESOLVED: 2023/17**

That the work programme be agreed.

The meeting closed at 11:16am.

CHAIRMAN

**3 May 2023****Agenda Item: 4****REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE  
AND EMPLOYEES****LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN DECISIONS  
FEBRUARY 2023 TO MARCH 2023****Purpose of the Report**

1. To inform the Committee about Local Government & Social Care Ombudsman's (LGSCO) decisions relating to the Council since the last report to Committee was completed and therefore any decisions after 24<sup>th</sup> February 2023.

**Information**

2. Members have asked to see the outcome of Ombudsman investigations regularly and promptly after the decision notice has been received. This report therefore gives details of all the decisions received since the last report to this Committee which was held on 22<sup>nd</sup> March 2023.
3. The LGSCO provides a free, independent and impartial service to members of the public. It looks at complaints about Councils and other organisations. It only looks at complaints when they have first been considered by the Council and the complainant remains dissatisfied. The LGSCO cannot question a Council's decision or action solely on the basis that someone does not agree with it. However, if the Ombudsman finds that something has gone wrong, such as poor service, a service failure, delay or bad advice and that a person has suffered as a result, the LGSCO aims to get the Council to put it right by recommending a suitable remedy.
4. The LGSCO publishes its decisions on its website ([www.lgo.org.uk/](http://www.lgo.org.uk/)). The decisions are anonymous, but the website can be searched by Council name or subject area.
5. A total of six decisions relating to the actions of this Council have been made by the Ombudsman in this period. Appendix A to this report summarises the decisions made in each case for ease of reference and Appendix B provides the full details of each decision.
6. Full investigations were undertaken into two complaints. Appendix A provides a summary of the outcomes of the investigation. Where fault was found, the table shows the reasons for the failures and the recommendations made. If a financial remedy was made the total amount paid or reimbursed is listed separately.

7. There was fault found in both cases. The first case is in Adults. The complaint is about the care and treatment of Miss C's Mother by the Care Home, Nottingham County Council (the Council) and the Dementia Outreach Service (Dementia Outreach) She is also unhappy about how the Council decided to move her mother to a new care home. Fault was found by the Ombudsman in how the Council moved Mrs D in terms of the risk assessment and not liaising with the GP and Dementia Outreach. As a result the Council has apologised to Miss C, agreed to pay £100 and remind staff of the importance of written risk assessments and the procedure to follow. A clear reminder of the process and guidance has also been communicated to all staff in the most recent Practice newsletter.
8. The second complaint is in Childrens. The complaint is about an Education, Health and Care Plan (EHCP). Ms X complained the Council delayed issuing Child A's EHC plan and ignored advice from medical professionals. Fault was found as the the Council delayed securing OT provision for Child A as set out in the plan of April 2022. Child A received no OT support between April and September 2022 and not the full OT support set out in the plan between September and December 2022. To remedy the injustice the Council Ms X £300 for the frustration and time and trouble caused by the delay in issuing Child A's final EHC Plan; and pay Ms X a symbolic payment of £2400 to acknowledge the loss of provision caused by the delay in issuing the plan between October 2021 and April 2022 and Child A's loss of education and provision between April 2022 and December 2022 once the plan was issued. The Council also has to provide evidence of actions it is taking to increase educational psychology capacity and reduce waiting times; and provide evidence of actions it is taking to increase capacity for specialist school places.

### **Statutory and Policy Implications**

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Data Protection and Information Governance**

10. The decisions attached are anonymised and will be publicly available on the Ombudsman's website.

### **Financial Implications**

11. The details of any financial payments are set out in Appendix A. £2,700 will come from Childrens and £100 will come from Adults.

### **Implications for Service Users**

12. All of the complaints were made to the Ombudsman by service users, who have the right to approach the LGSCO once they have been through the Council's own complaint process.



## **RECOMMENDATION/S**

13. That members note the findings of the Local Government and Social Care Ombudsman and welcome the lessons learned and actions taken in response to the findings

**Marjorie Toward**

**Monitoring Officer and Service Director – Customers, Governance and Employees**

**For any enquiries about this report please contact:**

Richard Elston Team Manager – Complaints and Information Team

### **Constitutional Comments (HD (Standing))**

14. Governance & Ethics Committee is the appropriate body to consider the content of this report. If the Committee resolves that any actions are required, it must be satisfied that such actions are within the Committee's terms of reference.

### **Financial Comments (SES 11/04/2023)**

15. The financial implications are set out in paragraph 11 of the report.

16. The details of the financial payments are set out in Appendix A. £2,700 will come from Childrens and £100 will come from Adults.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All



## APPENDIX A

### DECISIONS NOT TO INVESTIGATE FURTHER

DATE	LGO REF	PROCEDURE	COMPLAINT SUMMARY	REASON FOR DECISION
14.03.23	22015399	Adults	Mr X complains the Council still hold him responsible for care fees after Father passed away	Ombudsman won't investigate complaints over 12months since complaint took place
07.03.23	22011495	Adults	Mr X complains about his care package and financial contributions	Ombudsman won't investigate the complaint as it was out of timescales
01.03.23	22010277	Corporate	Mr X complains about maintenance of footpath	The Ombudsman decided not to investigate because there is insufficient evidence of fault by the Council and insufficient injustice caused to Mr X to warrant an investigation
15.03.23	21011987	Adults	Mr Y complains Nottinghamshire County Council (the Council) is not providing him with adequate care to meet his needs	The Ombudsmen will not investigate a complaint about social care provided under section 117 of the Mental Health Act. This is because the information we have seen suggests the assessment the Council completed was in line with expected standards and we are unlikely to find fault.

### THERE WERE NO FULL INVESTIGATIONS WHERE NO FAULT FOUND

### FULL INVESTIGATIONS WHERE FAULT FOUND

DATE	LGO REF ANNEX PAGE NO	PROCEDURE	COMPLAINT SUMMARY	DECISION	RECOMMENDATION	FINANCIAL REMEDY	STATUS OF AGREED ACTION
21.02.23	22001037	Adults	Miss C complains about how the Council treated her Mother and how they decided to	Fault found with how the risk assessment was done in deciding whether to move Miss C's Mother	The Council should write to Miss C apologising for the uncertainty caused by the faults in its process and should pay Miss C	£100	Actions completed and satisfied by Ombudsman

			move her mother to a new care home causing stress and anxiety	and how communicated with GP and other parties	£100 for the uncertainty it caused her The Council must remind its staff of the importance of completing written risk assessments when considering moving residents with dementia to a new care home and remind them of the procedure to follow		
24.02.23	22003903	Childrens	Ms X complains the Council delayed issuing Child A's Education Health and Care (EHC) plan and ignored medical professionals leaving the child without some provisions for several months	The Council was at fault for the delay in issuing Child A's EHC plan and not providing Child A with all the provision set out in it	The Council pay Ms X £300 for the frustration and time and trouble caused by the delay in issuing Child A's final EHC Plan; and pay Ms X a symbolic payment of £2400 to acknowledge the loss of provision caused by the delay in issuing the plan between October 2021 and April 2022 and Child A's loss of education and provision between April 2022 and December 2022 once the plan was issued. Also the Council must provide evidence of actions it is taking to increase educational psychology capacity and reduce waiting times; and provide evidence of actions it is taking to increase capacity for specialist school places.	<b>£2700</b>	<b>Actions completed 6<sup>th</sup> April, await remedy satisfaction notification</b>




**Complaint reference:**  
22 001 037

**Complaint against:**  
Nottinghamshire County Council  
Dementia Outreach Service  
Church Farm Care Home



## **The Ombudsmen's decision**

Summary: Miss C has complained about a Home, Council and a Dementia Outreach Service about the care of her late mother, Mrs D. We found fault with the Home with oral care and nutrition and the Council in Mrs D's move to a new care home. We did not find fault with Dementia Outreach.

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## **The complaint**

1. Miss C complains about the care and treatment of her mother, Mrs D, by Church Farm Care Home (the Home), Nottingham County Council (the Council) and the Dementia Outreach Service (Dementia Outreach) run by Nottinghamshire Healthcare NHS Foundation Trust (the Trust) in late 2021 and early 2022. She is also unhappy about how these organisations decided to move her mother to a new care home (the New Home).
2. Specifically, Miss C complains about:
  - a lack of oral care for her mother,
  - a lack of nutrition for her mother leading to weight loss,
  - diazepam management by the Home and Dementia Outreach,
  - the decision to move her mother to a different home,
  - unexplained bruises,
  - the coldness of her mother's room,
  - infection control,
  - Christmas dinner being cold,
  - lost property,
  - rudeness of staff and;
  - her mother was left in a wheelchair without its brakes on
3. Miss C says the alleged failings in care led to distress and pain for her mother. She also says the move to the New Home may have hastened her mother's death. Because of the events of this complaint Miss C has said she was off work with stress and was prescribed antidepressants.
4. Miss C wants some financial compensation to help pay for her mother's funeral costs. She also wants an apology and an admission her mother should not have been moved.

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## What I have and have not investigated

5. I have investigated:

- a lack of oral care for Mrs D,
- a lack of nutrition for Mrs D leading to weight loss,
- diazepam management by the Home and Dementia Outreach and;
- the decision to move Mrs D to a different home.

I have not investigated:

- unexplained bruises,
- the coldness of Mrs D's room,
- infection control,
- Christmas dinner being cold,
- lost property,
- rudeness of staff and;
- Mrs D was left in a wheelchair without its brakes on.

6. With the unexplained bruises an investigation would not find the cause of these bruises. The Home has responded appropriately by telling Miss C what action it took, that it gave her mother painkillers and apologising for not keeping Miss C informed.
7. On the coldness of Mrs D's room, we cannot investigate at this later stage what temperature the room was, and the Home has given an explanation which we could not investigate further.
8. There was a fault as the Home has admitted not checking the COVID-19 test results of visitors. However we could not find that this was the direct cause of Mrs D catching COVID-19 as other factors could have led to her infection. The Home has also apologised and it changed its practice so we would not add anything to this response.
9. It would not be a proportionate use of our resources to investigate the issue of Miss C and her mother's Christmas dinner being cold and the Home has already apologised.
10. Also, we will not be investigating the issue of lost property as we would not find out what happened to the missing property after this amount of time has passed. Further, the Home has responded appropriately to this complaint.
11. The Home has responded to the complaint about rudeness of staff and we could not prove whether staff were rude or not and so we will not be exploring this issue.
12. The Home has responded to the issue with the wheelchair brakes. An investigation by the Ombudsmen would not shed any further light on this issue as there would be no written record of whether Mrs D's wheelchair brakes were on or off.

## The Ombudsmen's role and powers

13. The Ombudsmen investigate complaints about 'maladministration' and 'service failure'. We use the word 'fault' to refer to these. If there has been fault, the Ombudsmen consider whether it has caused injustice or hardship (Health Service



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*Commissioners Act 1993, section 3(1) and Local Government Act 1974, sections 26(1) and 26A(1), as amended).*

14. If it has, they may suggest a remedy. Our recommendations might include asking the organisation to apologise or to pay a financial remedy, for example, for inconvenience or worry caused. We might also recommend the organisation takes action to stop the same mistakes happening again.
15. If the Ombudsmen are satisfied with the actions or proposed actions of the bodies that are the subject of the complaint, they can complete their investigation and issue a decision statement. *(Health Service Commissioners Act 1993, section 18ZA and Local Government Act 1974, section 30(1B) and 34H(i), as amended)*

## **How I considered this complaint**

16. During this investigation I have considered evidence from Miss C and from the Council, the Home and Dementia Outreach. I have also considered the relevant guidance and legislation. I am sharing this draft decision with Miss C and the organisations to give them the opportunity to comment on it before I make my final decision.

## **What I found**

### **Background**

17. Mrs D had dementia and entered the Home in early December 2021. She had previously lived in her own home. In January 2022 Mrs D was assessed as ineligible for Continuing Healthcare funding. This is funding from the NHS for someone's care when they meet the criteria of having a primary health need. This decision meant the NHS was no longer solely paying for Mrs D's stay at the Home.
18. From this point the NHS provided funding for nursing care and the Council was responsible for the rest of the Home's fees. At this point it emerged the Home charged an extra 'top up fee' for its services. A care home top-up fee is an extra payment that makes up the difference between what the Council will pay and the full cost of a care home.
19. The top-up is usually paid by a relative, friend or another third party. It is sometimes called a third-party top-up fee.
20. As the Council would not fund, and the family could not fund the third party fees, the Council took the decision to move Mrs D to the New Home. Mrs D moved to the New Home in February 2022. She died of heart failure in February 2022 shortly after the move.
21. Miss C complained about her mother's care and the move to the New Home. The Council and the Home investigated these complaints and responded to Miss C before she approached the Ombudsmen with her complaint which then also included Dementia Outreach. Dementia Outreach responded to Mrs D's complaints during our investigation.
22. Dementia Outreach offers specialist support to care homes having difficulty managing behaviours related to an individual's dementia. Following assessment, Dementia Outreach provides guidance and support to the care home in such matters as medication and care plans.

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### **Oral care**

23. Miss C said that when her mother moved to the New Home, carers said her mother's dentures were black and had not been cleaned for a while. Also, her gums looked unhealthy. Miss C thought this may also have explained why her mother was not eating properly.
24. The Home said Mrs D got anxious and distressed and sometimes refused oral care. The Home said it would not have been right to give oral care at these times, but that staff should have recorded why they did not carry out this task. The Home said it was working on improving staff recording in this area, especially with agency staff, and there had been some improvement.
25. The Home said since this complaint all staff had extra oral care training in 2022. The Home also checks oral care during daily staff tours of the Home.

### **Analysis**

26. Mrs D's care plan at the Home said staff should check Mrs D's oral hygiene daily, checking lips, tongue, gums, roof of mouth for any sore areas or redness.
27. The Home's records do not show evidence of staff carrying out oral care and hygiene daily. There are some instances of Mrs D being unsettled and refusing oral care.
28. However, there are several other occasions when it is not recorded and no reason recorded such as that Mrs D refused oral care.
29. There was fault in the record keeping and this has left Miss C unsure if the Home properly carried out her mother's oral care.
30. The Home has taken enough action on a systemic level to prevent this arising again, but Miss A is left with uncertainty caused by this issue.

### **Nutrition**

31. Miss C said the Home did not manage her mother's nutrition which meant she lost weight and this affected her health.
32. The Home outlined the weights it recorded for Mrs D during her time at the Home:
  - 10/12/21 – 70.05kg
  - 29/12/21 – 66.45kg
  - 01/01/22 – 70.25kg
  - 04/01/22 – 68.8kg
  - 21/01/22 – 65.3kg
  - 01/02/22 – 63.65kg
33. The Home went on to say that on 19 January 2022 staff spoke to Mrs D's GP about poor nutrition and fluid intake. The GP said to continue to record her weight and offer food and drinks throughout the day while providing choices according to her likes and dislikes.
34. The Home said it sought a medication review from Dementia Outreach as it felt an increase in mood could help with her food intake.
35. On the daily records, the Home said they showed dietary intake changed depending on Mrs D's mood and anxiety. The Home offered her a fortified diet with milk and cream in food and cakes and chocolates offered outside mealtimes to encourage her to eat.

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## Analysis

36. From the evidence provided by the Home there is a weight loss of 7.4kg during Mrs D's stay which was about seven weeks. This represents a significant weight loss for a short period. I also noted that at the start of January 2022 Mrs D's weight had gone up to 70.25kg. It then went down to 63.65kg so there was a significant weight loss which happened in the space of a month.
37. Mrs D's care plan review in January 2022 stated she had poor cognition when it came to diet, and she would need prompting and assistance.
38. It states all staff should follow the care plan, offer her choices, weigh her each month and update the care plan as necessary. It also required staff to liaise with Miss C and Mrs D's GP if there were any concerns about her weight. The plan also said to involve a Speech and Language Therapy Team (SALT) and her GP if Mrs D constantly refused food. Speech and language therapists provide treatment, support and care for people who have difficulties, eating, drinking and swallowing.
39. The records state Mrs D could eat independently but that she was often distressed and refused food.
40. There is evidence that in January staff were staying with Mrs D to encourage her to eat. It was also correct they involved the GP on 19 January and were updating Mrs D's care plan to reflect her changing eating and drinking habits.
41. There is sufficient evidence in the records to show that despite these actions, Mrs D was still losing weight.
42. Also, there was a week to ten days at the start of January 2022 when Mrs D was consistently declining her main meals and her weight started to go down rapidly.
43. According to the care plan, the GP and the SALT Team should have been involved at this stage. I find it was fault the Home did not seek help from the GP and SALT at this point as it had been an issue for a number of days.
44. We cannot decide whether the Home involving the GP and SALT earlier would have improved Mrs D's nutrition as there were other factors such as her mood and dementia which can affect someone's food intake. However, Miss C is left with frustration from not knowing if more could have been done to improve her mother's nutrition earlier. Also, the Home has not taken any action to prevent this happening to other residents in the future.

## Diazepam

45. Miss C said the Home ran out of diazepam for her mother. Also, she felt the Home was not controlling her mother's hallucinations before she was moved to the New Home. Miss C said the head nurse at the Home told her the diazepam was not working. Miss C said that Dementia Outreach was supposed to be changing her mother's medication to help with her mood and improve her appetite. This improvement did not happen, and her mother was moved while still suffering hallucinations.
46. Diazepam is a drug used to treat anxiety. It has in the past been used to treat hallucinations which can be a symptom of dementia.
47. The Home said the only occasion where it ran out of diazepam was in early January and this was for a total of 12 hours. Home staff chased this and obtained more. It said the prescription of the medication was managed by Dementia Outreach and Mrs D's GP.

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48. Dementia Outreach said it gave advice over the phone in December 2021 before a Community Psychiatric Nurse (CPN) from its service visited Mrs D two days later. Along with advice about giving diazepam more regularly the CPN told staff to record the effects of this to see if it was working.
  49. Dementia Outreach said it followed up one week later when the Home said the diazepam was not having much effect, so it planned to discuss this at its Multi-Disciplinary Team meeting. Dementia Outreach stated that in the initial weeks after moving to a new home its approach would be to watch and wait as the resident gets used to their new environment.
  50. Dementia Outreach said that in January 2021 Mrs D's GP asked it to review her again as she was not responding well to diazepam. The CPN reviewed Mrs D a week later and carried out a medication review.
  51. Dementia Outreach said it discussed possible medication options with the Home and family and also discussed it with a Consultant Psychiatrist who suggested mirtazapine. Mirtazapine is an antidepressant and can be used to treat anxiety.
  52. The Consultant Psychiatrist started Mrs D on mirtazapine but when the CPN contacted the Home a week later to follow up, Mrs D had already moved to the New Home.

