

# NOTTINGHAMSHIRE COUNTY COUNCIL ANNUAL FINANCIAL REPORT 2012/13

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	2
Annual Governance Statement	7
Independent Auditor's Report – Financial Statements	13
<b>Statement of Accounts</b>	
Statement of Responsibilities	17
Statement of Approval by Chairman	18
Statement of Accounting Policies	19
Movement in Reserves Statement	36
Comprehensive Income and Expenditure Statement	38
Balance Sheet	39
Cash Flow Statement	40
Notes to the Statement of Accounts	41
<b>Pension Fund Accounts</b>	
Introduction	90
<b>Nottinghamshire County Council Pension Fund</b>	
Fund Account	91
Net Assets Statement	92
Notes to the Accounts	93
<b>Glossary of Terms</b>	108

## EXPLANATORY FOREWORD

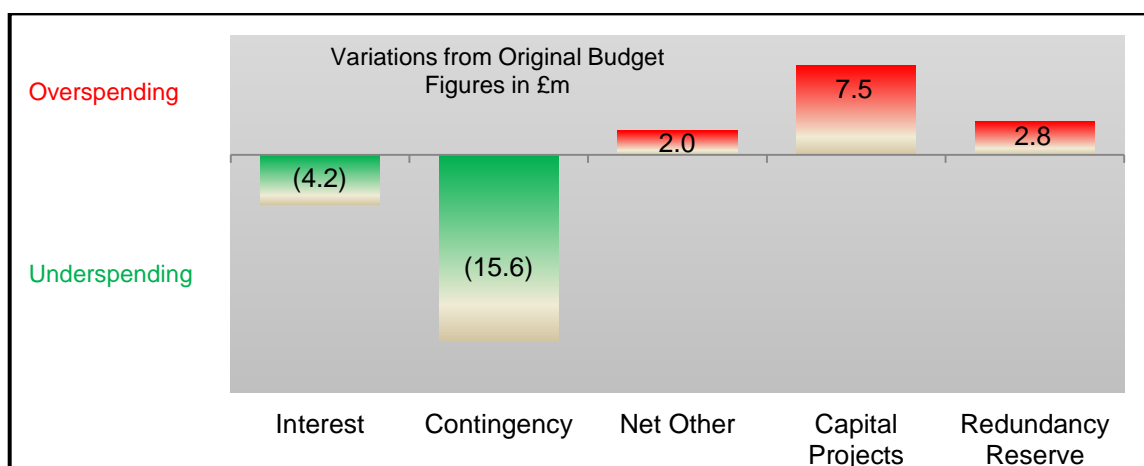
1. The Council's Statement of Accounts for the year 2012/13 is set out on the following pages. It is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) and the Service Reporting Code of Practice (SeRCOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC) as they apply to local authorities.
2. This foreword gives a brief summary of the Council's overall financial results for 2012/13. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

## Revenue Expenditure

3. The original budget estimated that there would be a £4.9 million contribution to General Fund balances. The final accounts show that there was an increase of £12.4 million in balances.

	Original Budget £m	Actual £m	Variance from Budget £m
<b>INCOME</b>			
<b>Income raised from taxation:</b>			
Precept Income (Council Tax)	309.8	309.8	-
Non Domestic Rate Income	185.8	185.8	-
Revenue Support Grant	3.6	3.6	-
	499.2	499.2	-
<b>NET EXPENDITURE (inc appropriations)</b>	<b>494.3</b>	<b>486.8</b>	<b>(7.5)</b>
<b>Contribution (to)/from General Fund Balances</b>	<b>(4.9)</b>	<b>(12.4)</b>	<b>(7.5)</b>

4. The main variations to net expenditure were:



	£m	£m
<b>Areas where non-schools expenditure was reduced:</b>		
Interest	(4.2)	
Contingency	(15.6)	
<b>Areas where non-schools expenditure increased:</b>		
Other	<u>2.0</u>	(17.8)
<b>Movement on reserves created from items above:</b>		
Capital Projects	7.5	
Redundancy Reserve	<u>2.8</u>	<u>10.3</u>
<b>Overall decrease in net expenditure compared with budget</b>		<u><u>(7.5)</u></u>

In addition, the Schools Statutory Reserve has reduced by £6.2 million.

