

Auditor's Annual Report 2021/22

Nottinghamshire County Council

April 2023



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

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



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

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Executive summary




Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 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 that 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).



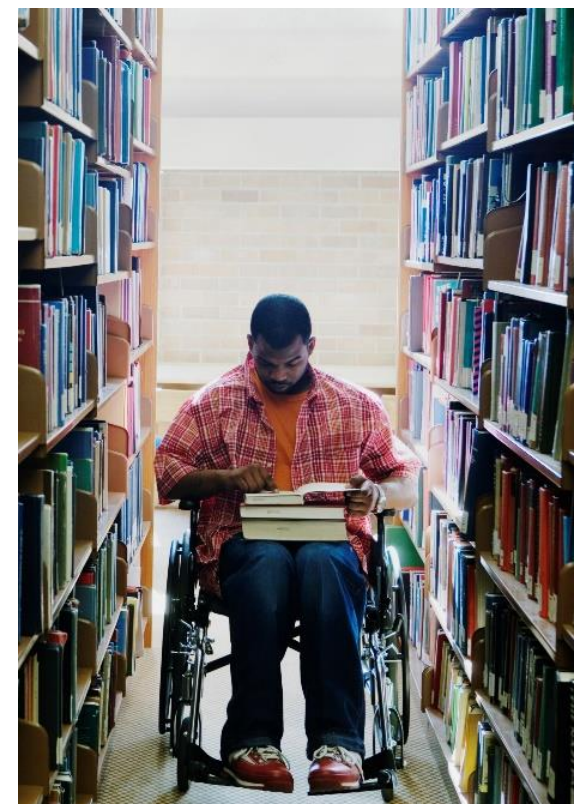
Governance

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:

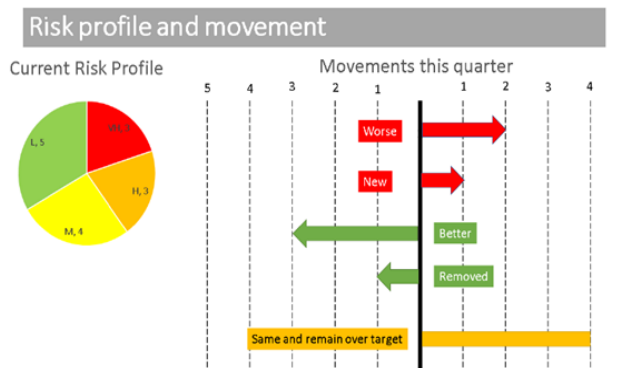
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate 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 Governance and Ethics Committee as part of the six-monthly risk updates.



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.

Governance

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