### **Analysis**

53. The Home has not addressed whether it was managing Mrs D's hallucinations. Whilst Miss C has provided evidence which she states shows her mother hallucinating, there was no evidence of hallucinations in the Home's records.
54. From the Home's records there is evidence in December 2021, after Mrs D had been a resident at the Home for three weeks, staff sought help from Dementia Outreach.
55. The December 2021 records outline that the Home told Dementia Outreach Mrs D was anxious, crying most of the time and asking to go home. They discussed the medication, and the plan was to give regular diazepam and monitor its effectiveness. Also, Dementia Outreach advised that Mrs D had not long been in the home and she needed time to settle and build relationships with staff.
56. The Dementia Outreach record of the visit in December 2021 states that staff had contacted it as Mrs D was very anxious and disorientated.
57. The Dementia Outreach worker said Mrs D did not appear to be having hallucinations at this time.
58. According to this visit record, Dementia Outreach told staff to give Mrs D diazepam more regularly to see if this helped. They would then do a medication review to see if they could try Mrs D on another medication.
59. The daily records from the Home also portray the situation of Mrs D being very anxious and tearful from when she first entered the Home in early December.
60. Mrs D's mood did improve slightly in January 2022 and staff recorded her mood several times a day. The Home records outline a visit by Dementia Outreach a month later which states diazepam is helping and Mrs D's mood is more settled than before.
61. According to this note Dementia Outreach also said it would speak to Mrs D's GP about prescribing mirtazapine and then decrease diazepam. Mirtazapine usually takes about four to six weeks to start working.

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62. There is sufficient evidence in the notes from the Home and Dementia Outreach that they were managing the diazepam effectively in upping the frequency of the dose at first and then looking at other options.
63. It was appropriate to have a period of waiting to see if Mrs D would settle down as she was a dementia patient who had just moved to a care home for the first time and there was likely to be a period of her being unsettled.
64. The Home sought advice when necessary and followed the instructions of Dementia Outreach in using the medication more frequently and noting its effects.
65. Dementia Outreach acted appropriately in visiting Mrs D twice at the request of the Home, following this up with calls and giving advice to the Home and Miss C in how to help manage Mrs D's anxiety. It also carried out a medication review and sought advice of the Consultant Psychiatrist to see if another medication would benefit Mrs D.
66. The records also illustrate there was an occasion in early January when the Home ran out of diazepam and there was a delay in obtaining some as the pharmacy was not answering their calls.
67. There is no evidence of deterioration in Mrs D's mood or an increase in anxiety during this time. Therefore, I have not found fault in the Home running out of diazepam or that it caused any harm to Mrs D.
68. Taking the above into consideration, I do not find fault in the Home or Dementia Outreach's management of Mrs D's diazepam.
69. In addition, I have not found sufficient evidence in the Home's or Dementia Outreach's records to show that Mrs D was suffering unmanaged hallucinations when she was moved to the New Home.

#### **The move to the New Home**

70. Miss C said she was unhappy with the speed of the move as her mother was still very anxious, had just started on mirtazapine and was not well enough to be moved. In addition, Miss C said she found a suitable home for her mother, but it had a waiting list. She said that no one was willing to wait the matter of weeks it would take before this home would accept her mother.
71. The Council said that Mrs D was assessed as ineligible for Continuing Healthcare funding from 10 January onwards. It went on to say the Home charges a third-party payment which is the responsibility for the family to pay.
72. Because of the family being unable to pay this third-party payment, the Council started looking at the option of moving Mrs D to another home, but it would make this payment in the meantime.
73. The Council said during this process is liaised with several professionals involved in Mrs D's care. The Council said it spoke to Dementia Outreach who said although Mrs D had recently changed medications, it did not think this would have a detrimental effect on any transfer arrangements to a new home.
74. The Council also said that Dementia Outreach, the Home and the Continuing Healthcare nurse who had assessed Mrs D did not have any concerns about her health and that she was stable.
75. The Council also said it worked with Miss C to help identify alternative homes and checked availability before it chose the New Home. It said that there were several lockdowns at the time due to COVID-19 and so even though Miss C did identify

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an alternative home the wait was around six weeks and there was no guarantee it would accept Mrs D or not be subject to lockdown.

- 76. The Council said the move was made in Mrs D's best interests.
- 77. Dementia Outreach said on the evidence available there were no discussions between it, the Council the Home or the family regarding the decision to move Mrs D. It said it was not its role to make decisions about moving residents and no one made it clear to Dementia Outreach why Mrs D was moved.

### **Analysis**

- 78. The responsibility in cases such as Mrs D's for moving residents lies with the Home and the Council.
- 79. The Council has a policy governing such moves - Care Home Placements Guidance (the Guidance). It states if a care home has a third party fee the Council should let the family know and the resident may need to be moved if the family or Council will not pay the fee.
- 80. The Guidance also states that the Council should consider if the resident's needs can be met at alternative accommodation and if such a move poses a significant risk to the person's care and wellbeing. To this end the Council should carry out a risk assessment which takes into account such factors as the length of stay at the original home, the opinions of professionals and the wishes and preferences of the resident and relevant people such as family.
- 81. The Council records show it discussed the proposed move with the family and the Home. Miss C was against the move until the mirtazapine took effect due to her mother's anxious state.
- 82. The Council weighed this view with that of the nurses at the Home that Mrs D was stable enough to be moved.
- 83. Although there is a telephone record of a call between the Council and Dementia Outreach in which the move was discussed, Dementia Outreach has said it did not have any input into the move and the follow up email it sent after this conversation does not mention the move and whether it would be suitable for Mrs D. Therefore, I have insufficient evidence that the Council sought the views of Dementia Outreach about the move.
- 84. There is also no medical input into this decision from Mrs D's GP or a written risk assessment of the move.
- 85. There was an assessment of the New Home done over the phone, but this is not properly documented.
- 86. Due to the lack of a risk assessment, there was fault in how the Council carried out the procedure to move Mrs D. She was suffering from dementia and had chronic anxiety as well as recently starting medication that takes four to six weeks to take effect.
- 87. There should have been a written full risk assessment to show Council had properly considered how the move could have affected Mrs D. It would also have been better if the Council had consulted properly with Dementia Outreach and contacted Mrs D's GP. The Council did consult some professionals with clinical knowledge such as the nurses at the Home. Therefore, I cannot say the move would not have happened or that Mrs D was caused injustice because of the fault identified.



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88. We also cannot link Mrs D's death with the move as there are too many other factors that could have impacted on her deterioration and there is no medical evidence to show she was unfit to be moved. However, the faults in the process of the move have led to uncertainty for Miss C about whether the move was appropriate and whether the Council acted correctly.

## **Recommendations**

89. Due to the frustration and uncertainty caused to Miss C by the faults of the Council and the Home, I have made the following recommendations:

90. By 24 March 2023:

The Home:

- should write to Miss C apologising for the frustration and uncertainty she experienced caused by its lack of adequate oral care record keeping and the lack of involvement of the SALT team,
- should pay Miss C £100 for this uncertainty and the frustration it caused her; and
- should remind its staff of the importance of following resident's nutrition care plans and when to involve other professionals. It should also consider whether any training is necessary for its staff.

The Council:

- should write to Miss C apologising for the uncertainty caused by the faults in its process of moving Mrs D to the New Home,
- should pay Miss C £100 for the uncertainty it caused her; and
- should remind its staff of the importance of completing written risk assessments when considering moving residents with dementia to a new care home. It should ensure all officers involved in moving residents are aware of what procedure to follow

91. The Home and the Council should provide us with evidence they have complied with the above actions.

## **Final decision**

92. I find fault with the Home's actions in relation to oral care and nutrition but not with its management of diazepam. I find fault with the Council in how it handled Mrs D's move to the New Home. I do not find fault with Dementia Outreach.

## **Investigator's decision on behalf of the Ombudsmen**





## **The Ombudsman's final decision**

Summary: Ms X complained the Council delayed issuing Child A's Education Health and Care (EHC) plan and ignored medical professionals. Because of the delay, Ms X said Child A missed specialist pre-school provision between April and early September 2022 and did not have an appropriate setting in place for the new school year. The Council was at fault for the delay in issuing Child A's EHC plan and not providing Child A with all the provision set out in it. The Council will pay Ms X £300 for frustration caused by the delay and £2400 to acknowledge the missed provision. The Council will provide evidence of the action it is taking to increase educational psychology capacity and specialist school places.

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## **The complaint**

1. Ms X complained the Council delayed issuing Child A's EHC plan and ignored advice from medical professionals. As a result of the delay Ms X said Child A has missed out on specialist pre-school provision between April and early September 2022 to which they were entitled and Child A did not have an appropriate setting for the new school year. Ms X said this has caused distress and anxiety. She would like compensation and for Child A to have adequate provision to meet their educational and wellbeing needs.

## **The Ombudsman's role and powers**

2. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
3. The law says we cannot normally investigate a complaint when someone can appeal to a tribunal. However, we may decide to investigate if we consider it would be unreasonable to expect the person to appeal. (*Local Government Act 1974, section 26(6)(a), as amended*)
4. The First-tier Tribunal (Special Educational Needs and Disability) considers appeals against council decisions regarding special educational needs. We refer to it as the SEND Tribunal in this decision statement.

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5. If we are satisfied with an organisation's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)
  6. Under the information sharing agreement between the Local Government and Social Care Ombudsman and the Office for Standards in Education, Children's Services and Skills (Ofsted), we will share this decision with Ofsted.

## How I considered this complaint

7. I considered:
  - the information Ms X provided and spoke to her about the complaint;
  - the information the Council provided in response to my enquiries;
  - relevant law and guidance, as set out below; and
  - our guidance on remedies, published on our website.
8. Ms X and the Council had the opportunity to comment on the draft decision. We considered their comments before making a final decision.

## What I found

### Relevant law and guidance

9. A child with special educational needs (SEN) may have an Education, Health and Care (EHC) plan. This sets out the child's needs and what arrangements should be made to meet them. The EHC plan is set out in sections. We cannot direct changes to the sections about education or name a different school. Only the tribunal can do this.
10. The EHC plan is set out in sections which include:
  - Section B: The child or young person's special educational needs.
  - Section F: The special educational provision needed by the child or the young person.
  - Section I: The name and/or type of school.
11. The Council is responsible for making sure that arrangements specified in the EHC plan are put in place. We can look at complaints about this, such as where support set out in the EHC plan has not been provided, or where there have been delays in the process.
12. There is a right of appeal to the SEND Tribunal against a decision not to assess, issue or amend an EHC Plan or about the content of the final EHC Plan. Parents must consider mediation before deciding to appeal. An appeal right is only engaged once a decision not to assess, issue or amend a plan has been made and sent to the parent or a final EHC Plan has been issued.
13. The courts have established that if someone has lodged an appeal to a SEND Tribunal, the Ombudsman cannot investigate any matter which is 'inextricably linked' to the matters under appeal. This means that if a person disagrees with the placement named in an EHC Plan we cannot seek a remedy for lack of education after the date the appeal was engaged if it is linked to the disagreement about the school place named. (*R (on the application of ER) v Commissioner for Local Administration (Local Government Ombudsman) [2014] EWCA Civ 1407*).

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14. Where a council receives a request for an EHC needs assessment it must give its decision within six weeks whether to agree to the assessment. The whole process from the point when an assessment is requested until the final EHC Plan is issued must take no more than 20 weeks (unless certain specific circumstances apply).
15. As part of the EHC assessment councils must gather advice from relevant professionals (*SEND 2014 Regulations, Regulation 6(1)*). This includes:
- the child's education placement;
  - medical advice and information from health care professionals involved with the child; and
  - psychological advice and information from an Educational Psychologist (EP).
- Those consulted have six weeks to provide the advice.

### **Compulsory school age**

16. A child is of "compulsory school age" on 1 January, 1 April or 1 September following their fifth birthday. This means for a child born in September, although they will typically start school in the September in which they reach age five, they are not of compulsory school age until 1 January the following calendar year.

### **What happened**

17. Child A is not of compulsory school age and attended a mainstream pre-school setting. In March 2021 a doctor diagnosed Child A with autism and speech and language difficulties.
18. In late April 2021, Child A's pre-school requested the Council carried out an Education Health and Care (EHC) plan needs assessment on Ms X's behalf.
19. In early June 2021 the Council decided not to progress with a statutory assessment for Child A. The Council records show it recognised Child A had special educational needs (SEN) but there was minimal information in the application about the support Child A required at the pre-school setting.
20. Ms X agreed to mediation and in early July 2021 the Council revised its original decision and agreed to complete an EHC needs assessment.
21. In early August 2021 the Council advised Ms X there was delay in obtaining advice from the Educational Psychology service.
22. Between August and mid-November 2021, the Council received advice from education, an early years specialist, social care, NHS Speech and Language Therapy (SALT) and a doctor. In August 2021 Ms X also sent the Council an independent SALT report and an Applied Behavioural Analysis (ABA) report she had commissioned privately.
23. In mid-November 2021 the Council received Child A's educational psychologist report. The same day the Council emailed Ms X with the update.
24. The next day the Council's needs assessment panel decided Child A's needs should be met through an EHC plan and it sent Ms X a letter of its decision.
25. In early December 2021 the Council told Ms X it was progressing Child A's draft EHC plan.
26. In late December 2021 the Council issued Child A's draft EHC plan and sent it to Ms X. Two days later Ms X emailed the Council and asked why the ABA report and independent SALT report she commissioned had not been included in Child A's draft EHC Plan.

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27. The Council contacted the NHS SALT three times between early January and mid-February 2022 to ask for Child A's SALT report and to discuss the independent SALT report commissioned by Ms X.
  28. In mid-January 2022 Ms X made formal comments to the Council on the draft EHC plan and named two preferred specialist schools for Child A. She contacted the Council several times to discuss it.
  29. In mid-February 2022 the Council contacted Ms X and explained:
    - if section I of Child A's EHC Plan named specialist provision it would send out consultation requests;
    - why it had decided not to include the ABA report in Child A's EHC plan; and
    - it was still waiting for NHS SALT advice on the independent SALT report.
  30. In late February 2022 the Council received a response from the NHS SALT.
  31. In late March 2022 Child A's EHC co-ordinator was absent from work for two months.
  32. In late March 2022 Ms X and her legal representative contacted the Council three times for an update on the final EHC plan. Ms X then made a formal complaint to the Council about the delay in finalising Child A's EHC plan. She asked for it to be issued as soon as possible and asked the Council to apologise. The Council responded to Ms X in late March 2022.
  33. In early April 2022 the Council issued Child A's final EHC plan. Child A's provision included specified one to one support, 12 Occupational Therapy (OT) sessions per term plus additional OT support and three one to one SALT sessions for the year. Section I of Child A's EHC plan stated the placement as: '*Special school - to be confirmed*'.
  34. In late April 2022 the Council sent Ms X its stage 1 response. It apologised for the delay in Child A's EHC needs assessment process. It said Child A's educational psychology report should have been produced in mid-August 2021 but because of a shortage in educational psychology capacity and increased demand it was not submitted until mid-November 2021. It advised it had secured extra educational psychology capacity to reduce waiting times. It also acknowledged there were delays in issuing the draft EHC plan which was not shared until late December 2021 because of a Council officer absence. There were then additional delays whilst the Council sought clarification from professionals relating to their reports.
  35. In early May 2022 Ms X asked the Council for mediation about the school placement.
  36. Three days later Ms X asked the Council to commence the OT provision set out in the EHC plan and the next day the Council contacted the OT and enquired about the cost.
  37. In mid-May 2022 a medical professional wrote to the Council and said Child A's mainstream pre-school placement was not meeting Child A's health needs and they required a specialist setting.
  38. In late May 2022 mediation took place which discussed SALT provision and the Council contacting specialist schools. It was agreed once the Council received the school consultation responses they would be heard by the panel by early July 2022. Between late May and mid-June 2022 the Council sent consultations to the special schools including Ms X's two preferred schools. The Council did not receive all the responses until mid-September 2022.

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39. In early June 2022 the NHS SALT emailed the Council about Child A and said she could provide Child A with three to four SALT sessions to ensure strategies were in place for staff and Ms X.
40. In late June 2022 Ms X provided comments on the Council's complaint response and asked to go to the next stage. She also appealed the placement and content of Child A's EHC Plan to the SEND Tribunal.
41. In late July 2022 the Council sent its stage 2 response to Ms X. It reiterated there was a delay in issuing Child A's EHC plan, because of the delayed educational psychology report and the absence of the case coordinator between February and March 2022 and apologised.
42. The same day the Council approved OT support for Child A and was told by the OT there was a waiting list of up to three months. The Council emailed Ms X to tell her.
43. In late July 2022 Ms X made a further formal complaint to the Council. She said the Council failed to provide Child A's EHC Plan provision and failed to follow the mediation agreement. The Council responded to Ms X in late August 2022. It advised it had consulted her preferred schools and others maintained by the Council. It had yet to receive a response from two schools. Those who had responded were unable to offer Child A a place. It said it was not clear what provision Ms X considered the Council was failing to provide.
44. In early September 2022 Ms X escalated her complaint. She said:
- the Council had not met Child A's needs or provision set out in the EHC Plan because Child A was still not in specialist provision;
  - despite her appeal to the tribunal the Council still needed to deliver all provisions in section F of Child A's EHC Plan;
  - the only provision Child A had been provided was OT and that was delayed by six months. The one to one provision and SALT provision had not been provided;
  - Child A had been denied access to the full curriculum; and
  - the delay in providing Child A's EHC plan provision had a harmful effect on Child A's health, wellbeing, social and educational development.
45. Ms X wanted Child A to receive 30 hours funding until a specialist school placement was found.
46. Four days later the Council responded to Ms X's stage 2 complaint, it said:
- the Council had started the process of securing a suitable placement for Child A and had consulted several settings including Ms X's preferred schools but a placement with a specialist setting had not yet been found;
  - there was a high demand for specialist school places and demand often exceeded capacity. The Council was investing in increased capacity for specialist provision;
  - the Council was satisfied the provision in Child A's EHC plan was being provided and arrangements were in place for OT provision to be delivered and Child A was on the waiting list;
  - Child A should receive 3 NHS SALT sessions per year. The NHS SALT saw Child A once in May 2022 and further sessions had been arranged but

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cancelled due to illness and an inconvenient meeting date for Child A. The NHS SALT offered a further session in September 2022.

- Child A's EHC plan included one to one for some of the provision but Section F did not include a need for full time one to one support. Child A's mainstream setting confirmed Child A had one to one support for most of the 20 hours per week attended;
  - Child A's mainstream setting advised the Council it needed extra funding for one to one support for Child A, and Child A's attendance should be reduced to 12 hours per week after October 2022. The Council said it was progressing the extra funding for Child A;
  - Child A's EHC plan did not specify full-time pre-school education. It said the Council's duty to provide full time education would not apply until Child A was of compulsory school age. It said it had given advice about claiming for additional funding. However, it had concerns regarding Child A's ability to tolerate an increase above the current hours; and
  - it had offered home support through the Schools and Family Support Service.
47. The Council apologised Child A was adversely affected by the delay in securing a suitable school place. The Council agreed to consider additional funding to support Child A at pre-school, tender for a suitable independent school place, renew consultations with maintained special schools and contact Ms X's preferred school.
48. In January 2023 Child A started attending a specialist school.

## **My findings**

### **Delay in issuing EHC Plan**

49. The Council reached its initial decision not to carry out an EHC assessment within six weeks, which was within the statutory timescales and so was not fault. However, the final EHC Plan was not sent to Ms X until April 2022. Even allowing for the time taken for the Council to revise its decision to carry out an assessment the whole process took six months longer than it should have. This was fault.
50. The Council has accepted delays due to delays in receiving the educational psychology report and staff absence. When it became clear the Council would not receive the psychology report within the 20-week timescale for completing the EHC plan, the Council should have considered whether to commission a private assessment or seek external advice. The delay of 6 months in issuing the EHC Plan was fault and caused Ms X frustration. On balance, it is likely Ms X would have appealed earlier had the timescales been met. I cannot comment on the content or placement named in the plan because Ms X has appealed to the SEND tribunal. However, had the Council issued the EHC plan in line with statutory timescales then, on balance, Child A would have started receiving the support set out in section F of the plan, six months sooner.