5. The following table shows the position on the various balances and available reserves held by the Council and usable for revenue purposes.

	1/4/12 £m	Movement during year £m	31/3/13 £m
General Fund Balances	29.7	12.4	42.1
Insurance reserve	7.6	2.8	10.4
Schools Statutory Reserve	39.2	(6.2)	33.0
<b>Reserves:</b>			
Trading Organisations	3.2	0.3	3.5
Earmarked for Services	31.2	7.5	38.7
Earmarked Reserves	1.7	3.3	5.0
Capital Projects	27.6	2.5	30.1
East Leake Schools PFI	3.1	(0.1)	3.0
Bassetlaw Schools PFI	1.3	(0.4)	0.9
Waste PFI	26.7	1.6	28.3
Corporate Pay Review Reserve	2.0	4.7	6.7
Improvement Programme	18.0	(6.5)	11.5
Corporate Redundancy Reserve	3.1	2.8	5.9
Lifecycle Maintenance	<u>3.7</u>	<u>0.5</u>	<u>4.2</u>
	<u><u>198.1</u></u>	<u><u>25.2</u></u>	<u><u>223.3</u></u>

6. The gross revenue cost of Council services was £1,104.6 million in 2012/13. The analysis by type of expenditure is:

	Amount £m	Proportion %
Employees:		
Teachers and Lecturers	186.8	16.9
Other Employees	282.8	25.6
Other Running Costs	587.6	53.2
Capital Charges to service revenue accounts	47.4	4.3
	<u><u>1,104.6</u></u>	<u><u>100.0</u></u>

7. The Authority's Medium Term Financial Strategy (MTFS) has identified the need for further significant savings over the next four years and the Authority will continue to prioritise efficiency savings to meet these budget reductions. All savings projects, including departmental and cross-cutting projects in areas such as procurement, business systems, rationalisation of property and staffing structures, will continue to be monitored.
8. The Health and Social Care Bill (January 2011) transferred Public Health functions to the Council. Staff have been co-located since November 2011, with the formal transfer to take place on 1 April 2013. Transition costs incurred in 2012/13 total £0.1 million and are included in Environmental and Regulatory Services in the Comprehensive Income and Expenditure Account. Services will be funded by a ring-fenced grant (£35.1m in 2013/14).
9. The methods of financing the gross revenue cost of services are shown in the following table:

	Amount £m	Proportion %
Specific Revenue Grants paid to County Council	410.0	37.2
Fees and Charges etc.	148.5	13.4
	<u>558.5</u>	<u>50.6</u>
Council Tax, National Non-Domestic Rate, RSG and general revenue grants	556.1	50.3
Interest and Investment Income	0.6	0.1
Other Items	(10.6)	(1.0)
	<u><b>1,104.6</b></u>	<u><b>100.0</b></u>

## Capital Expenditure and Financing

10. The Council's capital expenditure in 2012/13 was £111.5 million including amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £31.3 million, which included interest on PFI schemes.
11. At 31 March 2013, the insured value of the Council's buildings was £1,734 million. This sum excludes the considerable investment in roads and other infrastructure works that has taken place over the years. In addition the Council owns approximately 4,167 hectares of land. The net book value of property, plant and equipment was £1,184 million.
12. The Council's borrowings, used to finance the past acquisitions of assets, were £458.7 million at 31 March 2013. This includes long term borrowings, loans to be repaid within one year, deferred liabilities and finance leases related to PFI schemes. The Council makes use of financial instruments called Lenders' Option Borrowers' Option (LOBOs) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2013 the amount owed of these type of borrowings was £111.3 million.
13. The Authority has entered into Private Finance Initiative (PFI) partnerships. The major schemes are as follows:
  - The provision of schools at East Leake. Service commenced during 2003/04
  - The provision of schools and leisure facilities in Bassetlaw which commenced during 2007/08

- Waste recycling and energy recovery facilities. The waste recycling facility became operational in 2007/08.

During the year, seven PFI financed schools transferred to Academy status. As a result land and buildings with a net value of £108.6 million were treated as disposals with nil proceeds.

