

Independent auditor's report to the members of Nottingham City Council

In our auditor's report issued on 27 February 2025, we explained that we could not formally conclude the audit and issue an audit certificate for Nottingham City Council ('the Authority') for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice, until we had completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office (NAO) had concluded their work in respect of WGA for the year ended 31 March 2024. The NAO has now concluded their work in respect of WGA for the year ended 31 March 2024 and confirmed that audit certificates that are open in relation to this can be issued. We are therefore satisfied all audit work necessary has been completed.

Disclaimer of opinion

In our auditor's report for the year ended 31 March 2024 issued on 27 February 2025, we did not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significant matters described in the basis for disclaimer of opinion of our auditor's report, we were unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Report on other legal and regulatory requirements - the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

In our auditor's report for the year ended 31 March 2024 issued on 27 February 2025 we reported that we have nothing to report in respect of whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024 except for:

- On 25 February 2022, we identified a significant weakness in the Authority's arrangements for financial sustainability. During 2020/21, the Authority's finances faced several challenges. This situation was not helped by the Covid pandemic, but the Authority was in a difficult position because of its previous strategy of reliance on income from its companies and commercial properties. The failure of Robin Hood Energy Ltd exacerbated the situation and led to the Authority requesting a £35m capitalisation direction. We recommended Authority ensures additional saving schemes are identified to bridge remaining gaps in its Medium Term Financial Strategy, work to build up and assess the business cases for savings is continued at pace, and the reasons for wide variations in in-year reporting are investigated and actions taken to improve forecasting in the relevant areas to prevent recurrence.
- On 24 February 2023, we identified a significant weakness in the Authority's arrangements for financial sustainability. In particular, how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the extent of unaddressed budget gaps which threaten delivery from 2023/24 to 2026/27. We recommended that the Authority should revisit the Medium-Term Financial Plan at the earliest opportunity. Business cases should be developed to support additional savings plans to fully address the budget gaps in the medium term.
- On 22 March 2024 we identified a significant weakness in the Authority's arrangements for financial sustainability. The Authority was overseen by an Improvement and Assurance Board between January 2021 and February 2024. The Government appointed

Commissioners in February 2024. We recommended that the Authority should engage fully and at pace with the improvement and intervention plans developed by Commissioners. Whilst we made a Statutory Recommendation around savings plans on 9 February 2024, it will be important that the Authority works proactively with Commissioners to deliver the full range of improvements highlighted in our previous auditor reports and highlighted by the Improvement and Assurance Board across the organisation.

- On 25 February 2022, we identified two significant weaknesses in the Authority's governance arrangements. These were in relation to:
 - We identified the Authority's governance arrangements for its companies as a risk in prior years and this risk was confirmed through our report in the Public Interest on Robin Hood Energy Ltd in August 2020. Since then, and particularly since January 2021, the Authority has started a wide-ranging programme to improve company governance and review company structures. While the Authority has taken some important steps to improve its company governance arrangements, there remains much to do and the extent of this work reinforces the deep-seated issues which previously existed in this area. We recommended the Authority should maintain the momentum it has now achieved in rationalising its company arrangements and improving governance by ensuring that the planned increase in resources in this area, particularly in the form of the shareholder team, is effective and sufficient; continuing efforts to ensure that the Authority is appropriately represented on the boards of its subsidiaries and associates and that its representatives fully understand their role as directors and their responsibilities towards the company and, putting in place an overall strategy for its involvement in companies, building on the guiding principles which have recently come into use.
 - Delays to the production of the Authority's financial statements for 2020/21. We recommended the Authority ensures it has sufficient resources and priority are given to the accounts preparation process, commensurate with the Authority's complexity and challenges. Officers should also strengthen arrangements to ensure that there can be no repeat of the loss of crucial valuation records, which resulted in delays to the accounts and the incurring of significant sums on a repeat valuation process. On 24 February 2023, we identified this risk continued and further recommended that the Authority ensure external audit queries and issues are resolved at the earliest opportunity. The Authority should then ensure that sufficient resources and priority are given to the accounts preparation process, commensurate with an Authority of Nottingham City Council's complexity and challenges.
- On 24 February 2023, we identified two significant weaknesses in the Authority's governance arrangements. Firstly, governance failings and £40 million historic accounting errors were uncovered with one subsidiary and the Authority were to complete strategic reviews of the other companies. Secondly, significant inconsistencies between budgetary information and the final outturn were identified. We recommended that the Authority efforts to review strategic purpose and financial needs of companies should be continued. The Authority should be mindful that risk within subsidiaries could increase with coming inflation and that skilled accountants are required as business partners for companies as well as for core Authority financial reporting roles. We also recommended that they review budgets across the Authority, ideally adopting a zero-based budgeting approach to rebase and justify all expenditure.
- On 24 February 2023, we identified a significant weakness in the Authority's governance arrangements. Due to recruitment and retention within corporate and key services, there is a lack of management capacity. We recommended that the Authority should continue to prioritise recruitment and should seek longer-term certainty where interim posts are shortly expiring. Additionally, the Authority needs to review its pay policy to ensure it is able to recruit and retain talent.
- On 24 February 2023, we identified two significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. These were in relation to:

- Ofsted findings from an unannounced inspection of Nottingham City Council's Children's Service in July 2022 where an 'inadequate' grade for 'overall effectiveness'. Ofsted first identified weakness in service performance in 2019 and the 'inadequate' rating represents a failure to take appropriate action. We recommended that the Authority's Improvement Plan and associated actions for Children's Services should be agreed at the earliest opportunity. Working with the Improvement and Assurance Board and other appointed partners will be essential for securing better outcomes for children going forward.
- The Authority was not able to demonstrate best value through procurement. We recommended that the Authority needs to implement the recommendations from the independent review of its procurement function, which aims to develop a new operating model as soon as possible. The Authority needs to put a combination of measures, including education, filling vacancies within procurement, tightening of procedures, stricter review and approval of dispensations and increased personal consequences for non-compliance. It will be important that the levels of compliance continue to be closely monitored, and these measures be enhanced if necessary.

As part of our work on the Authority's arrangements for financial sustainability and governance for the year ended 31 March 2024, we have reviewed the Authority's progress implementing these recommendations. Insufficient progress had been made by the Authority in addressing the significant weaknesses identified, therefore the significant weaknesses in arrangements remain in place.

Additionally, on 14 February 2025 we identified for the year ended 31 March 2024:

- A new significant weakness in the Authority's arrangements for financial sustainability. We identified for the 2023/24 financial year that inconsistencies in budget information, inadequate forecasting and the identification and modelling of demand, unclear lines of accountability and poorly communicated reserves policy changes undermined the accuracy with which the Authority was able to accurately identify financial pressures during 2023/24. We recommended that the Authority should consider whether there is scope for the central finance team and the budget holders to work more collaboratively to agree the budget for 2025/26. Agreement at the outset on the budget and the work to be delivered within it, coupled with a clearer understanding of demand, may help build a stronger foundation for then holding financial performance through the year to account.
- Two new significant weaknesses in the Authority's governance arrangements. These were in relation to:
 - Risk management arrangements during the 2023/24 financial year. Risk identification at project level was not repeated across the organisation; and the Audit Committee only received the risk register once during the year. We recommended the Authority produces, at pace, an improvement plan looking at areas of priority for risk management that will support further embedding of risk management. This will include further training both officers and members, refresh of risk templates and refresh the corporate risks together with the risk appetite.
 - The Internal Audit team was under-resourced during the 2023/24 financial year, which affected timing of the programme of work. An interim Head of Internal Audit left before a replacement was in post. We recommended the Authority seeks a permanent solution to the senior and other resourcing needs of the Internal Audit function. The Internal Audit function should be enabled to provide a strong independent voice within the Authority and resourcing should be at a level that enables timely completion and reporting of full Internal Audit programmes of work.
- A new significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness for 2023/24. We identified there were significant weaknesses in the arrangements for the ongoing safety and quality of social housing during the year. On 15 January 2025, the Regulator of Social Housing released a regulatory judgement highlighting failings in both safety and quality and stated that there is evidence of serious impact on outcomes for tenants. The regulator's report provided further evidence that the areas of concern we identified in the arrangements during the 2023/24 financial year were serious and required significant improvement. We recommended that

the Authority should agree a plan for actioning findings from the Regulator of Social Housing and should ensure that this is aligned with the wider improvement plan.

No matters have come to our attention since that date that would have resulted in any additional exception reporting on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Nottingham City Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Smith

Andrew Smith, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

15 August 2025