### **EHC Plan Provision**

51. Child A did not start attending a special school until January 2023. Child A was attending a pre-school setting, was not of compulsory school age and was receiving some education and support. However, the plan issued in April 2022 stated 'a special school' so they were not attending a suitable school, in line with the plan. This was fault.



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52. The Council delayed securing OT provision for Child A as set out in the plan of April 2022. Child A received no OT support between April and September 2022 and not the full OT support set out in the plan between September and December 2022. This was fault and meant Child A did not receive the support they were entitled to receive.
53. The Council records show it did try to arrange Child A's NHS SALT sessions, but Child A could not attend these because of illness and one session was not convenient. However, Child A only received 1 of the 3 NHS SALT sessions for the year which was fault. Ms X commissioned a private SALT and an ABA report. However, there was no requirement for this in the EHC Plan. Disagreement with the content of the plan is for the Tribunal to consider and we would not look at these aspects as it was open to Ms X to appeal the content of the plan.
54. Whilst Child A's plan stated they should attend a special school not a pre-school setting, for which I have already found fault, it was for the Council to determine how many hours of provision were appropriate for Child A. The amount of hours required were not set out in the plan and there is no evidence of fault in the way it reached its decision not to increase Child A's pre-school provision to 30 hours.

### **Agreed action**

55. Within one month of the final decision the Council will:
- pay Ms X £300 for the frustration and time and trouble caused by the delay in issuing Child A's final EHC Plan; and
  - pay Ms X a symbolic payment of £2400 to acknowledge the loss of provision caused by the delay in issuing the plan between October 2021 and April 2022 and Child A's loss of education and provision between April 2022 and December 2022 once the plan was issued.
56. Within 3 months of the final decision the Council will:
- provide evidence of actions it is taking to increase educational psychology capacity and reduce waiting times; and
  - provide evidence of actions it is taking to increase capacity for specialist school places.

### **Final decision**

57. I have completed my investigation finding fault with the Council causing injustice. The Council have agreed to take action to remedy the injustice and prevent recurrence of the fault.

### **Investigator's decision on behalf of the Ombudsman**





**REPORT OF THE CHAIRMAN OF THE GOVERNANCE & ETHICS COMMITTEE****GOVERNANCE & ETHICS COMMITTEE ANNUAL REPORT 2022/23****Purpose of the Report**

1. To report to the County Council the work of the Governance & Ethics Committee in 2022/23 and the intended areas of focus for the current year.

**Information**

2. The Governance & Ethics Committee was established following the County Council elections in May 2017, and it held its first meeting in June 2017. It is comprised of 11 County Councillors.
3. The Committee's terms of reference are set out in the County Council's constitution. It is serviced regularly by professional officers working mostly in the Chief Executive's Department in the key functional areas of finance, internal audit, legal and democratic services, information management and corporate risk management. The Committee's role subsumed that of the former Audit Committee, and it now extends further to incorporate wider responsibilities, for example relating to codes of conduct and dealing with alleged breaches of the codes.
4. At its meeting in July 2018, the Committee agreed to implement an annual report on how effectively it has discharged its key roles and responsibilities. This is the Committee's fifth annual report.


***CIPFA Position Statement: Audit Committees in Local Authorities***

5. This annual report has been compiled following audit committee guidance from CIPFA and recognition of the position statement which represents best practice and principles for local government bodies in the UK. The position statement sets out the purpose, independence, core functions, membership, outputs and impact for an effective audit committee to meet statutory responsibilities for governance and internal control. A self-assessment against these principles and evaluation of the impact and effectiveness of the audit committee has been undertaken to inform the subsequent contents of this report.

***Achievements against the Committee's terms of reference***

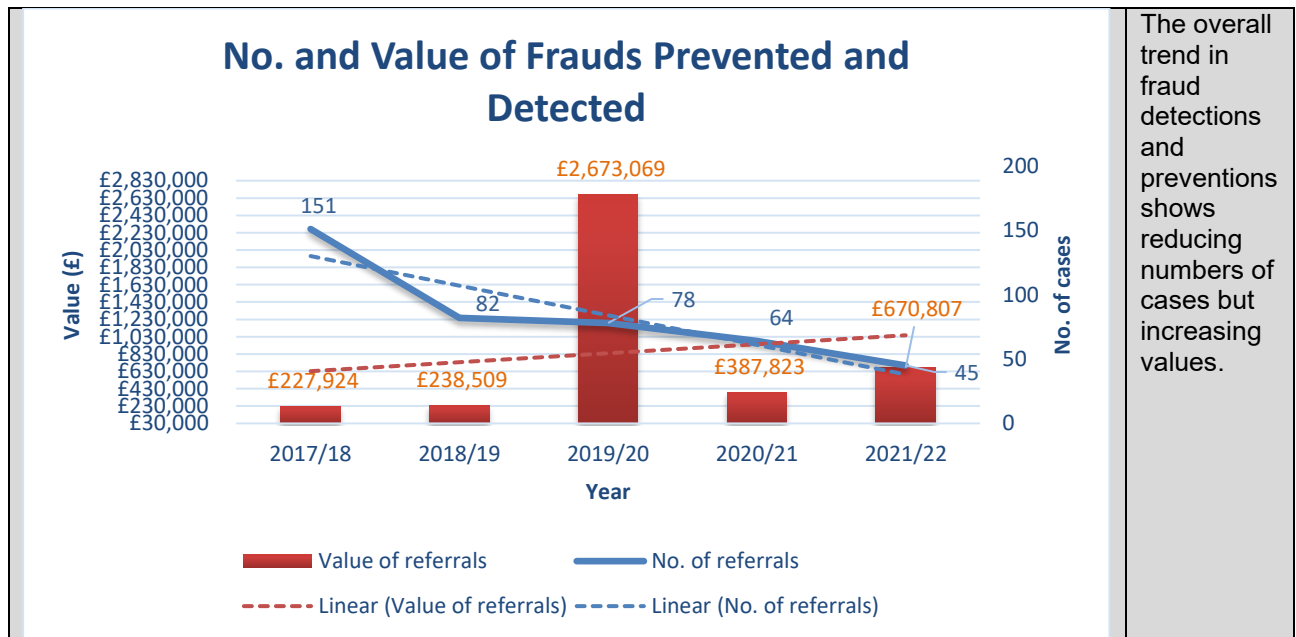
6. **Appendix 1** presents a matrix of the key business dealt with by the Committee, mapped against each of its roles and responsibilities set out in the County Council Constitution. There are a number of notable achievements, summarised as follows:

- a) **Internal control framework:** the Committee has maintained its strong focus on supporting the work of Internal Audit, and it has received regular assurance from the service regarding the effectiveness of the Council's arrangements for governance, risk management and control. The follow-up of Internal Audit's recommendations was previously flagged as an area of concern because the implementation rate for Priority 1 recommendations was declining during the pandemic. However, proactive work by the Internal Audit Team, supported by the Committee, has seen improvements during the year and implementation rates for Priority 1 recommendations have returned to target levels. This proactive work will need to continue in the current year to ensure implementation rates are maintained and to drive agreed improvements through the implementation of agreed actions. The development of continuous auditing has provided a routine review of core processes undertaken by the Council and has provided members and statutory officers continuous assurance that controls are being maintained. Where indicators of weaknesses are identified a deep dive approach has been adopted to review the root cause and ensure that assurance controls are being effectively maintained.

 <p>Limited assurance</p> <p><b>REASONABLE ASSURANCE</b></p> <p>Substantial assurance</p> <p>Risk levels are acceptable</p>	<p>The Head of Internal Audit provided a consistent and satisfactory opinion on the Council's arrangements across governance, risk management and control.</p>
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The Committee has been similarly supportive of the work of the Council's external auditors, again receiving updates on progress with the annual audit, and confirming an appropriate response from management to the findings and recommendations reported.

- b) **Assurance mapping:** This continues to provide important intelligence for the Committee by capturing sources of assurance from across the Council in order to determine where it may require additional assurance in the following year. Work is currently being undertaken to enhance the reporting for future years by capturing assurance provided by outside bodies and external organisations working with the Council. Internal Audit work has continued to consolidate the coverage of the assurance mapping exercise and the assurance this provides the Committee around the Council's key governance processes, to complement the termly planning and Annual Governance Statement.
- c) **Counter-fraud:** the Committee considered the Annual Fraud Report and a six-monthly update, which continued to evidence that the incidence of fraud in the Council is low. Nonetheless, the Committee reinforced the zero-tolerance approach where issues have arisen and continued to encourage all staff and stakeholders to voice concerns wherever reasonable suspicions arise. The Committee has maintained oversight of the Council's pro-active counter-fraud programme which has included additional awareness materials and training for schools. The annual reports for the Council's Whistleblowing scheme and the use of the Regulation of Investigatory Powers Act 2000 added further insight in this area.



- d) **Annual Statement of Accounts and Annual Governance Statement:** The Committee received and approved these Statements for 2021/22 in accordance with the statutory timescales. The Committee also received and considered the subsequent Annual Audit Findings Report 2021/22 from the external auditor. The Committee received regular updates during the year on progress against the Annual Governance Statement's action plan in the form of Governance Updates.
- e) **Risk Management:** The Committee are aware of the outcome of an external review of the Council's arrangements by the Council's insurers, Zurich. This identified scope to strengthen the Council's framework, and the Committee agreed an action plan for improvement. Work in the action plan has been completed by Zurich with each department and a new proposed reporting format for the Corporate Risk Register developed along with a routine reporting format. It is planned for these documents to be endorsed by Risk, Safety & Emergency Management Board (RSEMB) and CLT and subsequently presented to Committee.
- f) **Councillors' Divisional Funds:** A member working group completed its review of the Councillors' Divisional Fund policy and procedures which were subsequently accepted by the Committee. The review enhanced the internal control arrangements and reporting requirements for the scheme to ensure transparency and accountability. Following a review of expenditure allocations Full Council in February 2023 approved these annual allowances being reduced to £3,000 from 1 April 2023.
- g) **Local Government Ombudsman Reports and Complaints:** The Committee continued its firm stance to be transparent in its approach to considering issues arising from service users' complaints about Council services. All decisions of the Ombudsman are scheduled for consideration by Committee at each meeting as the reports are received throughout the year. The relevant senior officers are invited to attend, where appropriate, to advise of actions taken where complaints have been upheld. Committee Members and officers recently met with the Ombudsman to clarify the reporting and sanction processes. Useful

insight has been obtained in relation to the challenge and redress processes that the Council can take on board.

- h) **Expenditure review programme:** The Chairman and Vice-Chairman of the Committee participated in the Member-led review of Children's Services. The next scheduled Governance & Ethics Committee review, of Adults' Day Services, has been necessarily delayed due to the ongoing resource pressures.




7. The Committee has made appropriate use of the range of powers delegated to it under the terms of the Constitution, as summarised below:

Delegated power	Summary of activity
<b>Decision- making</b>	Decisions have been taken at each Committee meeting in relation to the areas of activity within the Committee's remit
<b>Performance review</b>	Periodic updates of the service delivered by Internal Audit In relation to Internal Audit  Progress against the Annual Governance Statement Action Plan
<b>Review of officers' decisions</b>	Annual scrutiny of decisions taken by officers to waive financial regulations
<b>Consultation responses</b>	Considered the Council's response to district level governance and electoral reviews

### ***Position Statement review and action plan***

8. Paragraph 5 of this report introduced the CIPFA guidance and position statement. This section of the report considers these principles against the achievement of the Governance and Ethics Committee. Each principle is considered in turn:
- Purpose – this is defined through the constitution and terms of reference and the preceding contents demonstrate oversight of internal and external audit together with financial and governance reporting.
  - Independence – in line with the constitution and terms of reference the Governance and Ethics Committee is independent of the executive decision-making process.
  - Core Functions – the preceding paragraphs and Appendix 1 identify how the committee have oversight of a range of core governance and financial arrangements.
  - Membership – in line with the terms of reference, membership and attendance at the Governance & Ethics Committee the appropriate level of knowledge, expertise, understanding and interest is demonstrated. The Chairman and Vice Chairman meet regularly with the Interim Chief Internal Auditor.
  - Outputs & Impact - the Governance & Ethics Committee meet eight times a year which includes attendance by senior officers and has exercise the right to call in other officers for accountability. The Governance & Ethics Committee monitors the output and impact of work undertaken especially in relation to internal and external audit activities.
9. Having reflected on the position statement and the self-assessment undertaken it is proposed that key actions for the Committee in 2023/24 should embrace a blend of its core duties as

set out in the Council's Constitution, along with training and developmental activities to help maintain a high degree of focus on governance and ethical values in the Council. The following are potential actions in 2023/24 for Members to discuss:

	<p><b>Member training</b></p> <ul style="list-style-type: none"> <li>➤ Understanding the role of the Committee in the context of the CIPFA guidance</li> <li>➤ Risk management concepts and their application, following full implementation of the Council's revised process for risk management</li> <li>➤ Links with other county and regional audit committees</li> <li>➤ Participation at regional and national conferences and seminars</li> <li>➤ Completion of more regular and targeted training sessions with key officers</li> </ul>
	<p><b>Core business</b></p> <ul style="list-style-type: none"> <li>➤ Statement of accounts</li> <li>➤ External audit plans and outcomes</li> <li>➤ Internal Audit plans, outcomes and implementation of recommendations</li> <li>➤ Counter-fraud – with a particular emphasis on prevention &amp; awareness along with external threats</li> <li>➤ Oversight of complaints and Ombudsman reports</li> <li>➤ Oversight of assurance from outside bodies and external organisations</li> <li>➤ Information governance assurance</li> <li>➤ Corporate risk management assurance</li> <li>➤ Member conduct</li> </ul>
	<p><b>Promoting strong governance and sound ethical values</b></p> <ul style="list-style-type: none"> <li>➤ Reviews of significant areas of Council expenditure</li> <li>➤ Continuation of assurance mapping</li> <li>➤ Arrangements for determining the Council's risk appetite</li> <li>➤ Reviewing the Council's ethical framework</li> <li>➤ Regular updates of the Annual Governance Statement</li> <li>➤ Self-assessments against CIPFA best practice guidance</li> <li>➤ Annual report to Full Council</li> </ul>

## Other Options Considered

10. The only other option considered was to not produce this report, however as the Committee agreed the implementation of an annual report of its activities at its meeting in July 2018 this option was rejected.

## Reason for Recommendation

11. To provide assurance to the Council that the Governance & Ethics Committee is delivering against the terms of reference for the Committee, as set out in the Constitution.

## Statutory and Policy Implications

12. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

The remit of the Governance & Ethics Committee is to direct and receive assurance that the Council is meeting many of the issues identified above. Its work since establishment in May 2017 has addressed many of the above.

## **RECOMMENDATION**

- 1) That the Governance and Ethic Committee endorse the Annual Report and recommend that Council considers the achievements of the Governance & Ethics Committee and endorses its intended areas of focus for the current year.

**Councillor Philip Owen**  
**Chairman of the Governance & Ethics Committee**

**For any enquiries about this report please contact:**

Marjorie Toward	Nigel Stevenson
Service Director – Customers, Governance & Employees	Service Director – Finance, Infrastructure & Improvement

### **Constitutional Comments (EKH 29/03/2023)**

13. This report is to inform Council and Council has the authority to consider the report.

### **Financial Comments (SES 22/03/2023)**

14. There are no specific financial implications arising directly from the report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All

**SUMMARY OF WORK CARRIED OUT BY THE GOVERNANCE & ETHICS COMMITTEE AGAINST ITS TERMS OF REFERENCE - 2022/23**

Apr 2022	June 2022	July 2022	Sept 2022	Nov 2022	Jan 2023	Feb 2023	Mar 2023
<b>Council-wide Governance &amp; Ethics</b>							
Local Code of Corporate Governance and Annual Governance Statement 2021/22				Governance update			Governance update
Gov & Ethics Cttee annual report 2021/22							
	Assurance Mapping Annual Report 2021/22						
<b>Annual statement of accounts</b>							
Statement of Accounts 2021/22: Accounting policies		Statement of Accounts – Infrastructure Assets		Statement of Accounts 2021/22			
<b>Internal control &amp; external audit</b>							
	Follow-up of Internal Audit Reports – implementation of agreed actions			Follow-up of Internal Audit Reports – implementation of agreed actions			
	Interim Chief Internal Auditor's Annual Report 2021/22	Internal Audit Term 3 progress report and plan		Internal Audit Term 1 progress and plan	Internal Audit Charter Refresh		Internal Audit Term 2 progress and Term 1 2023-24 Plan

**SUMMARY OF WORK CARRIED OUT BY THE GOVERNANCE & ETHICS COMMITTEE AGAINST ITS TERMS OF REFERENCE - 2022/23**

Apr 2022	June 2022	July 2022	Sept 2022	Nov 2022	Jan 2023	Feb 2023	Mar 2023
External Audit – Annual Report 2020/21							External Audit – Annual Audit Findings Report 2021/22
External Audit – Informing the risk assessment 2021/22	External Audit - 2021/22 Plan						
<b>Financial Regulations and counter-fraud</b>							
		Annual Fraud Report 2021/22			Counter Fraud progress report		
			Financial regulations waivers 2021/22		Regulation of Investigatory Powers Act 2000 – annual report	Whistleblowing update	
<b>Risk management</b>							
Russian invasion of Ukraine – implications for NCC							
<b>Legal, democratic, complaints</b>							
Local Government Ombudsman decisions	Local Government Ombudsman decisions	Local Government Ombudsman decisions	Local Government Ombudsman decisions	Local Government Ombudsman decisions	Local Government Ombudsman decisions	Local Government Ombudsman decisions	Local Government Ombudsman decisions
Learning from complaints in Adult Social Care	Bassetlaw Community Governance Review		Local Government Ombudsman – Annual Review Letter	Officer Code of Conduct Interests, Gifts & Hospitality Register		Local Government Ombudsman meeting feedback	Councillor Code of Conduct Review
			Attendance at Key National Conferences			Attendance at Key National Conferences	Update on Communication improvement's



**SUMMARY OF WORK CARRIED OUT BY THE GOVERNANCE & ETHICS COMMITTEE AGAINST ITS TERMS OF REFERENCE - 2022/23**

Apr 2022	June 2022	July 2022	Sept 2022	Nov 2022	Jan 2023	Feb 2023	Mar 2023
Rushcliffe Community Governance Review	Review of Petitions Scheme		Rushcliffe Borough Council Electoral Review				
<b>Councillors' divisional funds and use of resources</b>							
	Update on the use of the Councillor's Divisional Fund		Update on Use of Resources by Councillors				
<b>Training &amp; development</b>							
	Membership of the Committee and Work Plan						



**3 May 2023****Agenda Item: 6****REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT &  
IMPROVEMENT****LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL  
GOVERNANCE STATEMENT – 2022/23.****Purpose of the Report**

1. To review the Local Code of Corporate Governance for Nottinghamshire County Council, and to seek approval for the proposed Annual Governance Statement 2022/23.