Further details of all PFI contracts are set out in Note 34 to the Accounts.

## Explanation of the Statements

### 14. Annual Governance Statement

Alongside the Statement of Accounts the Council publishes an Annual Governance Statement which sets out the Council's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the Council's review of the effectiveness of internal control and highlights significant internal control issues and the actions to be taken in order to address these.

### 15. Other Statements

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies and the Notes which follow the core financial statements. In addition the Council publishes the Pension Fund Accounts and there is a glossary of financial terms.

### 16. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus / Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### 17. Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### 18. Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or reduce the Council's Capital Financing Requirement). The second category of reserves is that which the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulation'.

19. **Cash Flow Statement**  
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.
20. **Pension Fund Accounts**  
This Statement shows the income and expenditure relating to the Local Government Pension Scheme (LGPS) administered by Nottinghamshire County Council.
21. **Pension Net Assets Statement**  
This Statement shows the net current assets and liabilities arising from the operation of the Council's Pension Scheme (LGPS). This Statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the Balance Sheet.
22. **Impact of Current Economic Climate**  
The Comprehensive Spending Review 2011/12 – 2014/15 published in October 2010 confirmed a significant real terms reduction in the Authority's funding. The Authority has developed budget and improvement plans to restrict expenditure to the reduced level of funding.
23. **Post Balance Sheet Events**  
There are no material events to report since the accounts were prepared which are not reported in the accounts.

# ANNUAL GOVERNANCE STATEMENT

## 1. Scope of Responsibility

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.

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.

The County Council has approved and adopted a local code on corporate governance, which is consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government. This statement explains how the Authority complied with the code during 2012/13 and also meets the requirements of regulation 4 of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an annual governance statement.

## 2. The Purpose of the Governance Framework

The governance framework is made up from the systems, processes, culture and values put in place by the Authority. The Authority uses this framework to direct and control its work and ensure that it engages with, leads, and accounts to the community. The framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the County Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

The Authority's governance framework comprises many systems and processes including the arrangements for:-

- a) Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and services users.

The Council's Strategic Plan for 2010-14 was approved in 2010. The Plan:-

- Provided a clear statement of the Authority's priorities, promises and values.
- Enabled agreed political objectives and statutory requirements to drive the Authority's activities.

- Enabled the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff.
- Provided a broad framework of objectives and performance indicators, to ensure effective performance management.

The performance indicators used to monitor its delivery and the key actions undertaken to deliver the priorities are reviewed and refreshed each year to ensure they remain achievable and appropriate.

Each year the Authority approves the annual budget and capital programme which includes an update of the Medium Term Financial Strategy. The Medium Term Financial Strategy is the financial plan which underpins the Strategic Plan.

- b) Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Strategic Plan provides the basis for future corporate and service planning over the period 2010 to 2014. Progress on the Authority's achievements is assessed by the monitoring of agreed key actions and meeting performance indicator targets. Performance is reported quarterly to the Performance Improvement Board, who are mandated by the Corporate Leadership Team to manage performance on their behalf. An annual report on performance for 2012/13 was presented to Policy Committee in May 2013. The Authority has a performance management framework which sets out in detail the individual factors that are required to manage performance and how they work together in the Authority. This framework is currently being reviewed to reflect the changing political and economic climate in which the Authority now operates. This will be presented to the Corporate Leadership Team and Policy Committee.

- c) Measuring the quality of services for users, ensuring that they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources.

The Authority carries out annual budget consultations. A Citizens Panel, 'Nottinghamshire Listens', made up of approximately 6,000 people is in place and has been used to engage with citizens throughout the County on a wide range of issues. Progress towards delivering the Strategic Plan's priorities and objectives is monitored quarterly and reported to full Council every 6 months through the lead member for performance.

- d) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Constitution sets out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. There was a significant change in the Authority's constitution in 2012, with a move to a committee structure of decision making. The Authority established service committees for each of the key areas of service, in addition to an overarching Policy Committee and Full Council.

- e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.

Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships. The Constitution is posted on the Council's website. The Authority's Standards Committee was discontinued as part of the new committee structure, with the functions of the Committee passing to other committees. Responsibility for dealing with complaints against members passed to the Monitoring Officer, with the exception of any final hearing which would be in front of Policy Committee.



f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. The most recent review was in February 2013. The Authority's Risk Register is reviewed at each of the five meetings a year of the Risk, Safety and Emergency Management Board to determine whether additional steps are required to mitigate key risks. As part of the compilation of this statement, assurance has been sought to confirm that each of the top risks facing the Authority are kept under review by the relevant Action Manager and reported to the Risk Owner.

g) Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government

The Statement sets out the five principles that need to be met, to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:-

- Is a key member of the Leadership Team
- Must be actively involved in all material business decisions
- Must lead the promotion and delivery of good financial management
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Financial Officer for the Authority is the Service Director – Finance and Procurement. This post reports to the Corporate Director for Environment and Resources who is a member of the Leadership Team. Although the Chief Financial Officer is not a member of the Leadership Team, a number of measures have been put in place to ensure that the impact is the same. These include providing details of all issues discussed at Leadership Team to the Chief Financial Officer, who has the right to attend the meeting if he considers it necessary. In addition, the Chief Financial Officer will attend whenever material business decisions are made. The Authority has set up the Business Support Centre which manages financial transactions on behalf of the Authority, including payroll, pensions and income transactions. As the Business Support Centre does not report to the Chief Financial Officer, controls have been established to ensure that the Chief Financial Officer can secure the promotion and delivery of good financial management in these areas. The Chief Financial Officer is professionally qualified and has experience from a range of organisations.

h) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

In its Review of Internal Audit, completed in 2008, the External Auditor commented that the Audit Committee was carrying out the functions expected of it and that its role was in line with the expectations of the CIPFA Code. The core functions relate to the review of Internal and External Audit work, the effectiveness of the Authority's control environment, the review of the annual assurance statement, scrutiny of Treasury Management and the review of the financial statements. These functions are covered by the Audit Committee.

i) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer is responsible, after consultation, for reporting to the relevant committee or full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness. In addition, Legal Comments are contained in reports

to Council, the Executive and Committees to advise on compliance with the policy framework and the Constitution. The Service Director - Finance and Procurement also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

j) Whistle-blowing and receiving and investigating complaints from the public.

The Authority's Whistleblowing Policy was reviewed by the Standards Committee during 2007/8 and a number of changes made. These were approved by the County Council and the new Policy was implemented from 1 February 2008. The Authority's complaints procedure is well established and is monitored by the Policy Committee. The Policy Committee receives an annual report on the discharge of the Authority's duties under the Whistleblowing Policy.

k) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

During 2012/13 the member development programme continued to respond to changing national and local policy. Elections were held in May 2013 resulting in a number of new Members being elected. A comprehensive induction programme was completed to provide information and briefings on a range of issues to new and returning Members. All officers, including senior officers, are subject to annual Performance and Development Reviews. These reviews specifically identify and monitor development and training needs in relation to the individual employee's role. During the year, a new Competency Framework was used, which set out the observable skill levels and behaviours required of every employee at each tier of the organisation.

l) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Communication channels include the County News civic newspaper delivered to every household in the County, the County website and targeted audiences e.g. service user and carer groups. The Budget Conversation campaign was launched on 5th November 2012 and was designed to gauge the public's view services which are important to them and to gain an understanding of their general priorities for the future. The campaign took place in County News, on-line, in libraries and county information points across Nottinghamshire, by holding face to face meetings and workshops and by attending events.

m) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Constitution sets out policy guidance for County Council involvement in partnerships and guidance on entering into partnerships has also been produced. The policy guidance sets out, among other things, the need for clarity on why the County Council has entered into a partnership, the Council's objectives and how the partnership will help deliver them, the powers enabling involvement and the exercising of those powers.

