

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

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Nottingham City Council (the 'Authority') and its subsidiaries and joint ventures (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Movement in Reserves Statement, the Group Cash Flow Statement, and notes to the financial statements, including material accounting policy information. The notes to the financial statements include Notes to the Financial Statements (including Section 7, Pension Schemes), Notes to the HRA Financial Statements, Notes to Collection Fund Statement, Details of subsidiaries, jointly controlled entities and trust funds included in the group accounts, Details of subsidiaries, associates, joint ventures and trust funds not included in the group accounts, and Notes to the Core Group Financial Statements. 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 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The Authority approved its financial statements on 27 March 2026.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. We were unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority and Group Comprehensive Income and Expenditure Statements for the year ended 31 March 2025 for the same reason.

In our auditor's report for the year ended 31 March 2020, we issued a disclaimer of opinion on the financial statements as:

- we were unable to establish whether management override of controls was the cause of a breach of the Housing Revenue Account ('HRA') ringfencing requirement for 2019/20 and prior years, and whether other similar instances of both non-compliance with laws and regulations or management override of controls could have occurred; and
- we were unable to gain sufficient appropriate audit evidence on the operating expenditure of the Authority due to the volume of errors identified.

As a result of these matters, we were unable to appropriately respond to potential non-compliance with laws and regulations identified during the audit, obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations, and perform specified audit procedures to identify instances of non-compliance with other laws and regulations or management override of controls that may have a material effect on the financial statements. We concluded that the possible effects of undetected misstatements arising from these matters could be both material and pervasive.

These matters have not been resolved in the 2024/25 financial year, and therefore their impact could be both material and pervasive to the current year financial statements.

In the course of our audit procedures in 2024/25 we identified concerns relating to the Authority's financial accounting and record keeping associated with the financial statements for the year ended 31 March 2025. The Authority has not been able to provide adequate accounting records ahead of the backstop date to support a number of material balances and disclosures reported within the financial statements for the year. There are balances for which the Authority has not been able to provide breakdowns for audit testing, an example of this being HRA dwelling rents. For a number of other balances the Authority has been unable to provide sufficient appropriate audit evidence to support all sampled transactions. These matters have not been resolved in the current year before the backstop date.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the

requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 as soon as reasonably practicable after the backstop date.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### **Opinion on other matters required by the Code of Audit Practice**

The Corporate Director, Finance and Resources is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Annual Governance Statement and the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority and the Corporate Director, Finance and Resources**

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director, Finance and Resources. The Corporate Director, Finance and Resources 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 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director, Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director, Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

## **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 2025.

We have nothing to report in respect of the above matter except:

- On 25 February 2022, 24 February 2023, and 14 February 2025, we identified significant weaknesses in the Authority's arrangements for financial sustainability, on 9 February 2024 we made a Statutory Recommendation in relation to financial sustainability, and on 24 February 2023 we identified a significant weakness in the Authority's governance arrangements in relation to its budget setting. Our audit reports in these years have included a number of recommendations in this regard. Our recommendations included: the need to identify additional saving schemes to bridge the gaps in the Authority's Medium Term Financial Strategy with appropriate supporting business cases; the need to investigate the reasons for wide variations in in-year reporting, and inconsistencies between budgetary information and the final outturn; and a need for a more collaborative approach to budget setting.

As part of our work on the Authority's arrangements for financial sustainability and governance for the year ended 31 March 2025, we have reviewed the Authority's progress implementing these recommendations. While progress has been made by the Authority, a significant weakness in arrangements to secure financial sustainability remains. The previous recommendations have been superseded and on 27 March 2026, we recommended that the learning from budget planning in recent years should be carried forward into training and guidance for 2026/27 budget planning exercises.

- On 25 February 2022, 24 February 2023, and 22 March 2024, we identified significant weaknesses in the Authority's governance arrangements. There were significant delays to the production of the Authority's financial statements for 2020/21 and later years. We recommended that: the Authority ensures sufficient resources and priority are given to the accounts preparation process; Officers 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; external audit queries and issues are resolved at the earliest opportunity; and that arrangements for returning misappropriated funds be finalised and accounted for.

As part of our work on the Authority's arrangements for governance for the year ended 31 March 2025, we have reviewed the Authority's progress implementing these recommendations. While progress has been made by the Authority, a significant weakness in governance arrangements remains. We continue to recommend that the Authority ensures that sufficient resources and priority are given to the accounts preparation and audit process, and that issues identified through the 2024/25 audit process be appropriately prioritised and addressed.

- As part of our work on the Authority's arrangements for financial sustainability, governance, and improving economy, efficiency and effectiveness for the year ended 31 March 2025, we have reviewed the Authority's progress in implementing other recommendations from previous years. Insufficient progress had been made by the Authority in addressing the significant weaknesses identified, therefore the following significant weaknesses in arrangements remain in place:

- 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.
- 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 14 February 2025, we identified 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.
- On 14 February 2025, we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. 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.
- Additionally, on 27 March 2026, we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. In March 2025, an independent review of the Authority's ICT arrangements identified a series of significant weaknesses. An ICT Improvement Plan was put in place by the Council and is being monitored by the Finance and Resources Board on a monthly basis. We recommended that Senior leaders need to work closely with technical experts within the ICT team to identify, fund and implement improvements needed, on a permanent basis.

## 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 have undertaken 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 – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Nottingham City Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## 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.

## *Laurelin Griffiths*

Laurelin Griffiths, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

15 April 2026