**Information**

2. The Accounts and Audit (England) Regulations 2015 require the Authority to review the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. The focus of the AGS is to assess the extent to which the Council's [Local Code of Corporate Governance](#) has been complied with in 2022/23. The opportunity should also be taken to review and update the content of the Local Code. No changes are proposed at this point. The in-year governance update reports to the Governance & Ethics Committee have been completed as a means of monitoring progress.
4. This AGS assesses governance in place during 2022/23 and is published alongside the annual accounts. It has been drawn up on the basis of a range of evidence sources, which are described at paragraph 3.3 of the Statement.
5. The draft Statement has been endorsed by the Corporate Leadership Team, and it is attached as **Appendix A** for consideration by the Committee.

**Other Options Considered**

6. The only other option available was to not publish the Annual Governance statement. This option was rejected as it is a requirement set out in the Accounts and Audit Regulations 2015

**Reason for Recommendation**

7. To set out how the Authority has met its governance responsibilities for 2022/23.

**Statutory and Policy Implications**

8. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATIONS**

- 1) That the Committee approves the Annual Governance Statement 2022/23.
- 2) That the Committee keeps the content of the Local Code of Corporate Governance under review through the in-year governance update reports, to ensure the impact of the Cabinet/Scrutiny model of governance is accurately reflected in the Code.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact:**

Simon Lacey

Interim Chief Internal Auditor

### **Constitutional Comments (EKH 06/04/2023)**

9. The recommendations fall within the remit of Governance and Ethics Committee under its terms of reference.

### **Financial Comments (SES 31/03/2023)**

10. There are no specific financial implications arising directly from the report.

### **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

None

### **Electoral Division(s) and Member(s) Affected**

All

# **NOTTINGHAMSHIRE COUNTY COUNCIL - ANNUAL GOVERNANCE STATEMENT 2022/23**

## **1. SCOPE OF RESPONSIBILITY**

- 1.1. Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.
- 1.2. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.
- 1.3. This statement meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the publication of an Annual Governance Statement (AGS).

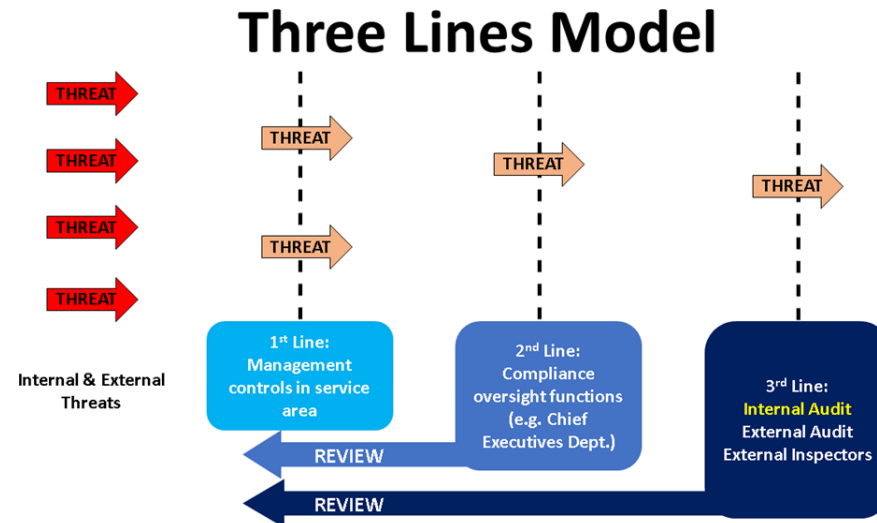
## **2. THE LOCAL CODE OF CORPORATE GOVERNANCE**

- 2.1. Nottinghamshire County Council has adopted a Local Code of Corporate Governance. The Code is subject to annual review and approval by the Governance and Ethics Committee, and it is published on the Council's [website](#).

- 2.2. The Code is based on the seven core principles of good governance, as recommended in the CIPFA/SOLACE Framework for 'Delivering good governance in Local Government' (2016 Edition).

## **3. REVIEW OF EFFECTIVENESS**

- 3.1. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This Statement sets out the outcome of the latest review for the financial year 2022/23. The outcomes are set out in terms of the extent to which the Council has applied in practice the seven core principles of good governance.
- 3.2. The Council operates a 'Three Lines Model' to deliver assurance about the effectiveness of its governance arrangements, as depicted in the following chart.



## **NOTTINGHAMSHIRE COUNTY COUNCIL - ANNUAL GOVERNANCE STATEMENT 2022/23**

- 3.3. The evidence to assess effectiveness with the Local Code in 2022/23 is drawn from a range of sources across the three lines of defence, as summarised below.

### **1<sup>st</sup> Line**

- Assurance statements from Corporate Directors concerning the application of key governance controls in their areas of service

### **2<sup>nd</sup> Line**

- In-year governance updates to the Governance & Ethics Committee
- Review of core governance issues dealt with by the Council and its committee structure
- Assurance mapping
- Governance & Ethics Committee's annual report

### **3<sup>rd</sup> Line**

- Head of Internal Audit's annual report (draft report)
- Reports of External Auditor
- Other external inspections (risk management review, BACS bureau inspection, BSI health & safety accreditation)

- 3.4. The in-year governance update reports to the Corporate Leadership Team and to the Governance & Ethics Committee prompt a review of the significant governance issues facing the Council, along with progress against the AGS Action Plan. In effect, the update reports provide for an in-year refresh of the AGS, to enable it to be used pro-actively throughout the year as part of the Council's governance framework.
- 3.5. Where any issues of concern are highlighted by the review, these issues are noted below in section 4 of the Statement, along with the key actions planned to address them.

### ***Assessment of compliance***

- 3.6. The following pages set out a concise assessment of compliance with the Local Code of Corporate Governance.
- 3.7. For each aspect of governance in the Local Code, the assessment is framed in terms of the following:
- The evidence for compliance with the Code in 2022/23
  - Brief details of any improvements and developments during the year
  - Identifying any gaps in compliance or areas in which there are significant challenges
  - The focus in the year ahead, to address gaps, to meet challenges or to continue with current developments

## A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Assessed assurance level for compliance with the Code of Corporate Governance: **Reasonable**

### Compliance with the Local Code

The policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2022/23. Corporate Directors report the following levels of compliance with key Council procedures relevant to this aspect of governance:

Procedure ↓	dept <sup>1</sup> →	ASC&PH	C&F	Place	Ch. Exec.
Staff code of conduct		Reasonable	Substantial	Substantial	Substantial
Scheme of delegation		Substantial	Substantial	Substantial	Substantial
Staff register of interests		Reasonable	Substantial	Reasonable	Reasonable
Register of gifts and hospitality		Reasonable	Substantial	Substantial	Substantial

### Improvements & developments during 2022/23

In May 2022 at the Council's Annual General Meeting, following Full Council approval in March, a Cabinet model of governance became operational. The details of the proposed changes were developed through a cross-party Member Working Group. The Member Working Group has remained in place and is now undertaking the agreed 12-month review of the operation of the new governance model and will propose any suggested changes for consideration at the 2023 Annual General Meeting.

The Member Working Group has also completed the review of the Member Code of Conduct in line with the new model code and LGA guidance. The Council's Independent Persons have been involved in

this work. The revised code has been approved by Governance and Ethics Committee for final approval at the Council's Annual General Meeting alongside the revised staff code of conduct. The latter has been developed following consultation with the recognised trades unions.

The Council has launched a dialogue with staff about culture, future ways of working and staff engagement badged as a programme of activity called 'The Nottinghamshire Way'. This approach intends to create and sustain a positive and inclusive culture that reflects collective values and behaviours.

### Gaps and challenges

Levels of compliance and developments made during 2022/23 combine to provide the basis for reasonable assurance however, the principal challenge lies in capacity to progress the actions and focus areas identified to provide greater assurance. It should be emphasised, however, that the Council maintains a solid governance framework and the identified actions represent opportunities to strengthen the arrangements still further.

### Focus for 2023/24

A key focus will be implementing any proposed changes to the Cabinet Model of governance approved at the Annual General Meeting in May 2023.

A mandatory training programme is proposed for members in relation to the new Member Code of Conduct to be rolled out in 2023/24. Training will be developed for staff in relation to the revised officer code of conduct.

<sup>1</sup> Key to Council departments: ASC&PH – Adult Social Care & Public Health; C&F = Children & Families; Ch. Exec. – Chief Executive's

## **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

**Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable**

Work will continue to roll out 'The Nottinghamshire Way' across the Council and specifically to undertake a review of the Council's hybrid working approach involving staff and trades union colleagues.



## B. Ensuring openness and comprehensive stakeholder engagement

Assessed assurance level for compliance with the Code of Corporate Governance: **Substantial**

### Compliance with the Local Code

The 'Nottinghamshire Plan' was approved, setting out a new ten-point plan to deliver a 10-year vision for a healthy, prosperous, and greener future for everyone in Nottinghamshire and progress is reported in the Councils Annual Report.

The Council complied with the requirements of the Transparency Code in 2022/23, and all other requirements of the Local Code for this aspect of governance were maintained during the year.

### Improvements & developments during 2022/23

Following approval of the Nottinghamshire Plan, approved and published in November 2021, a key development for 22/23 has been the publication of an Annual Report for 2021/22, an Annual Delivery Plan (ADP) for 2022/23 and the implementation of an ADP quarterly assurance process. Our commitment to publish an Annual Report and a mid-year (Q2) report on progress against the Annual Delivery Plan and the Nottinghamshire Plan ambitions promotes openness and transparency.

During 2022/23, the Council has also continued to engage with the public and stakeholders to inform the budget setting process. The Council's budget survey launched on 17 November 2022 and closed on 2 January 2023. The survey was completed by 2,454 respondents. This is a significant improvement on comparable budget consultations conducted in recent years, which have not exceeded 1,400 responses. A summary of survey responses was published and considered at Full Council on 9 February 2023.

We have also consulted on other key developments during 2022/23. In particular, Nottinghamshire County Council (as one of the Constituent Councils) undertook statutory consultation on the

Proposal to establish the East Midlands Combined County Authority (EMCCA) across Nottinghamshire, Derbyshire, Derby and Nottingham. This consultation ran from 14 November 2022 to 9 January 2023. Ipsos UK were appointed to support the Constituent Councils in undertaking the consultation. Overall, there were 4,869 participants in the consultation which was open to residents, businesses, community and voluntary groups, and other organisations in the region. Consultation outcomes are published and will be considered at Full Council on 30 March 2023.

### Gaps and challenges

Compliance with the Local Code and the work developed throughout the year provides evidence of substantial assurance. To ensure this level of assurance is maintained the Council continues to strengthen the ways in which we engage residents and support them to access timely information, advice and guidance. There are good examples of co-production and co-design across the Council, and this is an area of ongoing focus.

Our transformation programmes will also continue to improve the ways in which people access information, advice and guidance online through our website and other platforms like NottsHelpYourself and the MyNottsApp.

### Focus for 2023/24

Subject to local decision-making, and the progress of the Levelling-up and Regeneration Bill, we will work with other Constituent Councils (Nottinghamshire, Derbyshire, Derby City, Nottingham City) to establish an East Midlands County Combined Authority.

An Overview Committee Task & Finish review is being established to scrutinise the Council's arrangements for resident engagement

## **B. Ensuring openness and comprehensive stakeholder engagement**

**Assessed assurance level for compliance with the Code of Corporate Governance: Substantial**

and consultation. A key focus for 2023/24 will be the consideration and response to any recommendations made through this review.

## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

Assessed assurance level for compliance with the Code of Corporate Governance: **Reasonable**

### Compliance with the Local Code

The Council maintained a dual focus during the year on meeting its short-term priorities, alongside planning for the long-term through the Nottinghamshire Plan. The Council continued to implement interim recovery plans across the Council to provide a bridge into the renewal phase signalled by the new Council Plan.

The Council's Medium-Term Financial Strategy (MTFS) also remained in place, to keep under regular review the financial impact of significant budget pressures for the Council.

### Improvements & developments during 2022/23

As outlined in section B, we have now implemented an Annual Delivery Plan and assurance process across the Council. We have also refreshed our service planning processes, ensuring the 'golden thread' to the Nottinghamshire Plan and Nottinghamshire Way.

The Council completed a key restructure to establish the Strategic Insight Unit (SIU) within its Transformation and Change service. The SIU is now central to coordinating council-wide activity to develop the Annual Delivery Plan, Annual Report and service planning processes. They have also led on collaborative scoping work to develop a Data Strategy and Action Plan for the Council, which will support strengthened performance management and data-led decision-making.

Our corporate transformation portfolio continues to scope and deliver projects to deliver varied benefits to the organisation and for Nottinghamshire's people and communities.

Having declared a climate emergency, the Council continues to drive forward measures to achieve the commitment to carbon neutrality. Work continues on the carbon reduction plan with input from departmental working groups and the Green Initiative Group. Carbon literacy training has been provided for Members and Officers.

### Gaps and challenges

Whilst progress has been made during 2022/23 to provide a reasonable assurance level, we will need to continue to iteratively improve our performance management arrangements, strengthening our integrated assurance as a Council around performance, quality, risk and finance to provide further assurance.

There is a need to embed strong evaluation and benefits realisation approaches, to evidence the impact of our transformation and change activity as a Council.

### Focus for 2023/24

Approval and implementation of a new Data Strategy and Action Plan for the Council.

Refresh of the Council's Performance Management Framework, to strengthen performance reporting and visibility of KPIs and create alignment with quality, risk and finance.

Strengthen our benefits realisation approach to evidence the impact of the actions we take, and the changes we make, as an organisation.

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Assessed assurance level for compliance with the Code of Corporate Governance: **Reasonable**

### Compliance with the Local Code

Key aspects of the Local Code remained in place and stood up well to the continuing financial challenges:

- The financial challenge were constantly assessed and regularly reported, alongside consideration of their impact on the Medium-Term Financial Strategy
- The Council's business continuity plans for critical services continued to be tested by the ongoing pandemic pressures.
- The Council's Risk, Safety and Emergency Management Board varied the frequency of its meetings throughout the year to respond in an agile way to the fluctuating pattern of emergencies, which also included the County Hall fire.

Corporate Directors report a reasonable level of compliance, overall, in terms of stakeholder engagement for service change and development:

Procedure ↓	dept <sup>2</sup> →	ASC&PH	C&F	Place	Ch. Exec.
Stakeholder engagement for service change		Reasonable	Substantial	Substantial	Substantial

### Improvements & developments during 2022/23

The Council continued to implement its approach to transformation and change. The Transformation and Change Group have supported progress with the Cross-Council transformation programmes and undertaken 'budget impact sprints' to generate short term efficiencies of circa £1.0m. The Group have developed a number of projects to focus on early help and prevention to help

avoid future long-term costs. Compliance with the Local Code and developments during the year provide the basis for the reasonable assurance level, however the challenges and areas of focus outlined below will need to be fully embedded before additional assurance can be provided.

### Gaps and challenges

The predominant challenge continues to be financial sustainability in view of significant increases in inflation and external cost for essential services. The nature of central government funding for local government continues to be an obstacle to effective, long-term planning but the assessed funding gap over the life of the Medium-Term Financial Strategy is £30.8m.

Analysis of the Council's contingency and reserves confirms sufficient balances at present to manage the potentially significant financial pressures that may arise over the coming year.

It will be essential to continue to deliver Cross-Council transformation programmes to capture the contribution these will make to both reducing existing cost pressures and to avoiding further cost going forward.

### Focus for 2023/24

To deliver Cross-Council transformation programmes to ensure their contribution to the MTFS and strategic objectives in the 'Nottinghamshire Plan.'

<sup>2</sup> Key to Council departments: ASC&PH – Adult Social Care & Public Health; C&F = Children & Families; Ch. Exec. – Chief Executive's

## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assessed assurance level for compliance with the Code of Corporate Governance: **Reasonable**

### Compliance with the Local Code

The policies, procedures and protocols set out in the Local Code of Corporate Governance remained in force during 2022/23.

Corporate Directors report the following levels of compliance with key Council procedures relevant to this aspect of governance:

Procedure ↓	dept <sup>3</sup> →	ASC&PH	C&F	Place	Ch. Exec.
Use of research and benchmarking		Substantial	Reasonable	Substantial	Substantial
Use of partnerships and collaborations		Reasonable	Reasonable	Substantial	Substantial
Protocols in place for partnership		Substantial	Substantial	Substantial	Substantial
Compliance with financial regulations		Substantial	Substantial	Substantial	Substantial
Staff induction		Reasonable	Substantial	Substantial	Substantial
Regular & effective EDPR's		Reasonable	Substantial	Reasonable	Reasonable

The ongoing pandemic and financial pressures continued to impact the Council's Members and staff, posing a test of its leadership and of its capacity to maintain delivery of critical services. Council staff continued to play a full and active role with its Local Resilience Forum (LRF) partners, and its Corporate Leadership Team (CLT) and Risk, Safety and Emergency Management Board (RSEMB) have managed the Council's own response.

### Improvements & developments during 2022/23

The Council's People Strategy 2022-2026 was approved by Personnel Committee in January 2022 and featured the development of annual action plans to support delivery of the workforce aspects of the Nottinghamshire Plan.

During 2022/23 a Workforce Review has been underway within the context of a national picture of increasing workforce challenges in a number of key service areas and more broadly across the Council. The Chartered Institute for Personnel and Development have been involved in setting the Nottinghamshire picture within a national context and supporting the development of key actions to address these issues. This includes developing a detailed Resourcing Strategy and Plan to ensure that the Council has an affordable, sustainable workforce with the knowledge and skills it requires now and for the future.

A key development alongside this was the launch of the 'Developing the Nottinghamshire Way' Programme. This included the launch of a new leadership development programme and cultural change activity to embed cultural change and be instrumental in the successful delivery of the refreshed priorities set out in the Nottinghamshire Plan.

A training plan was developed, and a range of training provided for staff and Members following the implementation of the new governance model in May 2022. A further programme of training will continue into 2023/24.

<sup>3</sup> Key to Council departments: ASC&PH – Adult Social Care & Public Health; C&F = Children & Families; Ch. Exec. – Chief Executive's

## **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable**

### **Gaps and challenges**

Corporate Directors views on the levels of assurance and work undertaken to develop capacity and capability provide a reasonable level of assurance for this years statement. To strengthen the assurance level that can be provided work will continue to identify and put flexible plans in place to address the key recruitment, retention, resourcing and capacity challenges faced by the Council now and for the foreseeable future.

### **Focus for 2023/24**

Development and implementation of a new Resourcing Strategy. This will be supported by the roll out of new Workforce Planning tools and embedding this approach within the Service Planning process to identify potential issues at an early stage and work collaboratively to develop and implement solutions across the Council.

To review the learning from the implementation of the first phases of the Leadership Development Programme and align the next phases of the programme more closely with the next stages of the "Nottinghamshire Way" programme. The Aspirant Leaders Programme will be rolled out in April/May 2023/4.

Work will continue to support the wellbeing of our employees and review the approach to hybrid working. The views of staff and the recognised trades unions will be sought as part of this process.

Work is also underway to develop career pathways for staff and further develop our apprenticeships and graduate development programmes to ensure continued access to the skills the Council requires.