#### **4. Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the

Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

Throughout 2012/13, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:-

- a) The County Council has received and considered a number of reports, including:-
- Arrangements for Standards and Amendments to the Constitution
  - Annual Report of Scrutiny 2011/12
  - Statement of Accounts 2011/12
  - 2012 Nottinghamshire Annual Residents' Satisfaction Survey
  - Budget Report 2013/14 and Medium Term Financial Strategy 2013/14 to 2016/17
  - Changes to the Governance Arrangements
  - Review of the Committee System.
- b) Policy Committee has considered and approved a number of reports in its role as the committee responsible for policy development and approval, including:-
- Annual Performance Report 2011/12
  - Improvement Programme Annual Report and update
  - Revenue Budget Proposals 2013/14
  - Six Month Strategic Performance Report 2012/13
  - Outcomes from the Complaints Process 2011/12
  - Feedback from the Corporate Peer Challenge.
- c) The Audit Committee have considered a wide variety of issues including:-
- Internal Audit Annual Plan 2012/13
  - Statement of Accounts 2011/12
  - Annual Governance Statement
  - Public Sector Internal Audit Standards and Audit Charter
  - Internal Audit Annual Report
  - KPMG External Audit Plan 2012/13
- d) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and Internal Audit's overall opinion of the Authority's system of internal control, based on the audits completed in 2012/13, is that it is adequate.
- e) External Audit's Annual Audit Letter 2011/12, stated that the Auditor issued an unqualified opinion on the County Council's 2011/12 accounts. The accounts were presented on time and complied with the requirements of the newly introduced International Financial Reporting Standards. The accounts were free from material error and no significant weaknesses in internal control arrangements were identified. The Auditor also concluded that the Council had put in place proper arrangements for securing value for money.

## **5. Significant Governance Issues**

The Authority faced a challenging year in 2012/13 as it sought to manage budget reductions, increasing demand for some key services and consolidate significant changes made to systems, structures and services in previous years, simultaneously. The environment for 2013/14 and beyond will continue to be extremely challenging with a need to bridge a funding gap of £133 million over the Medium Term. However, the

Authority has recent history of achieving this scale of significant cost reduction and service re-alignment and is developing plans to address the challenge.

County Council elections took place on 2nd May 2013, resulting in a change in Administration and a new Council Leader.

Other key governance issues that need to be addressed against this background are set out below.

- a) Potential for continuing reduction in Government Funding. Whilst there is an element of certainty regarding the anticipated reduction in Grant for 2013/14, the situation beyond remains unclear and is further complicated by changes to local government funding and other policy proposals that have far reaching implications for the Council's service and financial planning.
- b) The Business Management System (BMS) was implemented in November 2011 and continues to be developed. A continuing focus will be needed to ensure that the many benefits available from the system are realised.
- c) Responsibility for public health transferred to local authorities from April 2013. Continuing focus will be needed to ensure that it integrates effectively with the Authority's strategy for serving the people of Nottinghamshire.
- d) The enactment of the Local Government Finance Act 2012 added additional complexity in the funding of local authorities with the repatriation of business rates and the introduction of localised council tax support schemes. Joining the Nottinghamshire Pool arrangement has both potential benefits and risks. Continuous management of the implications of the changes and of the risks involved in pooling will be needed to ensure the benefits available from pooling are achieved.

The Audit Committee reviewed the governance framework detailed in this statement at their meetings on 12 June 2013. 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 2013/14.

**Councillor Alan Rhodes**  
**Leader of the County Council**  
**12 June 2013**

**Mick Burrows**  
**Chief Executive**  
**12 June 2013**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE COUNTY COUNCIL

We have audited the financial statements of Nottinghamshire County Council for the year ended 31 March 2013 as presented on pages 19 to 107. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Service Director (Finance and Procurement) and auditor**

As explained more fully in the Statement of the Service Director (Finance and Procurement) Responsibilities, the Service Director (Finance and Procurement) is responsible for the preparation of the Statement of Accounts, which includes 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Service Director (Finance and Procurement); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 7 to 12 the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

## **Conclusion on Nottinghamshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

The Authority 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.

### **Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Nottinghamshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

## **Certificate**

We certify that we have completed the audit of the financial statements of Nottinghamshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**Neil Bellamy**  
**for and on behalf of KPMG LLP, Appointed Auditor**  
Chartered Accountants  
St Nicholas House  
31 Park Row  
Nottingham  
NG1 6FQ

26<sup>th</sup> September 2013