## F. Managing risks and performance through robust internal control and strong public financial management

Assessed assurance level for compliance with the Code of Corporate Governance: **Reasonable**

### Compliance with the Local Code

All elements of the established framework set out in the Local Code were in place during 2022/23. The continuing pressures required flexibly to align with, and support, the demands of the Council response especially in relation to the Risk & Emergency Management Board, Local Resilience Forum and corporate budget monitoring.

Corporate Directors report the following levels of compliance with key Council procedures relevant to this aspect of governance:

Procedure ↓	dept <sup>4</sup> →	ASC&PH	C&F	Place	Ch. Exec.
Carrying out risk mitigation actions		Substantial	Substantial	Substantial	Reasonable
Data protection compliance		Reasonable	Reasonable	Reasonable	Reasonable
Budgetary control		Substantial	Substantial	Substantial	Substantial
Reliance on Core Business systems		Reasonable	Reasonable	Substantial	Substantial

The Council's assurance mapping process was being compiled at the close of the year, ready for reporting to the Governance & Ethics Committee in June 2023. The overall assessments reported in June 2022 for each of the eight dimensions of governance covered by the process are set out below:

Aspect	Rating	Aspect	Rating
Financial management	Green	People management	Amber
	Green		Green
	Green		Green

<sup>4</sup> Key to Council departments: ASC&PH – Adult Social Care & Public Health; C&F = Children & Families; Ch. Exec. – Chief Executive's

	Amber		
Performance management	Amber	Information governance	Amber
Risk management	Amber	Transformation	Amber
Asset management	Amber	Commissioning and procurement	Amber

It is not anticipated that the current exercise will identify any significant matters of concern.

The Interim Chief Internal Auditor is preparing his annual report as Head of internal Audit for 2022/23, for presentation to the Governance & Ethics Committee in June 2023. Draft indications are that this is likely to deliver 'Reasonable Assurance' about the Council's arrangements for governance, risk management and control.

### Improvements & developments during 2022/23

The Internal Audit Team continued to develop a monthly 'Continuous Assurance' report to the three statutory officers. This is providing a rolling and regular review of high-level indicators of control over the Council's core systems and processes, such as payroll, creditors, debtors and other, predominantly financial operations. The approach has now been developed to include deep dives of indicators that appear beyond expected tolerances.

To maintain robust internal control the Internal Audit Team have undertaken pro-active work to address the reduced rate of implementation of Priority 1 recommendations reported last year. This pro-active work has seen the implementation rates return to



## **F. Managing risks and performance through robust internal control and strong public financial management**

**Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable**

target levels and therefore provide assurance that management are implementing recommendations to enhance internal control arrangements.

RSEMB and the Governance & Ethics Committee agreed the implementation of a risk management action plan following an external review by Zurich. Progress over the past year has focussed on the development of Corporate and Departmental risk registers along with improving reporting of strategic and operational risks. Zurich have continued to support the Council with these developments and is nearing completion for reporting back to the Governance & Ethics Committee.

The Information Governance & Cyber Security Board continue to meet to ensure that risk levels across information and cyber security is kept under close review.

### **Gaps and challenges**

Compliance with the Local Code is good and specific work has been undertaken to develop the internal control environment which provides the basis for the reasonable assurance level. Whilst progress is being made with the risk management action plan this has relied on support from Zurich and the Council will need to ensure resources are available internally to continue to momentum established. Focus on these risk management challenges will help to provide a higher degree of assurance in the future.

### **Focus for 2023/24**

Ensure the momentum generated by Zurich for the implementation of the risk management action plan is effectively maintained by the Council.

Maintaining a keen focus on cyber security, to ensure the Council is equipped to continue meeting the challenge posed by this threat.



## **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

**Assessed assurance level for compliance with the Code of Corporate Governance: Substantial**

### **Compliance with the Local Code**

The evidence collected from the sources of assurance set out above at 3.2 confirmed that the key policies, procedures and practices identified in the Local Code of Corporate Governance remained in force during 2022/23. The requirements of the Transparency Code were complied with.

The Head of Internal Audit's Annual Report will be presented to the Governance and Ethics Committee in June 2023, and it is expected to confirm the Internal Audit service remained compliant with the Public Sector Internal Audit Standards in 2022/23. The service will update its Quality Assurance and Improvement Plan for the coming year. The service's direct lines of access to all senior Members and officers continued during 2022/23, and it conducted its duties without encumbrance.

The Governance and Ethics Committee continued to receive assurance from key reporting sources during the year:

- Reports of Internal Audit and External Audit
- Summary reports on complaints received by the Council
- Whistleblowing update
- the Committee continued its transparent practice of reviewing all Ombudsman judgments received during the year, including the Ombudsman's annual report.

### **Improvements & developments during 2022/23**

A new Cabinet & Scrutiny model of governance commenced in May 2022 which were developed through a cross-party Member Working Group. The Member Working Group continues to meet and will continue to review the operation of the new model.

Member of the Governance & Ethics Committee and officers have met with the Ombudsman to clarify the reporting and sanction processes. Useful insight has been obtained in relation to the challenge and redress processes that the Council can take on board.

### **Gaps and challenges**

Compliance to the Local Code through the evidence of established procedures and assurance provided to and by the operation of the Governance & Ethics Committee provides substantial assurance. As referenced above, progress has been made to improve the implementation of performance management arrangements and work remains to embed these processes.

Along with many other local authorities, the timeliness of external audit reporting to the Council has continued to be problematic due to national capacity issues in the sector, beyond the control of the Council. At the close of the year, the external auditor's unqualified opinion on the financial statements had been received with the annual report on the Council's arrangements to secure value for money being awaited.

The timeliness with which agreed actions arising from internal audit reports were impacted by the pandemic but pro-active work by the Internal Audit Team have seen these return to target levels and efforts will continue to maintain this improvement.

### **Focus for 2023/24**

Embedding the implementation of revised performance management arrangements to the Annual Delivery Plan.

Pressing for improvement in the timely delivery of external audit reporting.

## **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

**Assessed assurance level for compliance with the Code of Corporate Governance: Substantial**

Continue to maintain the impetus, through the Governance and Ethics Committee, to drive through agreed actions from internal audit reports in a timely manner.

## 4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1. The list of significant governance issues for the Council is refreshed in-year through the Corporate Leadership Team and the Governance & Ethics Committee. The following is the latest update for this Statement.

Issue	Comment
<b>Cabinet/Scrutiny model of corporate governance</b>	
	Full Council at its meeting on the 31 <sup>st</sup> March 2022 approved a revised model of governance which was implemented following the Annual General Meeting on 12 <sup>th</sup> May 2022. It was agreed that the member working group would remain in place to deal with any issues arising and undertake a review of the operation of the new model after 12 months. The member working group has now been reconvened for March 2023 to consider the operation of the new governance model and make any recommendations for consideration at Full Council at its meeting in May 2023.
<b>Devolution</b>	
	On 30 August 2022, Derbyshire County Council, Nottinghamshire County Council, Derby City Council and Nottingham City Council (the Constituent Councils) signed a £1.14 billion devolution deal with the Government. The signing of the deal will, subject to relevant approvals, consultation and primary and secondary legislation passing through Parliament, establish the first ever Mayoral Combined County Authority in the country. To progress the area's devolution deal, under the Levelling-up and Regeneration Bill (LURB), a consultation was required on the draft East Midlands Combined County Authority (EMCCA) Proposal. Full Council agreed on 4 November 2022, to formally consult on the draft proposal with the residents and other stakeholders of Nottinghamshire and the wider EMCCA area, in partnership with other Constituent Councils.

Issue	Comment
	The consultation ran for a period of eight weeks, from 14 November 2022 to 9 January 2023. The Constituent Councils are now considering consultation outcomes and are seeking approval of a revised draft proposal to Government at their Full Council meetings in March 2023. The timescale for submission of the Proposal to Government is dependent on the passage of the LURB through Parliament and timescales could be further impacted by any further changes to the Bill, which would need to be considered and may require further amendments to the Proposal. A monitoring officer working group is working thoroughly through the governance and constitutional matters in respect of the combined county authority.
<b>Climate change</b>	
	At its Annual General Meeting on 27/5/2021, the Council declared a Climate Emergency, and tasked the Transport and Environment Committee to drive forward measures to achieve the Council's commitment to achieving carbon neutrality in all its activities by 2030. Following the move to a Cabinet system the Cabinet Member for Transport and Environment has subsequently received a number of reports on progress including reviewing the Corporate Environment Policy to incorporate the 2030 target noted above, receiving the Councils Greenhouse Gas Report for 2019/20, and agreeing projects to be funded through the Green Investment Fund. Furthermore, work continues with the development of a carbon reduction plan due to be published in Spring 2023, input into the Corporate Property Strategy review and design standards and supporting Highways & Transport colleagues to green the internal fleet. Departmental working groups are now established, and the Employee Green Initiatives Group has been relaunched and supported on an ongoing basis. A Carbon Literacy Training package has been developed and offered to all Members and

Issue	Comment
	Officers, and work continues to embed climate change impacts within all Council decisions.
<b>The transformation agenda</b>	
	<p>We have made progress in delivering on a number of projects within the current transformation programmes. Where delivery is delayed, we have appropriately escalated risks to identify mitigating actions or to agree risk tolerance. Highlight reporting has been re-established and reports to Corporate Leadership Team on a quarterly basis.</p> <p>Transformation and Change Group will continue to monitor the benefits / impact of projects implemented and support transfer to 'business as usual'. Alongside this, we are working to ensure that the programmes support delivery of the Council's refreshed Annual Delivery Plan for 2023/24, which articulates the action we will take in year to deliver on the Nottinghamshire Plan ambitions.</p> <p>We continue to work to develop and embed new and best practice approaches to effectively deliver and embed change and transformation.</p>
<b>Financial resilience and sustainability</b>	
	<p>The recent significant increases in inflation and specific increases in external costs for essential services continues to impact on the Council through additional budget pressure bids. The importance of effective management of the most volatile elements of the annual budget is heightened and remains a key area of focus.</p> <p>The Medium-Term Financial Strategy (MTFS) continues to be updated and reported regularly. Maintaining the flow of transparent, financial data for Councillors remains a key priority.</p> <p>The Period 10 monitoring report identifies a forecast in-year underspend of £1.8m (0.3% of the Council's Net Budget Requirement) as the management actions put in place following a forecast overspend earlier in the year take effect. This is a</p>

Issue	Comment
	<p>changing picture and the impact into next year and upon our MTFS are being constantly assessed.</p> <p>Full Council approved the Budget for 2023/24 on 9 February 2023. This set out the 4-year MTFS funding gap of £30.8m, with a balanced budget in 2023/24 and 2024/25. This followed a review of pressures and inflation together with mitigations and efficiencies. The report set out the assumptions underlying the MTFS and followed public consultation and review by Overview Committee through the year. The level of contingency and reserves were agreed in light of a full review of the risks inherent within the MTFS.</p>
<b>People Strategy and the Nottinghamshire Way</b>	
	<p>A Workforce Review has been commissioned to identify key risks and issues across the Council in relation to workforce and actions to address these. This work is being progressed through the Member Budget Panel looking at Workforce. The outcomes will be used to support service redesign and develop a new operating model for the Council. This will be enabled by the development of a new Workforce Strategy to ensure that we have cost effective, sustainable resourcing strategies and are able to recruit and retain staff and develop the skills we need. The next phases of the Nottinghamshire Way programme will support development of the culture and ways of working we require and engage staff and managers to ensure sustainable service delivery and delivery of the priorities set out in the Nottinghamshire Plan.</p>
<b>Adult Social Care and Health reforms</b>	
	<p>Adult Social Care reform and expected requirements were set out in detail for Cabinet in July 2022. Some aspects of Adult Social Care national reform guidance are now delayed following the Government's Autumn statement on the 17th of November 2022. Whilst the Council awaits more detailed direction on the delays from the Department of Health and Social Care (DHSC), it is anticipated it will only affect charging reform implementation, with</p>



Issue	Comment
	<p>all other aspects of reform continuing therefore the estimated cost of the reforms and resource requirements still present significant risks for the Council.</p> <p>Alongside this, the introduction of a new Care Quality Commission (CQC) led assurance and inspection regime brings a reputational risk for the Council. To mitigate against this, a Quality Assurance Framework is being developed for Adult Social Care and work is underway to complete a Local Authority Self-Assessment and Information Return (LASAIR) for Quality Assurance readiness which will be submitted for peer review by ADASS (East Midlands) in February 2023.</p> <p>The continued pressures and lack of capacity in the care workforce will be reflected in the self-assessment as this directly impacts on the Council's ability to meet its statutory duties under the Care Act and will have a direct influence on any CQC future rating. Positively two recent value-based recruitment campaigns have attracted a lot of interest to mitigate against current internal vacancies; and the £1 per hour increase in September 2022 for the home care and supported living care market is showing signs that the increase in pay to the external workforce is having a favourable affect in staff retention.</p>
<b>Demand for care and support</b>	
	<p>In Sept 2022 additional funding of an extra £1 per hour for homecare and supported living providers was implemented, with early indication that the hours of care delivered to people are increasing, although not significantly enough for the right service to be available at the right time for everyone needing care and support.</p> <p>The system continues to be impacted by high demand for services with people waiting for home care, either in the community or</p>



Issue	Comment
	<p>waiting to be discharged from hospital. This has been further exacerbated by Nottinghamshire ICS being one of six ICS's in England to be in National escalation for hospital discharge, which is adding pressure across services.</p> <p>The Council has a significant waiting-list for care and support which continues to present a risk to the individuals concerned and impacts on wider Council services such as an increase in enquiries and complaints. However there have been successful recruitment campaigns recently for roles at an unqualified level, which has improved our workforce vacancy rates. The external market is also reporting that they are experiencing improved recruitment, which has shown a slight increase in hours of care and support delivered.</p> <p>All the risks identified are set out in a comprehensive departmental risk register.</p>
<b>Risk management</b>	
	<p>An action plan has been developed to address the scope for improvement in the Council's risk management arrangements, following the external 'health check' review in 2021. A clearer distinction is being drawn between the management of operational and strategic risks, presenting the opportunity to link risk management through to strategic planning and reporting in a more impactful way. Due to operational issues the work on the update was delayed for a short period, however it has now restarted with assistance from Zurich, and will culminate in a revised policy and strategy for risk management along with a revised risk management report and supporting risk registers.</p>
<b>Pace of implementing agreed audit recommendations</b>	
	<p>Six-monthly updates to the Governance &amp; Ethics Committee continue to identify concerns with the pace of implementation for</p>

Issue	Comment
	<p>agreed actions. Focused action by the Internal Audit Team has driven improvements to halt the decline of the implementation rate for the implementation of Priority One actions. The Committee and the Internal Audit Team continue to focus on driving through agreed improvements to the Council's control framework as quickly as possible and continue to monitor both Priority One and Priority Two implementation rates.</p>

## 5. ACTION PLAN

- 5.1. The Governance Action Plan is refreshed in-year and reported to the Governance & Ethics Committee. The latest update of the Plan is set out below.

Planned Action	Officer responsible	Target date for completion	Progress status
<b>1. Modelling sustainable savings plans</b> –approval of ‘Options for Change’ cases for implementation.	Service Director – Transformation & Change	Spring/summer 2022	  Complete
Transformation and Change have coordinated and supported the budget setting process, with transformation activity making a significant contribution to mitigating known budget pressures. T&C Group have supported identification of additional short term efficiency options, totalling circa £1.0m, through ‘budget impact sprints’ in Summer 2022. Alongside this, we have also successfully rolled out a number of projects which continue to test innovative and evidence-based approaches, to enhance our early help and preventative offer. These projects are designed to have impacts in the longer-term by ensuring residents get the right help at the right time, to prevent their needs escalating.			
<b>2. Planning &amp; Performance Management Framework:</b> review the framework in line with the development of the new Council Plan	Group Manager – Transformation & Change	March 2022	  Complete
In May 2022, we published the Council’s first Annual Report and Annual Delivery Plan. We have established quarterly assurance reporting processes, to consider our progress against delivery of the Annual Delivery Plan. This is reported to CLT every quarter and to Overview Committee and Cabinet every six months. The Q4 report becomes our Annual Report, looking back on the year			

Planned Action	Officer responsible	Target date for completion	Progress status
and what has been delivered and impact. The 2021/22 Annual Report was approved by Cabinet in May 2022. Service Plans are developed, to link action at operational level to the ambitions of the Nottinghamshire Plan and Annual Delivery Plan commitments and to explore key strengths, areas for development, opportunities and threats.			
<b>3. Risk management:</b> agree and implement a revised approach to risk management for the Council	Group Manager – Assurance	March 2023	 In progress
The work is nearing completion, with the final report to be presented Governance & Ethics Committee shortly. The report will highlight progress against the risk management approach action plan and provide an update on the work undertaken with the support of Zurich. This will include an update on the developments with the refreshed approach to risk management and the progress with implementation of a revised staffing structure to undertake this work going forward.			
<b>4. Data quality in Mosaic:</b> greater priority given to addressing issues highlighted by routine reporting	Corporate Director – Adults Social Care and Public Health.	March 2023 (to initiate project and develop long term resourcing options – the full Data Quality Strategy and Action Plan will not have been delivered by the end of March 2023.)	 In progress
In the short term, temporary Service Improvement Team project management resource has been identified until the end of March 2023 to initiate delivery of the agreed Data Quality Strategy and Action Plan. Good progress has been made including the delivery of a strategy document, approval of some agreed design principles (co-produced with the workforce), and the delivery of a Team			



Planned Action	Officer responsible	Target date for completion	Progress status
Manager dashboard and a Long-Term Reviews dashboard. Although the delivery work continues, a number of risks about the ongoing resource to manage and maintain the department's data reporting and data quality business requirements have been identified and logged on the department's risk register. The Adult Social Care and Health Performance Board on 7 December gave permission for a resourcing options appraisal to be developed and brought back to them for consideration.			

## **APPROVAL OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE**

*The Council has adopted a robust approach to addressing these financial, demographic, technological and legislative challenges.*

*The Governance and Ethics Committee reviewed the local code of corporate governance and this statement at their meeting on 3 May 2023. We are aware of the steps that are being and will be taken to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2023/24 and beyond.*

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE

**3 May 2023****Agenda Item: 7****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND  
IMPROVEMENT****STATEMENT OF ACCOUNTS 2022/23 – ACCOUNTING POLICIES****Purpose of the Report**

1. To allow Members to review and approve the proposed accounting policies used in creating the Authority's Statement of Accounts for 2022/23.

**Information**

2. The Statement of Accounts includes a section explaining the accounting policies used in producing the main statements for the benefit of the reader. Both the Code of Practice on Local Authority Accounting (The Code) and our External Auditors indicate that these policies should be reviewed and approved by the Governance and Ethics Committee prior to inclusion in the final Statement of Accounts.
3. Other than updating various dates in the 2022/23 Accounting Policies only one change has been made from the 2021/22 Accounting Policies. As a result of the change in accounting treatment of infrastructure assets and a review of our fully depreciated assets the useful lives of both infrastructure and IT and other equipment have been amended as follows:-

<b>Asset Type</b>	<b>Useful Life (In Years)</b>
Buildings	1 – 50
Vehicles and plant	1 – 20
Infrastructure	15 – 40
IT and other equipment	3 – 10
Intangibles	3 – 5
Furniture and Fittings	5 – 15

4. The proposed 2022/23 accounting policies can be seen in Appendix A.

**Other Options Considered**

5. The other option considered would be to not report the accounting policies 2022/23 but best practice indicates that these policies should be reviewed and approved by Governance and Ethics Committee prior to their inclusion in the Authority's statutory financial statements and this is why this option was rejected.

## **Reason/s for Recommendations**

6. It is considered good practice to have the Authority's accounting policies approved each year. In addition, the Code of Practice on Local Authority Accounting in the United Kingdom requires changes to the Authority's accounting policies to be approved.

## **Statutory and Policy Implications**

7. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION/S**

- 1) That Members approve the Authority's 2022/23 accounting policies.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure and Improvement**

**For any enquiries about this report please contact:**

Glen Bicknell, Senior Accountant, Financial Strategy and Compliance

### **Constitutional Comments (KK 20/04/2023)**

8. Governance and Ethics Committee is the appropriate body of the Council to consider the report.

### **Financial Comments (GB 19/04/2023)**

9. There are no financial implications arising from this report.

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Code of Practice on Local Accounting in the United Kingdom 2021/22

## **Electoral Division(s) and Member(s) Affected**

- All

# STATEMENT OF ACCOUNTING POLICIES

## 1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices are primarily based on the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is based on International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### 4. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### 5. Costs of Support Services

The costs of overheads and support services are charged to services in accordance with the Authority's arrangements for reporting accountability and financial performance.

#### 6. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 7. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 8. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

As a rule, assets are only recognised when they exceed the de-minimis levels set out below. However, assets below de-minimis meeting all other criteria may still be capitalised if it is deemed appropriate. Most commonly this will be when capitalisation leads to greater utilisation of available funding.

Asset Type	De minimis
Land and Buildings	£0
Community Assets	£10,000
Infrastructure Assets	£0
Assets under Construction	£0
Heritage Assets	£10,000
Vehicles, Plant, Furniture and Equipment	£10,000
Other assets	£10,000

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Highways Infrastructure Assets - measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost
- Community Assets and Assets under Construction – historical cost (depreciated where appropriate)
- Heritage Assets - held at valuation or, under certain conditions, historical cost (depreciated where appropriate)
- Operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where no market exists to allow a valuation on an EUV basis (e.g. schools), the Depreciated Replacement Cost method (DRC) is used. This is the sum of the fair value for the existing use of the land and the current gross replacement cost of the building, in line with the methodology for Modern Equivalent Asset (MEA); less allowances for physical deterioration, obsolescence and optimisation.
- Non-Operational Assets (i.e. surplus assets) – fair value as per the requirements of IFRS13 using the principle of “highest and best use” from a market participant’s perspective.

Where there is no market-based evidence of current value because of the specialist nature of an asset (e.g. school buildings), depreciated replacement cost (DRC) is used as an estimate of current value.

Where non land and building assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2023 issued by Mr N Gamble MRICS, Group Manager – Property Asset Management from the Authority’s Place Department on 27 June 2022. A rolling 5 year revaluation programme is in place to maintain the accuracy of the valuations. When significant changes occur in any year they are included in the revaluation schedule undertaken during that year.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the



Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged in the year after acquisition or construction. Where depreciation is provided for, assets are depreciated using the straight- line method. The lives of the assets vary and fall within the following ranges:

<b>Asset Type</b>	<b>Useful Life (In Years)</b>
Buildings	1 – 50
Vehicles and plant	1 – 20
Infrastructure	15 – 40
IT and other equipment	3 – 10
Intangibles	3 – 5
Furniture and Fittings	5 – 15

Where an item of PPE has major components whose costs are at least 20% of the total cost of the item, the components are depreciated separately. A review was carried out for all items over

a de-minimis of £0.5 million. For the 2022/23 Statement of Accounts, the Authority has not identified any components to be depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Accounting for Schools Property, Plant and Equipment**

The Authority has made detailed judgements regarding the control exercised over schools run in a wide variety of ways to determine whether non-current assets should be held on the Balance Sheet. The treatment of all schools has been considered by analysis predicated on the application of tests inherent within the following IFRS adopted by the CIPFA Code (Module 4 – Non Current Assets) – IAS16 – Property, Plant and Equipment, IAS17 – Leases and IFRIC12 – Service Concession Arrangements. This has resulted in the following treatment:

- Academy schools - off-Balance Sheet
- Foundation schools - on-Balance Sheet
- Voluntary Aided schools – off-Balance Sheet
- Voluntary Controlled schools – off-Balance Sheet
- Community schools – on-Balance Sheet

The assets of those Schools that convert to Academy status are derecognised from the Authority's Balance Sheet at nil proceeds. No impairment is recognised by the Authority prior to disposal.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve and can then be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **9. Revenue Expenditure Funded from Capital Under Statute (REffCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## **10. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Authority as Lessee**

#### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower), where the fair value exceeds the de-minimis limit. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Where material, contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property,

Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **The Authority as Lessor**

### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **11. Private Finance Initiatives (PFI) and Similar Contracts**

The Authority has entered into a number of Private Finance Initiative contracts. PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the

scheme operator to pay for the capital investment. For the Bassetlaw Schools PFI scheme and East Leake Schools PFI scheme, the liability was written down by initial capital contributions of £9.0 million and £2.9 million respectively.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – charges for ongoing capital maintenance of the Property, Plant and Equipment debited to the relevant scheme.

## 12. Heritage Assets

### Tangible and Intangible Heritage Assets

The Authority's Heritage Assets are held at County Hall or at the Nottinghamshire Archives. Nottinghamshire Archives has a number of architectural drawings and records relating to Rufford Abbey and the Savile of Rufford Estate. These collections are held in support of the primary objective of the Authority's Archives. In addition, the Authority retains a number of important ceremonial regalia and paintings that are also retained for increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where assets are disposed of, the proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## 13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure



Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## **14. Investment Properties**

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value as per the requirements of IFRS13. Fair value is based on the amount at which the asset could be sold in an orderly transaction between knowledgeable market participants at the measurement date. As a non-financial asset, an investment property will be measured at its highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## **15. Employee Benefits and Pensions**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the

Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## **Post-Employment Benefits**

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Nottinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Young People and Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

## **The Local Government Pension Scheme (LGPS)**

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. In assessing these liabilities at 31 March 2023 for the 2022/23 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include changes in the assumed pensions increases and inflation
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unutilised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into several components:

- Service Cost comprising:
  - current service cost / gain – the change in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Operating Income and Expenditure
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited/debited to the Pensions Reserve
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **16. Cash and Cash Equivalents**

Amounts held in call accounts or money market funds are highly liquid and readily convertible. These can be held for relatively long periods as call account rates are currently attractive. However, these accounts are used to cover short-term cash flow needs and so will be classed as cash equivalents.

Fixed term investments, of whatever duration, and amounts held in notice accounts are not readily convertible to known amounts of cash. Fixed deals and notice periods can be broken but only through negotiation with the borrower and at a penalty depending on the fair value of the loan at the time of break. All such investments will not therefore be classed as cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

## **17. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.



For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the relevant organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed

by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## **18. Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at each reporting date at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

## **19. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

## **20. Interests in Companies and Other Entities**

The Authority has involvement with a number of entities where interests are not considered to be material. The nature and value of the relationships are disclosed within the single entity accounts. In line with the Code requirement on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Authority. The income, expenditure, assets and liabilities, reserves and cash flows of these schools are recognised within the Authority's single entity accounts rather than group accounts.

## 21. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

## 22. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

## 23. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

No contingent assets have been identified for the Authority at 31 March 2023.

## 24. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or

Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

## **25. Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

## **26. VAT**

VAT payable, for both revenue and capital, is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **27. Accounting for Council Tax and NNDR**

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

**3 May 2023****Agenda Item: 8****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****INFORMING THE AUDIT RISK ASSESSMENT – 2022-23 STATEMENT OF  
ACCOUNTS****Purpose of the Report**

1. To inform Members of the External Auditors' requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit of the County Council's accounts for 2022/23 and to allow Members to comment on the response.

**Information**

2. As part of the annual approach taken by our External Auditors, Grant Thornton seek responses to matters concerning the Council's approach and reporting on a number of areas, in particular related to themes surrounding fraud, going concern, laws and regulations, together with some areas specific to the accounts such as related parties and estimates used in the accounts. The responses to these questions, set out in the Appendix to this report, form part of the overall audit and will inform the approach taken by Grant Thornton to the audit of the Council's Statement of Accounts for 2022/23.
3. The 2022/23 response to this request for information is attached for Members to comment upon.

**Other Options Considered**

4. The other option would be to not report the Informing the Risk Assessment 2022/23 responses but best practice indicates that this assessment should be reported to Governance and Ethics Committee ahead of the external audit of the Council's Statement of Accounts 2022/23 and so this option was rejected.

**Reasons for Recommendation**

5. For Members to consider and accept the Audit Risk Assessment 2022/23.

## **Statutory and Policy Implications**

6. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION/S**

- 1) That the Committee considers and accepts the 'Informing the Audit Risk Assessment for Nottinghamshire County Council for 2022/23' document from the external auditors.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact:**

Glen Bicknell, Senior Accountant, Financial Strategy and Compliance

### **Constitutional Comments (KK 20/04/2023)**

7. The proposal in this report is within the remit of the Governance and Ethics Committee.

### **Financial Comments (GB 19/04/2023)**

8. There are no direct financial implications arising from this report.

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

## **Electoral Division(s) and Member(s) Affected**

- All

# Informing the audit risk assessment for Nottinghamshire County Council 2022/23

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Page 88 of 150



# Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	28

Page 89 of 150

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Nottinghamshire County Council's external auditors and Nottinghamshire County Council's Governance & Ethics Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance & Ethics Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Governance & Ethics Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Governance & Ethics Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance & Ethics Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance & Ethics Committee and supports the Governance & Ethics Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Nottinghamshire County Council's management. The Governance & Ethics Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The estimates that have the most significant impact on the accounts relate to non-current asset valuations and the pension liability. It is important to bear in mind that these assumptions are made in good faith and in good time to enable the publication of the draft accounts by the statutory deadline of 31 May 2023.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Nottinghamshire County Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The Accounting Policies which set out the specific principles, rules and practices applied by the Authority in preparing and presenting the financial statements are approved each year by the Governance and Ethics Committee. Other than minor amendments to dates and useful economic lives for infrastructure and IT and other equipment, it is not proposed that any Accounting Policies will be changed in preparation of the 2022/23 Statement of Accounts.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The main financial instruments used by the Authority include borrowings, PFI finance lease liabilities, trade creditors and trade debtors. The Authority does not have any financial instruments that involve embedded derivatives.</p> <p style="text-align: center;">Page 92 of 150</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Authority is not aware of any significant transactions that are outside of the normal course of business.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	It is the view of the Authority's internal valuers that all elements of the property market appear to have been functioning throughout 2022/23.
6. Are you aware of any guarantee contracts? If so, please provide further details	The Authority is not aware of any material financial guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Any contingent assets or liabilities arising as a result of litigation, claims or assessments are notified annually in the Statement of Accounts following a request by colleagues in Financial Services
8. Other than in house solicitors, can you provide details of those solicitors utilised by Nottinghamshire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Authority uses external legal advisors where appropriate for a broad range of advice and assistance with cases and has a tendered framework agreement (the EM Lawshare Framework) which it uses for much of this. The Framework appointed 10 partner firms for a 4 year term which runs from 2022 to 2026 commencing in April 2022. In addition, Legal Services uses additional private sector firms for statutory child protection litigation work which it is unable to contain in-house and which is not covered by the above framework. The Council generally manages work on Judicial Review and Employment cases internally with advice as required from Counsel but where there may be capacity issues this can result in outsourcing through the EM Lawshare Framework.

# General Enquiries of Management

Question	Management response
<p>9. Have any of the Nottinghamshire County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>We are not aware of any items of non-compliance with laws and regulations. Where advice on any matters might reveal shortcomings in the Council's practice and procedures, however, these will be identified as part of effective management of the legal case and will be drawn to the attention of the relevant management within service areas to address.</p> <p>The Authority is not aware of any frauds with suppliers. A log of any reported irregularities is maintained but there have not been any notification of fraud in relation to suppliers or service providers.</p> <p>The Authority is not aware of any uncorrected mis-statements that would affect the financial statements.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Barristers advice is sought as and when required on a variety of matters which it would be too detailed to set out. They range from simple hearings to advice on statutory responsibilities and actual or potential litigation and such advice is used as a mechanism to manage risks and cases effectively.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>To mitigate risk we only place deposits with institutions that satisfy our minimum credit ratings as per the Treasury Management Strategy. We do not further analyse any of the institutions beyond this, and have no bad debt provision to cover loss of principal.</p> <p>Page 94 of 150</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance & Ethics Committee and management. Management, with the oversight of the Governance & Ethics Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance & Ethics Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Nottinghamshire County Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Governance & Ethics Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance & Ethics Committee oversees the above processes. We are also required to make inquiries of both management and the Governance & Ethics Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Nottinghamshire County Council's management.

Page 95 of 150

# Fraud risk assessment

Question	Management response
<p>1. Has Nottinghamshire County Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The Authority has undertaken an overall assessment of the risk of material misstatement in the financial statements by fraud as being low based on the good inherent record for completion of the financial statements, the current control environment and the management perception of risk based on the assessment of materiality for the Nottinghamshire County Council Financial Statements (NCC) and Nottinghamshire County Pension Fund. (NCPF)</p> <p>An Annual Fraud Risk Assessment has been carried out. This identified common fraud areas and areas for consideration of proactive counter-fraud work during the year ahead. The risk assessment is based on the assessment made by management, the opinions expressed in the Annual Governance Statement and the methods employed by the Head of Internal Audit to review the Governance Arrangements.</p> <p>Current fraud risks identified have been assessed as part of the Annual Fraud Risk Assessment and work undertaken to address them has been reported as part of the Annual Fraud Report 2022/23 (and will again be reported as part of the Annual Fraud Report 2023/24) as reported to the Governance and Ethics Committee. The Annual Fraud Risk Assessment is used to drive the coverage of Counter Fraud work, both proactive and reactive as part of the overall Internal Audit Termly planning processes. We have completed proactive work in relation to National Fraud Initiative, Mandate Fraud and grant funding payments.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Internal Audit consider the following classes of accounts to be at most risk of fraud: Cash, Investments, Payroll, Stock, Creditors, Income Collection and Debt Recovery. These areas are considered during the Internal Audit Planning process and as part of the Counter Fraud Risk assessment. The risks to cash, investment, income collection also consider the impact of Cyber fraud from the access to accounts to the processing of banking and payment mandates that can be used to divert funds.</p> <p>Other classes of accounts are considered from disclosure within the financial statements such as related parties, investments, asset valuation etc which are covered within other sections and subject to the established Internal Audit risks assessment processes.</p> <p>Accounting treatment, such as accruals, prepayments and accounting estimates are considered through</p>



# Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Awareness of fraud risk has been raised through Team Talk and on the intranet to promote the work undertaken in line with the Fraud Response Plan. The Annual Fraud Report is presented to the Governance and Ethics Committee, together with updates and sets out fraud risk and how management has responded to cases arising over the previous year. This is supported by the fraud awareness e-learning module.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Nottinghamshire County Council where fraud is more likely to occur?</p>	<p>Please refer to above where the planning process expands into risk areas and work undertaken to identify and mitigate.</p> <p>The general fraud risks considering the environment in which the Council operate are in relation to Procurement, Contract Management, Cyber, Social Care Expenditure, Blue Badge, Concessions and Licence issues.</p> <p>The Fraud Risk assessment for 2022/23 considered each element of these risks and highlights specific risks in relation to:-</p> <ul style="list-style-type: none"> <li>• National Fraud Initiative</li> <li>• Mandate Fraud</li> <li>• Fraud Root Cause Analysis</li> <li>• Grant Payment Fraud</li> <li>• Adult Care Payment Processes</li> <li>• Cyber Fraud</li> </ul> <p style="color: blue; text-align: center;">Page 97 of 150</p>
<p>6. What processes do Nottinghamshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Annual Fraud Risk Assessment carried out by Internal Audit. Risks are scored to identify material and sensitive risks. The Fraud Risk Assessment informs the Counter Fraud Plan which in turn results in completion of the Annual Fraud Report.</p> <p>During 2022/23, Internal Audit has engaged with the following pro-active counter fraud activities:</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Nottinghamshire County Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The application of internal controls, including segregation of duties, is reviewed annually as part of the Annual Governance Statement and supported by Assurance Mapping activities. Weaknesses are captured in the document and the work undertaken by the HOIA to form the Annual Opinion.</p> <p>The PDT processes outlined above in 6, describe processes which are in place in relation to internal controls including segregation of duties and a process of continuous assurance.</p> <p>Management monitor their individual areas on an on-going basis and report to their respective management teams. There is a requirement to report any suspected irregularities to Internal Audit, who will determine how to proceed in individual cases, including reporting to police, investigation by internal audit and investigation by management. The Fraud Response Plan sets out the expectations for all to follow.</p> <p>The risks from internal controls and segregation of duties are reviewed as part of the risk based approach undertaken by internal audit in the completion of its work as part of the Termly Plan which are informed by the Internal Audit Risk assessment and Fraud Risk Assessment. These risk assessments utilise a series of risk criteria and risk scoring to identify high risk areas. Risks from processes such as payments and payroll systems are high due to value. A Fraud Risk assessment analyses the key areas of risk for the Council, which is revised annually to inform the counter fraud plan and inform the termly planning process.</p> <p>The council continues to review matches through the NFI exercise and reports these along with other irregularities to the Governance and Ethics Committee as part of the fraud progress report and work is underway to make controls more robust to prevent this from happening again.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>The Governance control processes in place for the completion of the Annual Governance Statement for 2022/23 confirms that control arrangements are in place and have been operated during the course of the year. The governance arrangements are supported by a waiver process where any exceptions to the control function are</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Nottinghamshire County Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Ethical principles are outlined in the Officers' and Members' Codes of Conduct. Staff are also required to adhere to the personnel handbook which is embedded as part of the induction process and general policies and procedures. The Council's Constitution provides the framework for a comprehensive set of internal controls to prevent fraud. The requirements are set out in further detail within Financial Regulations and these are complemented by more detailed guidance at departmental level.</p> <p>Internal Audit have an annual programme of work which is agreed with the Governance and Ethics Committee and this programme of work provides assurance that these controls are in place, effective and complied with. Awareness has been raised through Team Talk and on the intranet to promote the work undertaken in line with the Fraud Response Plan. The Council has a whistle-blowing policy which reminds staff of the need to report instances of fraud. The Annual Fraud Report sets out how management has responded to fraud cases arising over the previous year. The Council provides information on fraud and collusion to contractors and review compliance with their own practices.</p> <p>Issues are reported via the Group Manager, Assurance, Monitoring Officer and Line Managers. These are escalated to Internal Audit for consideration or investigation. Internal Audit have been engaged in a number of investigations where compliance issues have been identified and departmental action has been taken. None are significant to the Financial Statements.</p> <p>Awareness training is provided through My Learning, Team Talk and Intranet news articles. These have included counter fraud awareness articles to bring the Counter Fraud Response Plan and the Whistle Blowing Policy to the attention of officers and staff along with the provision of an e-learning training course which was recently refreshed and relaunched.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are assessed as part of the vacancy management processes and the recruitment needs such as exposure to financial, safeguarding, vulnerable persons risks etc. These are mitigated through enhanced recruitment and management checks as part of the recruitment processes and processes put in place to check for identify fraud along with obtaining additional reference and DBS checks etc.</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance &amp; Ethics Committee?</p> <p>How does the Governance &amp; Ethics Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>A Fraud Risk Assessment is undertaken which is used to inform the Annual Fraud Plan and work within the Internal Audit Planned activity. Activity in relation to Counter Fraud is reported through the Annual Fraud Report and developments captured as part of the Fraud Plan. The annual fraud report (including a 6 monthly progress report) is considered by the Governance and Ethics Committee each year. The Corporate Leadership Team and the Governance and Ethics Committee are consulted on the Termly Internal Audit Plan (most recently in March 2023).</p> <p>Termly plans incorporate both proactive and reactive counter fraud work and represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its accounting records and its system of internal control. Meetings are held on a 6 weekly basis between the Head of Internal Audit and the Chairman of the Governance and Ethics Committee and include a periodic update of work against the termly plan and update on counter fraud activity.</p> <p>Internal Audit termly plans continue to be determined on a risk basis. The consideration of risks involves consultation with senior managers and taking account of external sources of assurance, including the work of external inspectorates. The corporate risk register, assurance mapping process and continuous assurance exercise is also now providing an important flow of intelligence to inform Internal Audit's planning. The Team's coverage was complementary to the ongoing cross-Council pandemic response and continues to be delivered through a flexible and agile approach.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The County Council County Council logs concerns it receives centrally on its corporate register. All matters <a href="#">Page 100 of 150</a> which fall under the Whistleblowing Policy are required to be reported to the Monitoring Officer.</p> <p>.</p> <p>The Monitoring Officer compiles an annual report in relation to Whistleblowing which was presented to the Governance and Ethics Committee on 22nd February 2023. During 2022, two matters were reported</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance & Ethics Committee, is responsible for ensuring that Nottinghamshire County Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance & Ethics Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Nottinghamshire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Decision making is undertaken by Cabinet, Cabinet Members, Committees and other meetings of the County Council based on reports following standardised templates with sections covering financial, constitutional, human rights, equalities implications etc. Each report is checked for compliance prior to publication. In addition, each department and service area is aware of the legal and regulatory framework relevant to their areas and appropriately qualified staff are recruited and trained in relevant procedures and processes. There is oversight by relevant government and other agencies tasked with monitoring standards and compliance. Periodic internal audit inspections of each service area take place. Legal advice is available for any casework or individual queries. The Monitoring Officer sits on the Corporate Leadership Team and attends Cabinet, Full Council and Governance and Ethics Committee. The Council approved a change to its governance model from the Committee to the Executive (Leader and Cabinet) model on 12 May 2022. The change maintains equivalent systems as per the above on which training has been given and further training is provided as required.</p>
<p>2. How is the Governance &amp; Ethics Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Decision making is by Cabinet, Cabinet Members, Committees and other meetings at the Council subject to appropriate advice via standardised committee reports covering relevant issues for consideration. The Annual Governance Statement summarises the processes and procedures in place that govern the arrangements. Internal Audit procedures, legal advisory support from in-house and (where necessary) external advisors on different areas of service delivery. Training and development of staff from both internal and external sources, accreditation with relevant professional bodies, whistle-blowing policy, Financial Regulations, contract procedures, complaints procedures, internal and external investigations as may be required, HR procedures, terms and conditions of employment including disciplinary procedures etc.</p>
<p>3. Have there been any instances of non-compliance or</p>	<p>Internal Audit deal with allegations of fraud or criminal behaviour which is reported to the relevant authorities for investigation. Not aware of any other instances of non-compliance</p>

# Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Nottinghamshire County Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Risk and Insurance manage insurance claims, together with the Council's insurers and having taken external legal advice where appropriate. Non-insured cases are managed by Legal Services together with external advisory support where appropriate with claims being pursued or settled on the basis of legal advice in accordance with provisions within the Constitution. Any contingent assets or liabilities arising as a result of litigation, claims or assessments are notified annually in the annual statement of accounts.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>The Authority is currently subject to a Business Risk Review &amp; VAT Audit which began on the 20th of July 2022 with completion of questionnaires/requests for information covering VAT, Corporation Tax &amp; Governance . This was followed up by a 2-day visit to County Hall by HMRC on 17th &amp; 18th Of November 2022. As part of this process no issues of non-compliance have so far been flagged by HMRC. We now await their final report &amp; risk rating</p>

# Related Parties

## Matters in relation to Related Parties

Nottinghamshire County Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Nottinghamshire County Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.



## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Nottinghamshire County Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Nottinghamshire County Council</li> <li>whether Nottinghamshire County Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>There are no new related party relationships in 2022/23.</p>
<p>2. What controls does Nottinghamshire County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Financial Statements identify all the related parties for the Council and the Pension Fund. Central Government – through the framework for grants and funding (Council Tax and Benefit Payments)</p> <p>Relationships in relation to members were identified where they held a position with bodies receiving grants. These are updated on the Authority's website. CLT Officers make an annual declaration.</p> <p>Related transactions related to Arc, Via, Nottinghamshire (Futures), Inspire and LGPS Central (PF) are detailed within notes to the financial statements.</p> <p>Related parties in relation to individuals are identified during the financial statements generation and are reviewed annually prior to declaration.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All transactions go through an approved process. Larger values have additional layers of authorisation as noted in the Scheme of Delegation. Procurement rules within Financial Regulations <a href="#">Financial Regulations</a>   <a href="#">Nottinghamshire County Council Intranet (nottsc.gov.uk)</a></p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Nottinghamshire County Council will no longer continue?</p>	<p>A rigorous review of the Council's Medium Term Financial Strategy assumptions takes place on an annual basis. This reviews such assumptions as pressures, savings, income streams, pay awards and other areas. The results of this review is reported to Cabinet in the first instance and approved by Full Council in February of each year. The Cabinet Member for Finance has responsibility for management of the Council's finances and budget reports are regularly reported to Cabinet, the Cabinet Member for Finance as well as to the Corporate Leadership Team.</p> <p>It is acknowledged in the 2023/24 Annual Budget Report that adequate levels of balances and contingency are being maintained. There are no indications coming from these processes that the statutory services provided by the Council will no longer continue.</p>
<p>2. Are management aware of any factors which may mean for Nottinghamshire County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>There are no factors that management are aware which may mean that the Council statutory services will no longer be provided or funding for statutory services will be discontinued.</p>
<p>3. With regard to the statutory services currently provided by Nottinghamshire County Council, does Nottinghamshire County Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Nottinghamshire County Council to cease to exist?</p>	<p>The Council expects to continue to deliver statutory services for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting</p>	<p>Management is satisfied that the financial framework permits the Council to prepare its financial</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance & Ethics Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Governance & Ethics Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Page 108 of 150

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The main classes of transactions that are significant to the financial statements and give rise to the need for accounting estimates are land and building valuations and pension liabilities.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	In identifying and addressing these accounting risks sufficient knowledge and an appropriate level of professional expertise is required. In both of the main areas of accounting estimates, the Authority uses internal professionally qualified RICS valuers with regard to land and building valuations and professional actuaries, Barnett Waddingham for the pension liability.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	For land and buildings the appropriateness of assumptions used in valuing the Authority's land and buildings requires judgment and sufficient knowledge of the asset being measured and an appropriate level of professional expertise regarding valuation techniques. For the pension liability, management are guided by the professional advice of the Fund's actuaries in respect of the assumptions used.
4. How do management review the outcomes of previous accounting estimates?	Estimates that have changed significantly year on year are challenged as part of the year- end accounting process. Working papers are set out which aim to explain the reasons for any such variation.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No changes were made to the estimation process in 2022/23.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Where a significant accounting estimate is identified, professionally qualified experts are commissioned or internally sourced to provide sufficient advice and guidance to the Authority.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The process for land and buildings is governed by formal Terms of Engagement that reflect the expectations in relation to the relevant outputs / estimates. Valuations are undertaken by designated surveyors and separately approved by a Principal Valuer to ensure compliance and accuracy.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>In managements' opinion, there are adequate controls in place over the calculations of these accounting estimates. The robustness of these controls can be assessed with reference to robust analytical review processes undertaken by professionally qualified staff.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>In management's opinion there are adequate controls in place over the accounting estimates used in Authority's financial accounts. The robustness of these controls can be assessed with reference to robust analytical review processes undertaken by professionally qualified internal staff or external specialists. Any change in the methods or models used in arriving at accounting estimates will be subject to Section 151 officer approval. Sensitivity analysis is undertaken on the major accounting estimates and disclosed in the statements of accounts.</p>

Page 110 of 150

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>Land and building estimates are considered annually throughout the valuation process culminating with a consolidated Valuation Certificate which indicates the Valuer's opinion of the value of specified properties pertaining to the process and the basis of valuation, any assumptions which have been made or limitations, including those as to accuracy of data and any other significant matters. If the Valuer considers that circumstances render it inappropriate for the valuation to be made wholly in accordance with the Red Book a clear statement to this must be given in the Valuation Certificate, together with reason for such departure, the extent of the departure which the Valuer must be able to justify. For the pension liability, Management use the figures provided by the professionally qualified specialist actuary in respect of the estimate. Detailed information in respect of the assumptions chosen and the sensitivity of the estimate to changes in these assumptions is provided in the relevant note to the accounts.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>It is the view of the Section 151 Officer that the estimates made within the Statement of Accounts are consistent with the Local Authority Accounting Code of Practice and are both prudent and reasonable.</p>
<p>12. How is the Governance &amp; Ethics Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The Accounting Policies which set out the specific principles , rules and practices applied by the Authority in preparing and presenting the financial statements are approved each year by the Governance and Ethics Committee. The financial statements are presented to Governance and Ethics Committee each year which set out the accounting estimates used.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	The valuations methods are as defined in the RICS Valuation-Global Standards .These standards are mandated by the IFRS-based Code of Practice on Local Authority Accounting ("the Code") published by CIPFA.	<p>The process is governed by formal Terms of Engagement that reflect the expectations in relation to the relevant outputs/estimates. Valuations are undertaken by designated surveyors and separately approved by a Principal valuer to ensure compliance and accuracy.</p> <p>All controls can also be assessed with reference to robust analytical review processes undertaken by professionally qualified</p>	Professionally qualified RICS valuers are commissioned and sourced internally.	<p>Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on appropriate level of professional expertise regarding valuation techniques.</p> <p>Sensitivity analysis is undertaken to consider the impact of a potential marginal error and is disclosed annually in the accounts.</p>	No



## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Management work closely with the funds actuaries and discuss the impact of any changes to this valuation.	The actuary is subject to rigorous professional standards and is also required to provide information to the Government Actuary.	Yes – Barnett Waddingham	Management use the figures provided by the specialist actuary in respect of this estimate. Detailed information in respect of the assumptions chosen and the sensitivity of the estimate is set out in the notes to the accounts,	No
Level 2 Financial Instruments	Financial liabilities are held at amortised costs in the balance sheet. Fair values are calculated and shown as a comparison within the notes to the accounts	Management use published 31 March PWLB and other appropriate loan rates based on the same length as the underlying financial instrument.	No	Material risks relate to incorrect rates used in calculations. These are addressed by the calculations being performed by an accountant, comparisons made with previous year and calculations/ working papers being reviewed by another accountant.	No
Level 3 Financial Instruments	Financial assets are held at amortised cost in the balance sheet. Fair values are calculated and shown as a comparison in the notes to the accounts.	Management use published 31 March PWLB and other appropriate loan rates based on the same length as the underlying financial instrument.	No	Material risks relate to incorrect rates used in calculations. These are addressed by the calculations being performed by an accountant, comparisons made with previous year and calculations/ working papers being reviewed by another accountant.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Provisions are identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accounts and a working paper is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No
Accruals	Standard accrual accounting is used – accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	n/a	n/a	No
Credit loss and impairment allowances	Debts are reviewed on a monthly basis and any debts that are deemed to be irrecoverable are written off.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. Nottinghamshire County Council signs off the write off.	n/a	n/a	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	The PFI models used to calculate the PFI liabilities were established following the introduction of IFRS and are updated as required.	The source data used for this accounting estimate are set out in the Council's PFI models and are updated as appropriate to reflect any inflationary impacts	Yes – in the initial setting up of the PFI models	Any estimation uncertainty relates to rates used. Management believes that the rates used are the best estimates available.	No



**3 May 2023****Agenda Item: 9****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND  
IMPROVEMENT.****EXTERNAL AUDIT – ANNUAL AUDIT REPORT 2021/22****Purpose of the Report**

1. To inform Members of the External Auditors' Annual Audit Report 2021/22.

**Information and Advice**

2. A new Code of Audit Practice came into force from 1 April 2020 for financial years 2020/23 onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing commentary on the Council's arrangements for securing Value for Money alongside the audit opinion on the Council's accounts. This report replaced the Annual Audit Letter which was reported to this Committee previously.
3. The purpose of preparing and issuing the Annual Audit Report is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from the auditors' work.
4. The Auditor's Annual Audit Report 2021/22 is attached at Appendix A and covers both the County Council and Nottinghamshire Pension Fund. It summarises all of the work completed as part of the 2021/22 annual audit and a review of value for money arrangements.
5. The report is presented to Members for their information. The Audit Director (Grant Thornton), Andrew Smith, will be in attendance at the meeting to introduce the report and respond to Members' queries.

**Other Options Considered**

6. The other option would be to not accept the external report. This option was rejected as external auditors are required by statute (Section 20(1c)) of the Local Audit and Accountability Act 2014 to report their Annual Audit Report to the Council

**Reason/s for Recommendation/s**

7. To provide information to Members on the External Auditors' Annual Audit Report 2021/22.

## **Statutory and Policy Implications**

8. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION/S**

- 1) That Members accept the External Auditors' Annual Audit Report 2021/22.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact:**

Nigel Stevenson tel. 0115-9773033

## **Constitutional Comments (KK 20/04/2023)**

9. Governance and Ethics Committee is the appropriate body to consider the content of this report.

## **Financial Comments (GB 19/04/2023)**

10. The total audit fees were £146k for Nottinghamshire County Council and £44k for the Nottinghamshire Pension Fund.

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

## **Electoral Division(s) and Member(s) Affected**

- All

# Auditor's Annual Report 2021/22

Nottinghamshire County Council

April 2023

# Contents

Section	Page
Executive summary	3
Opinion on the financial statements and use of auditor's powers	5
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Improvement recommendations	10
Governance	11
Improvement recommendations	14
Improving economy, efficiency and effectiveness	15
Improvement recommendations	19
Follow-up of previous recommendations	20
Opinion on the financial statements	24
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	26
Appendix B – An explanatory note on recommendations	27



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.



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 2021/22 is the second 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. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment		2021/22 Auditor Judgment		Direction of travel
Financial sustainability	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendations made		No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Governance	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendations made		No significant weaknesses in arrangements identified, but improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendations made		No significant weaknesses in arrangements identified, but improvement recommendations made	↔

 No significant weaknesses in arrangements identified, but improvement recommendations made.

 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 for 2023-24, whilst the MTFS also proposes a balanced budget for 2024-25. There is currently a funding gap of £30.8m for the remaining two years of the MTFS i.e. period ending 31 March 2027.

We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability but we have raised one improvement recommendation.



## Governance

Building on our 2020-21 review, which we reported in April 2022, to develop a detailed understanding of the Council's governance arrangements, we found the risk management processes at the Council to be good, and that management are well supported by internal audit.

Arrangements for budget setting and monitoring of performance against the budget are effective. The Council has a good set of policies and procedures in place to ensure the Council 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 two-tier county councils are low, although there are some areas of 'very high' cost to be reviewed.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 31 March 2023, following the Audit Committee meeting on 22 March 2023. Our findings are set out in further detail on page 24.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 31 March 2023, following the Audit Committee meeting on 22 March 2023. Our findings are set out in further detail on page 24.

## 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 issue a statutory recommendation.

## 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 apply to the court for a declaration that an item of account is contrary to law.

## 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:

We did not issue an advisory note.

- 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.

## 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).



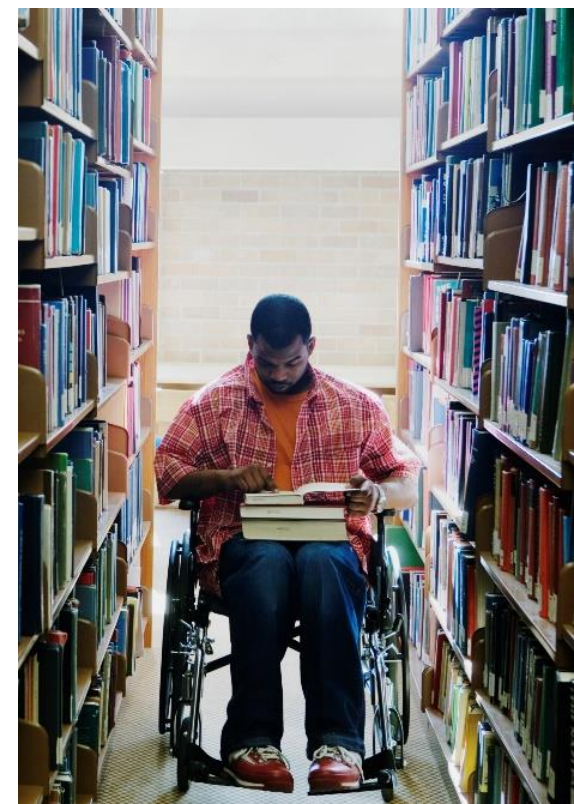
## Governance

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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 23. Further detail on how we approached our work is included in Appendix B.

# 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.

## 2021-22 and ongoing financial pressures

In its 2021-22 budget, the Council set out the continuing challenging financial landscape. The challenges included the ongoing impact of COVID-19, which was estimated to be £86m in 2020-21, a one-year funding settlement and the further postponement to a new business rates retention scheme and the Fair Funding Review. 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 2021-22 was £530.3m compared with £512.5m in 2020-21. Savings plans totaled £1.9m for the year. There was no change to the budget requirement during the year.

In June 2022, the Council reported an underspend of £39.1m, including £12.4m of departmental underspends, more than half of which related to Adult Social Care and Public Health (£7m). The £39.1m underspend was transferred to corporate and departmental reserves, with £3.1m being transferred to the General Fund. Overall, usable reserves increased by £52m year on year.

Year ending	General Fund £m	Other Usable Reserves £m	Total Usable Reserves £m
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
31 March 2019	24.1	167.2	191.3

As shown in the table above, £35.2m was the Council's risk-assessed minimum balance on its General Fund Reserve as at 31 March 2022. This was unchanged in the 2023-24 budget. Total usable reserves are forecast to decrease from £293.4m to £198.6 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 2021-22, 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.

Our comparison of the level of the Council's reserves as a proportion of net service revenue expenditure (%) for 2021-22 with other county councils indicates that the Council's reserves are in line with the average.

# Financial sustainability

## 2022-23 and beyond

The Council approved its budget for 2022-23 in February 2022. The net budget requirement for the year was £559.5m. The budget update to Cabinet in November 2022 reported a forecast overspend for the year of £4.4m. This was mainly as a result of forecast overspends in external looked after children placements and internal residential homes budgets. However, the month 8 (to end of November 2022) report to Cabinet in January 2023 reported a forecast underspend of £2.2m; a movement of £6.6m or about 1.2% of the budget.

The budget update reported on the recently agreed pay award which added around £5.6m per annum to pay costs. In addition, as the existing MTFS included pay award assumptions of just 3% in 2023-24 and 2% in both 2024-25 and 2025-26 an additional 2.5% was proposed to be included in the MTFS for both 2023-24 and 2024-25 financial years, which equated to an additional pay pressure of £5m per annum.

Further pressures included:

- Social care reform
- National Living Wage
- Services demand
- Inflation
- Retention of Children's Social Workers and the Social Care Market.

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.

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.

## Financial planning and consistency with other plans

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 sustainability

## Medium term financial planning

The MTFS is updated annually as part of the Council's financial planning process for setting its budget. A further review of the MTFS and the assumptions that underpin it was undertaken in early 2021 as part of the annual financial planning process which resulted in the approval of the Council's 2021-2025 MTFS in February 2021. The Council put in place a series of proposals which forecast a balanced budget for 2021-22 but included funding gaps of £17.6m in 2022-23 and £14.6m in 2023-24. In February 2022, the Council issued its 2022-26 MTFS which included a balanced budget for 2022-23 and a reduced gap of £8.2m for 2023-24.

The MTFS covering the period up to 31 March 2027 has recently been approved by the Council. 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 Finance Committee (Cabinet from 2022-23) as part of the monthly Financial Monitoring Report. The Council's actual capital spend for 21-22 was £96m compared to a revised budget figure of £109.1m. The forecast as at 31 December 2021 was an outturn of £108.7m against a budget of £112m. The reasons for the reduction in capital spend are not included in the outturn report.

### Improvement Recommendation

The reasons for significant movements in the budgeted and actual capital spend should be set out in the outturn report.

# Improvement recommendations



## Financial sustainability

### Recommendation 1

The reasons for significant movements in the budgeted and actual capital spend should be set out in the outturn report.

### Summary findings

The outturn report includes a high level summary of capital expenditure against budget but the reasons for significant movements in the budgeted and actual capital spend are not included in the report.

### Management Comments

Explanations for significant variances in the capital programme will be set out clearly in the 2022/23 Management Accounts Report.



The range of recommendations that external auditors can make is explained in Appendix C



# 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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

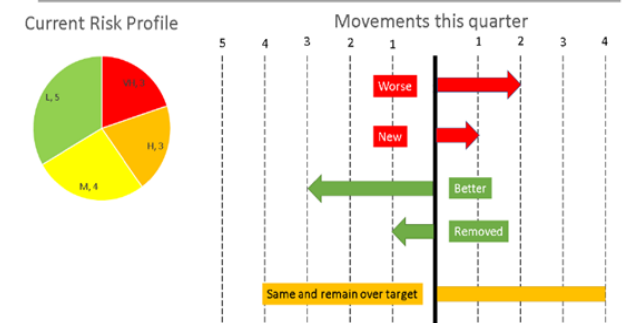
## Monitoring and assessing risk

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 2022, "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".

A significant development since the Zurich review is the implementation of a risk reporting regime between the departmental Risk, Safety and Emergency Management Groups (RSEMGs) and the RSEMB. This is founded on a simple format, as illustrated, to provide a concise view of current risk levels in departments and, importantly, the movement in those risk levels over the previous quarter. The intention is to provide a summary of the latest position, both to the Corporate Leadership Team and to the Governance and Ethics Committee as part of the six-monthly risk updates.

## Risk profile and movement



## Improvement Recommendation

The Council should complete the remaining work on the revised risk management strategy and policy and report to the Governance and Ethics Committee.

The Corporate Risk Register presented to the Corporate Leadership Team in September 2021 contained 11 risks. Other than mapping to corporate objectives, the required information for each risk was noted e.g. risk description, inherent risk (likelihood and impact), current risk status (likelihood and impact), trend, key risk management activities, risk owner and target risk (likelihood and impact).

## Improvement Recommendation

Risks reported to CLT, the Governance & Ethics Committee or Cabinet should be mapped to corporate objectives.

# Governance

## Budget setting process

The Council has an effective approach to 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 (Finance Committee in 2021-22) 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. The exercise garnered more than 2,000 responses which were taken into account when drawing up the proposals contained in the budget report.

## Budgetary control

There are good systems in place for oversight of the budget. Monthly financial monitoring reports are presented to Cabinet (Finance Committee in 2021-22). 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 is to be re-introduced, although reporting to members, via the Cabinet Member for Finance, will only be by exception.

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## Leadership and committee effectiveness / decision making

Appropriate leadership is in place. In 2021-22, the Council operated a Full Council and Committee structure supported by the CLT. There were twelve key committees including Finance Committee, Governance and Ethics Committee and committees aligned to the Council's services. However, following a vote in principle on 23 September 2021, the Council voted on 31 March 2022 to switch from a Committee Model to a Leader and Cabinet Model in May 2022. This would bring 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. In our 2020-21 report we recommended that a central register of Members' conflicts of interests should be maintained. The Council considered the recommendation but decided that the existing arrangements are satisfactory.

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 has been raised in the Audit Findings Report in relation to this issue.

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# Governance

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## Data security

Although there were no serious data security breaches in 2021-22, in a spirit of openness, the Council reported five issues to the Information Commissioner's Office (ICO). None of these issues, which were all due to human error, resulted in any further action by the ICO. The Council requires all employees to undertake Data Protection and Information Governance training on an annual basis. We understand that around 89% of staff have undertaken the required training.

## Pension Fund

The Risk Register, which is reported at every meeting of the Pension Board, notes that "the risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of the investment beliefs, funding, and investment objectives. The Fund will only take sufficient risk in order to achieve its long-term funding objectives".

Advice is provided to the Pension Board and Committee by the Service Director (Finance, Infrastructure and Improvement), independent adviser William Bourne from Linchpin Advisory (Pension Committee) and John Raisin Financial Services Ltd (Pension Board).

Revised versions of the Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register were presented to the Pension Committee in September 2021 by the Service Director (FI) and approved by the Committee.

The Pension Fund Working Party meets twice a year to discuss key issues in more detail and to make recommendations to Pension Fund Committee. The independent advisor attends these meetings taking the lead on issues of asset allocation and benchmarking. The recommendations of the Working Party, which met on 31st January 2022, were considered by the Pension Committee in March 2022. All recommendations were accepted.

We are satisfied that the Pension Fund makes informed decisions and properly manages its risks.

# Improvement recommendations



## Governance

### Recommendation 2

The Council should complete the remaining work on the revised risk management strategy and policy and report to the Governance and Ethics Committee. In the revised report, risks should be mapped to corporate objectives

### Summary findings

Following the review of the Council's risk management arrangements by Zurich, revised arrangements have been put in place. However, work on revising the strategy and policy has slipped.

### Management Comments

Due to unavoidable circumstances, work on revising the Authority's Risk Management Strategy has been delayed. Work is on-going and the revised strategy and policy will be completed as soon as possible.



The range of recommendations that external auditors can make is explained in Appendix C.

# 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.

## Performance review, monitoring & assessment

For 2021-22, the Council's constitution required consideration of key performance indicators by elected Members through the Committees of the Council. The Council's principal Committee, the Policy Committee, agreed an approach to performance management across the Council, which was set out in the Planning and Performance Management Framework.

The Council's largest departments (by spend) each had its own Committee and each had a core dataset of key performance indicators (KPIs) for the services it provides. A detailed and explanatory performance scorecard was included within these reports, each of which included a RAG rating and direction of travel. The reports also included an update on financial performance, providing Members with timely oversight of both financial and service performance relevant to their individual portfolios. The reports set out areas for improvement and the actions being taken.

Due to a change in governance arrangements, from a committee model to a cabinet model, the year end results were not reported in the same way as other quarterly reports or as in previous years. As a result of the transition, there was no reporting to members at year end. However, a report was presented to the Corporate Leadership Team.

Moving into 2022-23, performance is 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.

## Improvement Recommendation

Include the 2022-23 performance target and 2021-22 result alongside the quarterly performance figures.

## Benchmarking

The Council uses benchmarking to compare its costs and performance to other county councils. As an example, Adult Social Care obtained a Use of Resources report from the LGA, which showed that the long-term support needs of younger adults (aged 18-64) met by admission to residential and nursing care homes per 100,000 population was high for the Council. In recognition of this, the Council went out to tender to increase the capacity of supported accommodation as this is both cheaper than long term care and better for the individuals. The metrics reported by the Council show that the proportion of learning disability adults living in their own home is below target and below both the national average and East Midlands average. This shift in approach will assist the Council in improving upon this position.

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.

# 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

## 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 with a decision to be made in the next couple of months.

An internal audit undertaken in 2019 highlighted the need for a corporate approach to contract management. The Group Manager - Procurement has worked with departmental leads and developed a corporate contract management toolkit. This covers pre-procurement (i.e. work to be undertaken before any engagement with the marketplace), procurement, implementation, contract management and exit management.

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.



# Improving economy, efficiency and effectiveness

## Working with partnerships

A report to Policy Committee in May 2019 identified nine Category A bodies (wholly or partly owned companies) with which the Council is involved. A report on the work of the Arc Partnership was presented to the Economic Development and Asset Management Committee in December 2021 but there was no evidence of the reporting of other bodies for 2021-22. We understand that a performance and assurance report, covering each of the Council's wholly/partly owned companies, will be presented to the May or June 2023 meeting of the Governance and Ethics Committee. This will cover the 2022-23 financial year and the period between this and any previous reports. The report will also help to address the issues raised by Internal Audit in their report on the Viability and Sustainability of Category A bodies, which was issued in draft in June 2022 but is yet to be finalised.

### Improvement Recommendation

Internal Audit's report on the viability and sustainability of Category A bodies should be finalised as soon as possible.

In addition to the Category A bodies, there are a several other bodies with whom the Council is in partnership. Examples include the Safeguarding Boards for both children and adults. The Council works with a wide range of bodies on both Boards including, in relation to Adults, district councils, health bodies, probation, police and fire & rescue. The 2021-22 reports from the Boards were reported to the appropriate Select Committee in December 2022.

## Reports from regulators

The last OFSTED inspection was in 2019, so the next one is expected later in 2023 or early 2024. Since the last inspection there have been two focussed reviews, one in relation to Children's Services, which was undertaken in April 2022 and the other, which has just concluded, in relation to SEND. Any recommendations and relevant findings arising from such reviews are added to an action plan which is regularly updated and reported to both SLT and the Cabinet Member.

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.

## 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.

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 21-22, which suggests that the Council is on target to meet its 2025 aspiration.

# Improving economy, efficiency and effectiveness

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.

The impacts of Climate Change are included in the Corporate and Place Departments risk registers. Work is ongoing to capture climate change related risks and the costs and impacts of activity/inactivity within the corporate risk register and risk assessment process.

The Council's climate change action plan was assessed in late 2021 by Climate Emergency UK according to 28 questions across nine sections. Each council was marked against these criteria and given a right to reply before the scores underwent a final audit. At the time, the Council scored quite poorly, scoring only 20% against the County Council average of 40%. Since that assessment, the Council has taken significant action including launching an internal Green Investment fund to support projects, updating the Corporate Environmental Policy, producing an emissions report (2021-2022) and approving the Carbon Reduction Plan.

## Pension Fund

The Pension Fund's AGM was held on 12 January 2023, which although held in 2023 related to 21-22. 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 recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 3

Include the 2022-23 performance target and 2021-22 result alongside the quarterly performance figures.

### Summary findings

The quarter two performance report included performance measures for quarters 1 and 2 and some supporting narrative. However, the target for the year and comparative figures for the prior year are not reported alongside the quarterly figures.

### Management Comments

The Authority's Annual Delivery Plan for 2023/24 includes setting the baseline for Key Performance Indicators as well as setting out the Authority's ambition against each indicator. Progress against the performance indicators will be included in future quarterly reports. (awaiting a response from Isobel to confirm that she's happy with the wording.

### Recommendation 4

Internal Audit's report on the Viability and Sustainability of Category A Bodies should be finalized as soon as possible.

### Summary findings

Internal Audit issued their report on the Viability and Sustainability of Category A Bodies in June 2022 but still has not been finalised

### Management Comments

Work is on-going to finalise the Internal Audit Report on the Viability and Sustainability of Category A bodies as soon possible.



# 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, 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.	In progress	Yes - Following a review of how this information can be incorporated into reports to Members, a section on these relationships is to be included in the 2022-23 Management Accounts report to Cabinet in June 2023.
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.	No	We consider the proposed action to be good practice and therefore our recommendation still stands.
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 develop and embed risk management. The latest update was reported to RSEMB in November 2022 and CLT in January 2023. Work is now focused on developing a consistent approach across all Departments and on recruiting a dedicated Risk Management resource. All recommendations have been accepted and are being actioned.	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 made greater use of a full range of comparator and benchmarking tools, including LG Inform Plus.	Yes	N/a
9	Working with partners is a key theme in a number of ambitions in the Nottinghamshire Plan 2021-31. However, the plan and its dedicated website is not explicit in setting out how the Council works with partners, the outcomes delivered, and any improvements required. We recommend that the Council updates the website regularly to provide greater clarity with regards to partnership working.	Improvement	April 2022	<p>In May 2022, the Council published an Annual Delivery Plan outlining the key actions in 2022-23 to deliver the Council Plan. The plan provides information about how the Council will work with partners to achieve its ambitions.</p> <p>An Annual Report will provide more information to the public regarding progress against the Council Plan and Annual Delivery Plan. This report will include more explicit reference to the impact of our partnership activity and the outcomes achieved by working with key partner agencies. This will also be made available on the Council's website.</p>	Yes	No

# Opinion on the financial statements

## Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Council's financial statements on 31 March 2023.

## Other opinion/key findings

We issued unmodified opinions in respect of other information.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 22 March 2023.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council was below the threshold requiring extended audit procedures. We issued the required 2021/22 assurance statement to the NAO on 31 March 2023.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it. An audit debrief will be held in the next few weeks to discuss how we can work together to complete the audit in a quicker timeframe.

## Issues arising from the accounts:

The key issues were:

- Valuation of net pension liability – the pension fund auditor identified that Council's share of pension fund assets value was understated by £13.2 million. The accounts were adjusted by management.
- Debtors and creditors – we identified a material value of incorrect accounting entries as part of our debtor and creditor testing. The accounts were adjusted by management.
- IT control environment - We identified security and access controls weaknesses over the Council's financial ledger system.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# 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.

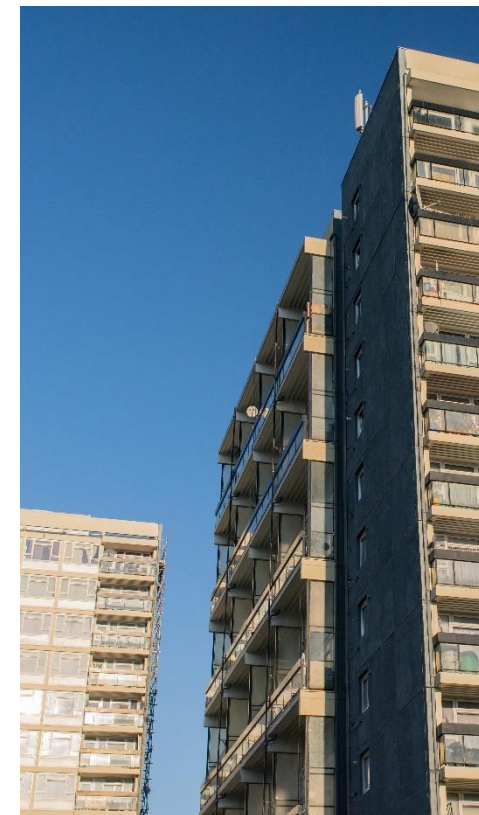
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their 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	Not applicable
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	10, 14 & 19



**3 May 2023****Agenda Item: 10****REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND  
EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To review the Committee's work programme for 2022-23.

**Information**

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the Committee's agenda, the scheduling of the Committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Committee meeting. Any member of the Committee is able to suggest items for possible inclusion.
3. The attached work programme includes items which can be anticipated at the present time.

**Other Options Considered**

4. The option to not present a work programme to the Committee was rejected as it would not allow forward planning or management of agenda items.

**Reason/s for Recommendation/s**

5. To assist the Committee in preparing and managing its work programme.

**Statutory and Policy Implications**

6. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

- 1) That Committee considers whether any changes are required to the work programme.

**Marjorie Toward**

**Service Director, Customers, Governance and Employees**

**For any enquiries about this report please contact:**

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### **Constitutional Comments (EH)**

7. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

### **Financial Comments (NS)**

8. There are no financial implications arising directly from this report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All

## **GOVERNANCE & ETHICS COMMITTEE – WORK PROGRAMME (as at 22 March 2023)**

<b><u>Report Title</u></b>	<b><u>Brief Summary of agenda item</u></b>	<b><u>Lead Officer</u></b>	<b><u>Report Author</u></b>
<b>14 June 2023</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
External Audit Plan 2022-23	To consider the External Audit Plan for the forthcoming audit	Nigel Stevenson	Glen Bicknell
Informing the risk assessment – 2022-23 Statement of Accounts	To consider the risk assessment	Nigel Stevenson	Glen Bicknell
Assurance Mapping Annual Report 2022-23	To review the assurance provided from the map in 2022/23 and consider coverage for 2023/24	Nigel Stevenson	Simon Lacey
Internal Auditor's Annual Report	To consider the Head of Internal Audit's annual opinion of the arrangements for governance, risk management and control	Nigel Stevenson	Simon Lacey
Follow-up of Internal Audit recommendations – 6-monthly update	To consider an update on progress with implementing agreed actions from Internal Audit reports	Nigel Stevenson	Simon Lacey
Update on the use of the Councillor's Divisional Fund	To consider the annual update	Marjorie Toward	Keith Ford
<b>19 July 2023</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Annual Fraud Report 2020-21	To review the incidence of fraud over the year and an update on risks and mitigations	Nigel Stevenson	Simon Lacey
Internal Audit Term 3 progress 2022/23 and Term 2 plan 2023/24	To consider proposed audit coverage for Term 2	Nigel Stevenson	Simon Lacey

### **Items for 2023/24**

<b><u>Report Title</u></b>	<b><u>Brief Summary of agenda item</u></b>	<b><u>Lead Officer</u></b>	<b><u>Report Author</u></b>
<b>6 September 2023</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
EHC Annual Review update report	To update the committee on performance against national targets	Peter McConnichie	Lynda Poole

<b>18 October 2023</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
<b>29 November 2023</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Whistleblowing Policy Review	To consider the outcome of the review	Marjorie Toward	Heather Dickinson/ Catherine Haywood
Annual Audit Findings report 2022/23	To consider the Annual Audit Findings	Nigel Stevenson	Glen Bicknell
<b>10 January 2024</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
<b>28 February 2024</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Annual Audit Report 2022/23	To inform Members of the External Auditors' Annual Audit Report	Nigel Stevenson	Glen Bicknell
<b>17 April 2024</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Review of the improvements to communication	To review the impact of the measures introduced by Adult Social Care Financial Services following corporate review and in response to LGSCO decision findings	Sue Batty	Nicola Peace
<b>19 June 2024</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
<b>24 July 2024</b>			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston