



## **Additional / To Follow Agenda Items**

**This is a supplement to the original agenda and includes reports that are additional to the original agenda or which were marked 'to follow'.**

### **Nottingham City Council Executive Board**

**Date:** Tuesday, 19 January 2021

**Time:** 2.00 pm

**Place:** Remote - To be held remotely via Zoom -  
<https://www.youtube.com/user/NottCityCouncil>

**Governance Officer:** Kate Morris, Constitutional Services, Tel: 0115 8764353 **Direct  
Dial:** 0115 8764353

<b>Agenda</b>	<b>Pages</b>
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## Executive Board – 19 January 2021

<b>Subject:</b>	2021/22 Budget Consultation
<b>Corporate Director(s)/Director(s):</b>	Clive Heaphy, Strategic Director of Finance & Section 151 Officer
<b>Portfolio Holder(s):</b>	Councillor Sam Webster, Portfolio Holder for Finance, Growth & the City Centre
<b>Report author and contact details:</b>	Theresa Channell, Head of Strategic Finance & Deputy Section 151 Officer theresa.channell@nottinghamcity.gov.uk
<b>Other colleagues who have provided input:</b>	Colleagues within Strategic Finance
<b>Subject to call-in:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Key Decision:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
<b>Total value of the decision:</b>	Nil
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	October 2020 – January 2021
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input checked="" type="checkbox"/>
Respect for Nottingham	<input checked="" type="checkbox"/>
Serving Nottingham Better	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>This report sets out draft proposals for the revenue element of the Council's Medium Term Financial Strategy (MTFS) for 2021/22 to 2023/24 and an update on Period 7 2020/21 budget monitoring. The Council wishes to consult with its citizens, businesses and its partners in order to finalise its proposals in February 2021.</p> <p>Local authorities continue to operate in an extremely challenging financial environment with reduced levels of Government funding since 2010, the effects of Covid-19 and the uncertainties of Brexit and these challenges have impacted all Councils including Nottingham. Nottingham additionally has had local financial challenges, not least in respect of Robin Hood Energy, which have been well reported.</p> <p>These budget proposals are thus set in this context and reflect:</p> <ol style="list-style-type: none"> <li>A proposed increase in basic council tax from April 2021 of <b>1.99%</b> and an additional increase of <b>3.00%</b> to fund pressures in Adult Social Care funding as permitted by Government for 2021/22. This results in a total proposed increase in Council Tax of <b>4.99%</b>;</li> <li>Assumed net impact of <b>£18.2m</b> from the Local Government Settlement and 2021/22 Covid-19 funding announced as part of the November 2020 Spending Review, a significant part of this is one-year funding;</li> </ol>	

- c. New savings of **£15.6m** for 2021/22 of which:
  - o **£11.3m** are savings requiring public consultation
  - o **£4.4m** are savings not requiring public consultation of which
    - o **£4.0m** are in relation to workforce savings and
    - o **£0.4m** are non-workforce savings;
- d. Cost pressures of **£36.0m** in 2021/22 rising to **£43.4m** in 2023/24 arising from Covid-19 (costs and loss of income), contractual inflation, demographic growth and a range of other factors.

The overall impact of the above still leaves a remaining funding gap for 2021/22 of **£7.2m** which, unless identified, would need to be funded from diminishing reserves. Work continues to identify ways to reduce or eliminate this gap and the outcomes of this work will form part of the MTFs to be presented to the February 2021 Executive Board.

In drawing up its proposals, the Council is mindful of;

- a. The External Auditor’s Public Interest Report (PIR) into Robin Hood Energy in August 2020, following the company’s deteriorating financial position and the Council’s decision to sell the customer base and dispose of the Company;
- b. The subsequent Government-commissioned Non-Statutory Review (NSR) in November 2020.

The Council has accepted the findings of the PIR and will consider the findings of the NSR and a proposed ‘Recovery and Improvement Plan’ at the January 2021 Executive Board and a special meeting of the Council on 25 January 2021.

Implementation of the findings of both reports will be key priorities throughout 2021/22-2023/24 as the Council seeks to secure its medium term financial sustainability. Implementation of these findings will have short term financial consequences.

The Council considers that the best way to fund these costs and achieve medium term financial sustainability is not to continue to reduce its reserves but to spread costs over a number of years to allow reform to take place. To do this, the Council will require Ministry of Housing, Communities and Local Government (MHCLG) approval to allow the Council to borrow up to **£35m** to fund revenue spend. This request was submitted to MHCLG on 23 December 2020 (known as capitalisation).

The Council’s Chief Financial Officer (Section 151) has a statutory duty to make an assessment of the robustness of the budget and the adequacy of reserves. This will be a key part of the February 2021 MTFs.

**Exempt information:** None

**Recommendation(s):**

- 1 To endorse the draft consultation proposals as set out in paragraph **3.13** and **Table 8** of the report and to commence formal public consultation.
- 2 To note that further details relating to the individual consultation proposals are contained in **Appendix 1a-j**.

## 1 Reasons for recommendations

- 1.1 This report seeks endorsement to the Council's draft budget proposals for 2021/22 to 2023/24 to enable public consultation to commence. Consultation will run from 19 January 2021 until Full Council on 8 March 2021.
- 1.2 Proposals that include workforce reductions will be subject to internal consultation with trade unions and affected colleagues. Details of such proposals may, therefore, be amended during the consultation period and may impact on the way in which identified proposals will be delivered.

## **2 Background (including outcomes of consultation)**

- 2.1 Local authorities continue to operate in an extremely challenging financial environment with reduced levels of Government funding since 2010, the effects of Covid-19 and the uncertainties of Brexit. These have impacted all Councils and Nottingham City Council is no different. The Government's spending review on 25 November 2020 and the Provisional Local Government Settlement on 17 December 2020 confirmed a one-year funding settlement for 2021/22.
- 2.2 Throughout the period 2010/11 to 2019/20, the Council has had to make cumulative budget savings totalling **£271.4m**. The 2020/21 Budget and current MTFP was approved by Full Council on 9 March 2020, prior to the Covid-19 pandemic, and included new savings of **£15.6m**, existing savings plans of **£0.3m** and pressures of **£17.9m**.
- 2.3 The severe impacts of the Covid-19 pandemic on the City in 2020/21 will continue to have a fundamental financial impact for the medium term. An event of this magnitude undoubtedly means the Council will need to consider closely how its business and services should operate in the future. There remains potential longstanding impact on Council income if behaviour, working and spending patterns in the city continue to change. The significant pressures set out in this report reflect in large part the financial effects of the pandemic on the City.
- 2.4 In addition, the Council experienced significant financial exposures in respect of its interest in Robin Hood Energy and these will crystallise following the company entering into administration in January 2021. A number of other council owned companies have also experienced challenging trading conditions largely resulting from the effects of Covid-19.
- 2.5 The Council has responded to those challenges and has reported the financial impact on the 2020/21 budget to June and July Executive Boards. The scale of the impact and the statutory requirement to set a balanced budget led to the S151 Officer to recommend setting an Interim Budget for 2020/21. This was approved by September Executive Board and October Full Council.

### **2.6 Interim Budget 2020/21**

Key points from the Interim Budget (adjusted for additional Covid-19 funding) include:

1. Gross Covid-19 impact of **£78.4m** offset by mitigations including:
  - Confirmed Government Funding for Covid-19 of **£23.5m** and estimated Income Compensation Scheme relating to the loss of income as a result of Covid-19 of **£16.3m**;

- **£12.5m** of new 2020/21 savings were identified and approved, of which **£4.8m** are ongoing into 2021/22.
- Business as usual underspend of **£5.8m**, off-set by a carried over 2019/20 overspend of **£6.8m**.

A consequential funding gap of **£27.0m**.

2. An estimated **£38.2m** pressures relating to the decision to place Robin Hood Energy into administration plus **£6.0m** of provisions to cover the possibility of other council owned companies experiencing difficulties totalling **£44.2m** attributed to extraordinary events.
3. A total gap of **£71.2m** funded by the permanent release of **£38.7m** reserves and the use of a further **£31.3m** of reserves on a 'borrow and pay back' basis over 4 years to address the funding gap.

## 2.7 General Fund Estimated Outturn 2020/21 as at Period 7

The announcement of the Tranche 4 Covid-19 funding of **£10.7m** post the Interim Budget setting and other movements reduced the requirement to borrow from reserves to **£20.1m**. This reduction in borrowing has reduced the repayment schedule, the draft MTFP assumes the outturn for 2020/21 is in line with this latest forecast.

- 2.8 The latest forecast position as at 31 October 2020 (Period 7) shows a net reduction in costs of **£2.2m** from the Interim budget position. There is a **£3.8m** favourable Portfolio variance, this is largely within the Adult Care and Local Transport Portfolio where there is a budgeted underspend of **£4.0m** due to variances within Care Purchasing Budgets. There are additional overspends in relation to the Councils group companies mainly arising from the economic impact of Covid-19 on business models.
- 2.9 The period 7 gross Covid-19 impact is **£78.4m**. This includes:
  - Additional expenditure of **£37.7m** on areas like purchase of PPE and supporting vulnerable citizens;
  - The financial impact of Covid-19 on the Council's income-generating activities, which has been severe, with a current loss to the Council of **£27.6m** as a consequence of the closure of facilities like leisure centres and heritage attractions;
  - The impact on the Council's "commercialisation" strategy has been profound and currently stands at **£13.1m** due to reductions in dividends, returns and income. In addition, some of the companies it owns have experienced financial difficulties and are looking to the Council to support them.
- 2.10 The Government has provided the Council compensation of **£50.0m** but this has left the Council with a shortfall on expenditure and loss of income of **£28.4m** which has been funded from non-Covid underspends, in-year savings and reserves.
- 2.11 At the time of writing this report, national restrictions apply however the forecast is based on assumptions and national restrictions as at period 7 (October actuals).

The Corporate Leadership Team (CLT), and Budget Managers monitor the forecast on a regular basis and will update the forecast in light of the latest assumptions. An updated forecast for 2020/21 will be included within the MTFS which will be presented to the February 2021 Executive Board.

## **2.12 Robin Hood Energy and Public Interest Report (PIR)**

As a result of the Strategic Review of Robin Hood Energy (RHE), the decision was made to sell the customer base of the company to Centrica in September 2020 and the company entered into administration in January 2021. The Council has fully accepted the PIR and has both developed and is implementing an Action Plan to improve the governance of its companies.

This includes the role of a Company Governance sub-committee which, together with the Audit Committee and Overview & Scrutiny Committee, will monitor the implementation of the recommendations arising from the PIR. The PIR can be found at <https://www.nottinghamcity.gov.uk/public-interest-report/>.

## **2.13 Rapid Non-Statutory Review (NSR) into Nottingham City Council**

Following issuance of the Auditor's PIR, the Secretary of State for Housing, Communities and Local Government appointed Max Caller CBE in late October 2020 to lead a rapid, non-statutory review at the Council. The purpose of the review was to provide assurance on the financial position of the Council, its governance arrangements and the commercial and investment issues identified by the Council's External Auditors, Grant Thornton, in the PIR published on 11 August 2020.

2.14 This review involved providing the review team with a significant number of reports and interviews with senior colleagues and Councillors. The findings from the review were published in November 2020 and details can be found at <https://www.gov.uk/government/publications/nottingham-city-council-rapid-review>.

2.15 Key findings of the report include the need for a longer term financial planning horizon to ensure that the Council achieves financial sustainability over a 2-3 year recovery phase. Additionally, the report findings covered the Council's debt position, the lack of pace in releasing underutilised assets and governance matters for the Council and its companies.

2.16 The Council has developed a draft 'Recovery and Implementation Plan' in response to these findings which was sent to MHCLG in December 2020. Implementation of the findings of both reports will be key priorities throughout 2021/22-2023/24 as the Council seeks to secure its medium term financial sustainability.

2.17 Implementation of these findings will also have short term financial costs associated with transforming services. The Council considers that the best way to fund these costs and achieve medium term financial sustainability is not to place further pressure on its reserves but rather to spread costs over a number of years to allow reform to take place. Approval from Government is required to allow the Council to use capital resources in the form of borrowing to fund revenue

spending. A request for **£35.0m** (known as capitalisation) was submitted to MHCLG on 23 December 2020.

2.18 Full Council will consider the 'Recovery and Implementation Plan' at a special meeting on 25 January 2021 and will receive an update on MHCLG's response to the draft plan and to the requests to allow it to enter into short term borrowing to fund revenue costs referred to above.

### **2.19 Recovery Plan and Improvement Board**

Part of the report's recommendations include the requirement for the Council to produce a three-year recovery plan and that should clearly set out the actions and key milestones required to restore the financial viability of the Council's capital programme and medium term revenue budget. The 'Recovery and Improvement Plan' will establish the actions required to end the current reliance on annual budget setting and towards implementing a more robust, medium-term financial planning process whilst reducing debt and releasing assets.

The report also recommends the creation of an Improvement Board to oversee the implementation of the three-year recovery plan. The Board Chair is to be independent and with the Leader of the Council as the only member of Nottingham City Council on the board. The costs of this Improvement Board are to be funded from the Council's revenue budget and are provided within the 2021/22 budget at an estimated cost of **£0.3m**.

### **2.20 Transformation Programme**

The need to transform the Council's services is a key finding of the NSR and the Improvement Board will oversee progress and report regularly to the Secretary of State. Initiating and delivering a robust and ambitious transformation programme will become a key priority for the Council in 2021/22 to ensure the delivery of a balanced and sustainable long term cost base for the Council. Further details on the Transformation Programme and plans to achieve a longer term financial planning horizon will be included within the MTFS which will be presented to February 2021 Executive Board.

### **2.21 Reserves**

Prior to the NSR, the Interim Budget had highlighted that the Council was carrying significant risk in relation to the low level of its unallocated and earmarked reserves in comparison to other similar sized Councils. The Interim Budget required both a significant permanent release of reserves in addition to borrowing and paying back of reserves. In fact, the interim budget required almost half of the Council's controllable reserves to be released in order to achieve a balanced position. The strategy has a significant impact on the Council's long term sustainability.

A critical element of achieving long term financial sustainability is to ensure the Council has adequate reserves to manage any future risks and the Council's Chief Financial Officer (Section 151) has a statutory duty to make an assessment of the robustness of the budget and adequacy of reserves as a key part of the February 2021 MTFS.

All these factors have necessitated a fundamental change in how reserves are managed and used. Since the Interim Budget, use of any of the Council's controllable reserves require S151 / Deputy S151 Officer approval prior to any movements being actioned.

Reserves are subject to a prioritisation process given the significant depletion during 2020/21. The MTFs to be presented to February 2021 Executive Board will provide further details on changes from 2021/22 including how the costs of the Transformation Programme are to be funded. This is required to ensure the S151 Officer can confirm the robustness of the budget and adequacy of reserves.

## 2.22 Voluntary Redundancy (VR) Programme

In response to the challenging financial environment faced by the Council a VR programme commenced in June 2020 with applications closing in August 2020. The Interim Budget included an initial phase of voluntary redundancy savings and two further reports have been approved by Executive Board in October and December 2020. The on-going savings from these additional phases have been reflected within this report. Senior Managers have continued to review these applications alongside developing budget proposals for 2021/22.

## 2.23 Available funding

**Table 1** shows the current estimate of available MTFP funding. The final Local Government Settlement is yet to be announced. Final funding figures in the February 2021 Executive Board report will reflect the Council's final assessment of business rates (NNDR) and the final Local Government Settlement announcement.

<b>Table 1: Current Estimate of Funding</b>			
<b>Budget Item</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Settlement Funding	(121.673)	(125.113)	(126.525)
Council Tax	(126.056)	(130.867)	(135.817)
Collection Fund – assumed deficit	5.419	3.422	3.422
<b>Assumed Funding</b>	<b>(242.310)</b>	<b>(252.557)</b>	<b>(258.920)</b>

## 2.24 Local Government Settlement Funding

The Local Government Settlement comprises Retained Business Rates, Top-up Grant and Revenue Support Grant (RSG). The provisional settlement was released on the 17 December 2020 and confirmed a one-year settlement for 2021/22.

Alongside the settlement MHCLG has also begun to provide details of the additional Covid-19 related support announced in the Spending Review (SR2020) on 25 November 2020.

## 2.25 Tax Base

The final 2021/22 Council Tax base is being presented to January 2021 Executive Board and assumes **66,396** Band D equivalents. Nottingham has a low tax base

relative to similar authorities with **80%** of dwellings, as at January, classified as either Band A or B. This means that each 1% added to Council Tax raises less revenue than similar authorities. Further details in relation to the Council Tax base are in the 'Council Tax – determination of the 2021/22 Tax Base' report which is also being presented to January 2021 Executive Board.

## **2.26 Council Tax**

Councils have the power to raise Council Tax by a maximum of **1.99%** in 2021/22 without a referendum. For Nottingham City Council, each **1%** rise in Band D raises **c£1.2m** of Council Tax income and levying a **1.99%** rise will therefore generate **£2.4m** of annual revenue. The Council proposes to levy this increase in full in 2021/22 and the draft MTFS assumes annual increases of **1.99%** pa in subsequent years.

## **2.27 Adult Social Care Precept**

The spending review also gave those Councils responsible for Adult Social Care, the powers to raise a further **3.00%** Council Tax in 2021/22. This is in addition to the basic **1.99%** Council Tax and must be used to fund Adult Social Care. The Council proposes to levy this precept in full generating **£3.602m** of annual revenue in addition to the regular Council Tax increase. The MTFS assumes that there will be no further precept announced in future years.

## **2.28 Collection Fund**

Covid-19 has impacted on both Council Tax and retained Business Rates income received to fund our day-to-day services. This income is likely to require time to recover to pre-Covid-19 levels, especially if there is a deep economic recession. This impact is potentially a significant financial risk into the medium term. Previous modelling based on analysis of long term trends may no longer reflect likely near future patterns due to the size & nature of the Covid-19 impact.

An estimated assessment of likely collection fund deficit for Council Tax and Business Rates have been included in the figures of this report. Final figures will be included within the February 2021 MTFS report.

## **2.29 Social Care Grants**

The provisional settlement announced **£12.8m** of social care grant for the City. This is **£3.0m** higher than in 2020/21. Confirmation was also provided for the Improved Better Care Fund (iBCF) allocation of **£16.1m** and is no change on the current year.

## **2.30 Covid-19 grants**

MHCLG has also published a policy paper outlining their proposed approach to Covid-19 support in 2021/22. The Council's allocation for pressures grant has been confirmed as **£11.7m**. MHCLG are seeking views on the continuation of the Sales, Fees & Charges Scheme for the first 3 months of 2021/22. This scheme was introduced to compensate Councils for an element of specific lost income due to the pandemic.

### **2.31 New Homes Bonus**

The New Homes Bonus rewards local authorities for increasing the number of new or occupied homes. The latest grant award was announced alongside the provisional settlement and is **£4.0m** for the City for 2021/22.

### **2.32 Lower Tier Services Grants**

As part of the 2021/22 provisional settlement MHCLG introduced new specific grant to cover lower tier service costs. Nottingham has been allocated **£0.7m**.

### **2.33 Other specific grants**

Expenditure on grant funded activities will be reduced in line with any funding reductions. If this is not possible proposals will be identified in the draft MTFS to cover any shortfall and include in the consultation.

## **3 Draft Medium Term Financial Plan (MTFP) 2021/22-2023/24**

### **3.1 MTFP – pre Covid-19**

The MTFP as approved at February 2020 (pre Covid-19) reported a net budget requirement of **£272.1m** for 2021/22 and an original budget gap of **£24.6m** for 2021/22 and **£30.1m** for 2022/23.

### **3.2 Medium Term Financial Outlook (MTFO) refresh included within the Interim Budget**

The Interim Budget report approved by September 2020 Executive Board included an MTFO refresh for the period to 2023/24 recognising the forecast impact of the pandemic on the longer term. This established a funding gap of **£53.7m** in 2021/22 rising to **£63.8m** by 2023/24. It was clear that unless further significant funding and/or savings could be made, the Council would not have sufficient reserves to cover this gap. The interim budget report can be found at <https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8553>.

### **3.3 Medium Term Financial Plan (MTFP)**

The Council has undertaken significant activity to try to close the gap in the face of further growing pressures. The Government spending review proposals for local government as set out in the provisional settlement announcement in December 2020, have provided a combined **£24.3m** of resources (although only half of this funding is likely to be on-going).

In recognition of the financial challenges, the Council has had to consider how its business and services should operate in the future and this is reflected in a number of the budget savings proposals. The Council is proposing further reduction in its service spending and workforce costs of **£17.5m** (**£15.6m** of new proposals and **£1.9m** of previously announced voluntary redundancies).

The measures so far identified above would still leave a funding gap of **£7.2m** which would need to be met from reserves but the Council continues to work to identify ways to reduce or eliminate this funding gap and any further measures will be considered in the final proposed MTFs in February 2021.

**Table 2** below shows the evolution of the funding gap (as per the Interim Budget) for 2021/22 from **£53.7m**, to the position before further savings of **£24.7m** for 2021/22.

<b>Table 2: MTFP Refresh since Interim Budget</b>			
<b>Budget Item</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
<b>Gap as at 22 Sept Exec Board</b>	<b>53.733</b>	<b>60.635</b>	<b>63.832</b>
<b><u>Budget updates</u></b>			
Reserves – re-profiled repayments	(4.948)	(3.746)	(3.746)
Pay – assumed 21/22 pay freeze	(2.472)	(2.472)	(2.472)
Pressures – updated for companies & mitigation	(1.193)	2.095	4.375
Improvement Panel costs	0.300		
<b><u>Funding updates</u></b>			
Collection fund – re-profiled assumed deficits	1.331	(0.665)	(0.665)
Council tax – latest tax base	(0.221)	1.778	0.656
Council tax – 3% ASC precept	(3.602)	(3.739)	(3.881)
Settlement / Covid-19 compensation	(18.228)	(6.620)	(8.035)
<b>Updated Gap</b>	<b>24.699</b>	<b>47.266</b>	<b>50.065</b>

### 3.4 Reserves re-profiling

Tranche 4 funding from Government in autumn 2020 reduced the Covid-19 unfunded gap in 2020/21. This, together with the latest forecast for 2020/21, has reduced the level of reserves to be borrowed and paid back in 2020/21. The consequence is to reduce the pay back element by **£12.4m** over the 3 years.

### 3.5 Pay assumptions

The previous MTFP and current Interim Budget assumed 2% pay inflation plus pay progression. The spending review in November announced pay inflation for 2021/22 and assumes £250 increase per FTE at grades with a salary less than £24,000 and zero pay award for all other grades. This change in assumption has resulted in a saving of **£2.5m**.

### 3.6 Pressures

The Interim Budget included a refresh of the known cost pressures facing the Council in 2021/22 and future years. These have been subject to a further critical review and are now projected as shown in **Table 3**, with full details to be included within the February MTFs report.

Many of the pressures are driven by the longer term impact of Covid-19 on lost income, continued extra costs and an assessment of which previously assumed savings are now unachievable in changed circumstances. The Companies pressure is mainly arising from the assumed ongoing economic impact of Covid-19 on business models and the removal of dividends in the MTFP.

The latest national restrictions came after this critical review of the pressures work and therefore future monitoring reports will reflect whether any of these assumptions need updating based on the latest national or region situation.

<b>Budget Item</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Covid-19 reduced income	16.793	12.091	8.453
Covid-19 additional expenditure	10.217	9.159	8.748
Business as usual	0.870	10.348	18.298
Companies	4.394	5.891	5.485
Covid 19 - unachievable savings	3.777	3.039	2.446
<b>Total</b>	<b>36.051</b>	<b>40.528</b>	<b>43.430</b>

**Table 4** below shows the pressures by Portfolio, Corporate and the Companies pressures.

<b>Lead Portfolio</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Adult Care & Local Transport	(2.182)	1.961	7.323
Children & Young People	14.347	16.973	19.029
Communities, Highways & Strategic Transport	3.265	2.680	2.011
Employment & Community Protection	0.000	0.051	0.000
Energy, Environment & Democratic Services	1.769	1.081	0.852
Finance, Growth & the City Centre	1.993	0.968	0.690
Health, HR & Equalities	0.112	0.136	0.000
Housing, Planning & Heritage	0.937	0.691	0.493
Leisure, Culture & IT	4.810	2.818	1.266
Regeneration, Schools & Communications	6.442	7.093	6.095
<b>Portfolios</b>	<b>31.492</b>	<b>34.452</b>	<b>37.760</b>
Corporate	0.165	0.185	0.185
Companies	4.394	5.891	5.485
<b>Total</b>	<b>36.051</b>	<b>40.528</b>	<b>43.430</b>

### 3.7 Improvement Board

The costs of the Improvement Board are to be met by the Council as described in paragraph 2.19.

### 3.8 Collection Fund

The Government has announced legislation to enable Council Tax and Business Rates collection fund deficits to be repaid over three financial years rather than the current one year. This enables the MTFP to spread the currently assumed combined 2020/21 deficit of **£12.3m**.

The Interim Budget originally assumed a deficit of **£4.1m** for 2021/22, this has been re-profiled to **£5.4m** to reflect the published scheme details resulting in an amendment of **£1.3m**.

Further amendments are expected in the February MTFS report when the final estimates of the collection fund deficits will be included.

### 3.9 Council Tax updated assumptions

The spending review announced the option for a **3.00%** Adult Social Care precept in 2021/22 only, this was after the Interim Budget and it is assumed and included within the MTFO refresh. January Executive Board is also being presented with the Council Tax Base report and the MTFO refresh is aligned to these assumptions.

### 3.10 Settlement and additional Covid-19 funding

**Table 5** summarises the required updates to the MTFO funding assumptions to reflect the provisional settlement and additional 2021/22 Covid-19 funding and compensation announced by MHCLG in December 2020.

Further details will be included in the February MTFS report capturing the final settlement expected in early February and retained business rates projections reported to MHCLG in late January.

<b>Table 5: Settlement / Covid-19 compensation</b>			
<b>Budget Item</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Update to Settlement assumptions in MTFO			
• RSG / Top-up Grant	(1.502)	(2.889)	(4.304)
Specific Grants			
• Additional Social Care Grant	(3.048)	(3.048)	(3.048)
• Lower Tier Services Grant	(0.683)	(0.683)	(0.683)
• Additional one-off 2021/22 NHB grant	(1.132)	-	-
Update to 21/22 Covid-19 funding assumptions			
• 2021/22 Covid-19 funding	(11.681)	-	-
• Local Council Tax Support Scheme funding	(4.182)	-	-
• Remove previous assumption in respect of Council Tax and Business Rates compensation (pending further scheme details)	5.000	-	-
• Assumed extra Income Compensation (pending further scheme details)	(1.000)	-	-
<b>Total</b>	<b>(18.228)</b>	<b>(6.620)</b>	<b>(8.035)</b>

### 3.11 Balancing the MTFP

**Table 6** details how the MTFP is proposed to be balanced for 2021/22 and includes details of already approved savings and proposed further savings. At the present time, the proposals require the use of **£7.2m** reserves to achieve a balanced position and without capitalisation, would require a further **£7.5m** to fund the cost of redundancies assumed in the savings proposals.

<b>Table 6: Balancing the MTFP</b>			
<b>Budget Item</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
<b>Updated Gap</b>	<b>24.699</b>	<b>47.266</b>	<b>50.065</b>
<b><u>Savings</u></b>			
Already approved proposals - Phase 2 VR (table 7)	(1.874)	(2.301)	(2.276)
Consultation savings detailed in this report (table 8)	(11.261)	(14.291)	(14.324)
Workforce and other savings (table 9)	(4.376)	(3.631)	(3.561)
<b>Outstanding Gap</b>	<b>7.188</b>	<b>27.043</b>	<b>29.904</b>
<b><u>Further Mitigation</u></b>			
Use of Reserves	(7.188)	-	-
Remaining 5% Workforce to meet £9.5m (full year)	-	(6.112)	(6.202)
Further 5% Workforce	-	(6.500)	(9.500)
Transformation	-	(14.431)	(14.203)
<b>Balanced Budget</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### 3.12 Additional Voluntary Redundancy (VR) proposals approved post the Interim Budget

Since the Interim Budget was approved there have been two further reports to Executive Board detailing additional VR proposals and the savings from the October Executive report are detailed in **Table 7** below.

<b>Table 7: Already Approved Proposals – Phase 2 VR</b>			
<b>Lead Portfolio</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Adult Care & Local Transport	(0.377)	(0.503)	(0.503)
Children & Young People	(0.083)	(0.110)	(0.110)
Communities, Highways & Strategic Transport	(0.354)	(0.363)	(0.363)
Employment & Community Protection	-	-	-
Energy, Environment & Democratic Services	(0.061)	(0.081)	(0.081)
Finance, Growth & the City Centre	(0.300)	(0.311)	(0.311)
Health, HR & Equalities	(0.025)	(0.034)	(0.034)
Housing, Planning & Heritage	(0.008)	(0.011)	(0.011)
Leisure, Culture & IT	(0.359)	(0.479)	(0.479)
Regeneration, Schools & Communications	(0.306)	(0.409)	(0.384)
<b>Total</b>	<b>(1.874)</b>	<b>(2.301)</b>	<b>(2.276)</b>

### 3.13 Portfolio Consultation Proposals

**Table 8** summarises the **£11.3m** consultation proposals to be delivered by Portfolio Holders with more detail provided in **Appendix 1a-j**.

<b>Lead Portfolio</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Adult Care & Local Transport	(4.014)	(4.054)	(4.054)
Children & Young People	(1.189)	(1.848)	(1.848)
Communities, Highways & Strategic Transport	(0.588)	(1.133)	(1.133)
Employment & Community Protection	(1.605)	(1.680)	(1.680)
Energy, Environment & Democratic Services	(0.693)	(1.018)	(1.018)
Finance, Growth & the City Centre	(1.264)	(1.409)	(1.409)
Health, HR & Equalities	(0.266)	(0.297)	(0.297)
Housing, Planning & Heritage	-	-	-
Leisure, Culture & IT	(1.267)	(1.987)	(2.020)
Regeneration, Schools & Communications	(0.376)	(0.864)	(0.864)
<b>Total</b>	<b>(11.261)</b>	<b>(14.291)</b>	<b>(14.324)</b>

### 3.14 Other additional savings

**Table 9** summarises **£4.4m** of additional savings, of which **£4.0m** are in relation to workforce reductions and **£0.4m** to non-workforce savings. These savings will have minimal or no service impact and therefore do not require public consultation. These proposals will be subject to Trade Union and internal colleague consultation process.

<b>Lead Portfolio</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Adult Care & Local Transport	(0.738)	(0.245)	(0.225)
Children & Young People	(0.790)	(0.771)	(0.791)
Communities, Highways & Strategic Transport	(0.367)	(0.367)	(0.297)
Employment & Community Protection	-	-	-
Energy, Environment & Democratic Services	(1.052)	(0.902)	(0.902)
Finance, Growth & the City Centre	(0.425)	(0.415)	(0.415)
Health, HR & Equalities	(0.173)	(0.173)	(0.173)
Housing, Planning & Heritage	(0.096)	(0.082)	(0.082)
Leisure, Culture & IT	(0.499)	(0.511)	(0.511)
Regeneration, Schools & Communications	(0.237)	(0.165)	(0.165)
<b>Total</b>	<b>(4.376)</b>	<b>(3.631)</b>	<b>(3.561)</b>

### 3.15 Options to balance 2021/22

The current funding gap for 2021/22 is **£7.2m** rising to **£29.9m** in 2023/24.

In addition to meeting funding gaps, the Council's ability to mitigate risk has been impacted by the significant reduction in earmarked reserves as part of its strategy to balance 2020/21. Whilst work continues to review proposals and to identify further savings, some of this work may not be concluded by Full Council on 8 March 2021. This is because some of the work may itself require consultation which may not be complete.

If this is the case, the Council will need to identify some use of reserves to cover the gap until such time as the further proposals are consulted upon and accepted. Furthermore, without capitalisation, a further **£7.5m** would be required to fund the cost of redundancies assumed in the savings proposals.

The NSR identified the likelihood of the need for 'external financial support' in order to balance the 2021/22 budget. This is not expected to be in the form of Government Grant but rather permitting the Council to borrow to allow it to spread its costs over a number of years whilst it transforms itself, reduces debt levels and sells land and property to release funds.

This would ensure that the Council could adequately fund the transformation programme, exit costs of the workforce reductions and maintain its reserve levels to protect itself against future risks. The Improvement Board and the Recovery and Improvement Plan will focus on how the Council will achieve a longer term and sustainable financial outlook and the Transformation Programme is critical in achieving this. Ongoing engagement will continue with MHCLG to determine the extent of the support that is available from Government.

A request to fund **£35m** of revenue spend from capital resources was submitted to MHCLG on 23 December 2020. The outcomes of the discussions with MHCLG are expected to be known in time for the MTFs in February 2021.

Without further Government support the Council will be required to instigate a further use of reserves to close the budget gap. This will severely impact on the ability to fund transformation activity and workforce reduction costs.

### **3.16 Workforce reductions**

The budget strategy for 2021/22 includes a target 5% workforce reduction for 2021/22 rising to 10% by year 3 of the MTFO. The first 5% amount for 2021/22 is **£8.0m** rising to **£9.5m** in year 2 and 3, this recognises that in year one there will not be a full year saving due to the timing of implementing this target. The Council has identified **£4.0m** aligned to this strategic aim, although further proposals continue to be assessed.

### **3.17 Transformation**

The need to transform the Council's services is a key finding of the NSR and the Improvement Board will oversee progress and report regularly to the Secretary of State. Initiating and delivering a robust and ambitious Transformation Programme will become a key priority for the Council in 2021/22 to ensure the delivery of a balanced and sustainable long term cost base for the Council. Further details on the Transformation Programme and plans to achieve a longer term financial planning horizon will be included within the MTFs which will be presented to February 2021 Executive Board.

## **4 Other options considered in making recommendations**

- 4.1 Throughout the budget process a range of different options have been considered including various levels of council tax, investment and cost reductions. This is a complex process with many iterations and possibilities too numerous and detailed to present as discrete options here. This report presents the overall set of current

draft proposals which together seek to balance levels of investment, income, cost reductions and an appropriate level of council tax.

## **5 Finance colleague comments (including implications and value for money/VAT)**

- 5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code in October 2019. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

## **6 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)**

- 6.1 The City Council is required to set a balanced budget for 2021/22 before 11 March 2021.
- 6.2 Insofar as the cost reduction proposals as set out in this report contain workforce reduction proposals, Section 188(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 ("TULR(C)A") may well be engaged and sufficient time will need to be set aside for relevant consultation with the appropriate representatives of affected employees.
- 6.3 A detailed and comprehensive risk assessment will be undertaken in order to inform the Chief Finance Officer's (CFO's) assessment of the affordability of the MTFs and the consequent recommended levels of reserves and contingencies. Any increases in these levels, reflect the higher level of risk inherent in the budget arising from significantly reduced external funding sources, transfer of risks from Central Government and the resultant high levels of cost reductions required. The risk assessment will inform the budget report to Executive Board in February 2021.

## **7 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)**

- 7.1 None

## **8 Social value considerations**

- 8.1 None

## **9 Regard to the NHS Constitution**

- 9.1 None

## **10 Equality Impact Assessment (EIA)**

- 10.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because any decisions relating to the draft budget proposals will be set out in further reports to Executive Board in February and to

City Council in March 2021. Equality Impact Assessments are being carried out, where appropriate, for all relevant budget proposals and a summary will be provided with these reports.

## **11 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

11.1 None

## **12 Published documents referred to in this report**

### 12.1 Voluntary Redundancy Programme and Budget Proposals

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8580>

Voluntary Redundancy Programme

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8587>

Interim Budget 2020/21 – 5 October 2020 Full Council

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=8540>

Interim Budget 2020/21, Medium Term Financial Outlook and Draft Strategy 2021/22 to 2023/24, 22 September Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8553>

Public Interest Report

<https://www.nottinghamcity.gov.uk/public-interest-report/>.

Council Financial Position – 2020/21 Budget Update, 21 July 2020 Executive Board

<https://committee.nottinghamcity.gov.uk/documents/s105034/Council%20Financial%20Position%20-%20202021%20Budget%20Update.pdf>

Council Financial Position – Financial Risk Assessment, 29 June 2020 Executive Board

<https://committee.nottinghamcity.gov.uk/documents/s104181/Council%20Financial%20Position%20-%20Financial%20Risk%20Assessment.pdf>

Medium Term Financial Plan (MTFP), 18 February 2020 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=7979>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People	Adults	Commissioning review	A programme of strategic commissioning review and redesign to ensure the best value in adult social care commissioning spend. Savings based on service reconfiguration and contract reviews across community support, home care and residential care services	(3.000)	(3.000)	(3.000)
2	People	Adults	New health & social care operating model	To create a new target operating model for Adult Social Care and integrated health and care for the city. Review and reshape the Adult Social Care structure to deliver a more sustainable service model with NHS and communities	(0.100)	(0.100)	(0.100)
3	People	Adults	Transform social care practice to deliver strengths-based approaches	Introduction of consistent strengths-based practice to reduce reliance on formal care services and to promote independence	(0.100)	(0.100)	(0.100)
4	C&O	Fleet Workshop	Renew fleet parts contract	Undertake retendering of existing parts contract for fleet services and secure 3% efficiency savings from Nov 21	(0.020)	(0.040)	(0.040)
Page 20	C&O	Fleet Workshop	Service redesign of Fleet service	Restructure to reduce posts in fleet by July 2021 due to efficiency savings through introduction of new 'Fleet Wave' paperless IT system	(0.069)	(0.089)	(0.089)
	C&O	Fleet Workshop	Staff MOT & Servicing offer	Launch of new staff competitive mot and servicing offer from 21/04/21, maximising capacity in light vehicle workshop	(0.020)	(0.020)	(0.020)
7	C&O	Fleet Workshop	Increased ULEV Framework sales	Promotion of the new ULEV vehicle purchasing framework to other local authorities to support them converting to ULEV vehicles. (NCC receive 1% commission on all vehicle sales through this new framework)	(0.005)	(0.005)	(0.005)
8	D&G	Public Transport	Rationalisation of linkbus network	Rationalised linkbus feeder network and Medilink retained through Workplace Parking Levy funding	(0.700)	(0.700)	(0.700)
<b>PORFOLIO TOTAL</b>					<b>(4.014)</b>	<b>(4.054)</b>	<b>(4.054)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People	Children's Integrated Services	Extend block contract for residential placements	Increase the block contract through a Procurement process	(0.126)	(0.380)	(0.380)
2	People	Children's Integrated Services	Block contract for independent fostering	Commission bespoke small block independent fostering provider	(0.050)	(0.050)	(0.050)
3	People	Children's Integrated Services	Semi Independence transformation	Establishing Gap home, supported lodgings and another transition house to provide different options for young people in semi-independence and leaving care	(0.100)	(0.200)	(0.200)
4	People	Children's Integrated Services	Specialist intervention to avoid older children coming into care	Application of evidence-based Multi-Systemic Therapy team to reduce the numbers of teens going into care	(0.300)	(0.300)	(0.300)
5	People	Children's Integrated Services	Rehabilitation service	Dedicated social work service to work on restoring children in care to their families of origin following intensive work and input	(0.300)	(0.300)	(0.300)
Page 21	People	Children's Integrated Services	Children's Centre offer	Children's Centre offer will become more targeted and available from fewer locations working with partners to redesign the universal offer	(0.279)	(0.418)	(0.418)
7	People	Children's Integrated Services	Increase internal residential provision	Replicate our 4 bedded children's home to provide more internal residential care	(0.034)	(0.200)	(0.200)
<b>PORTFOLIO TOTAL</b>					<b>(1.189)</b>	<b>(1.848)</b>	<b>(1.848)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Community Partnerships	Reduce the number of Council owned Community Centres	Transfer/ Disposal of 3 Community Centres Review and identification of surplus community assets	(0.060)	(0.082)	(0.082)
2	C&O	Community Partnerships	Reduce Area Based Grants by 10%	Current contracts finish March 2022. Recommission service with a 10% funding cut from 2022 as part of tender process	0.000	(0.118)	(0.118)
3	C&O	Community Partnerships	Reduce Communities of Identify Grants by 10%	Current contracts finish March 2022. Recommission service with a 10% funding cut from 2022 as part of tender process	0.000	(0.049)	(0.049)
4	C&O	Community Partnerships	Reduce Cllr Local Area Grants by 25%	Reduce the amount each ward area receives in local area grants by 25%	(0.044)	(0.044)	(0.044)
5	C&O	Community Partnerships	Review unspent ward budgets	Review in-year unspent ward revenue budget	(0.050)	0.000	0.000
6	C&O	Community Partnerships	Create a new approach to Neighbourhood & Community Working	Changes to operating models to strengthen how communities are supported and broadening out the geography boundaries that are operating	(0.154)	(0.154)	(0.154)
Page 22	C&O	Community Partnerships	Removal of Student Action Officer	Realignment of Student support activity enables efficiencies in how the Council support residents that are also students	(0.042)	(0.042)	(0.042)
22	C&O	Community Partnerships	Redesign of Tasking, Intelligence & Support function	Deletion of non-frontline business support post	(0.032)	(0.032)	(0.032)
9	C&O	NS Operational Hub	Reduce staff resources in the supported colleague hub.	Remove vacant posts (general operatives) within the supported employee team	(0.048)	(0.048)	(0.048)
10	C&O	Parking	New cashless parking scheme: Lenton Industrial estate	Introduce new on street cashless parking scheme by Nov 21	(0.020)	(0.050)	(0.050)
11	C&O	Parking	New cashless parking scheme: Queens drive industrial estate	Introduce new on street cashless parking scheme by Nov 21	(0.016)	(0.040)	(0.040)
12	C&O	Parking	New cashless parking scheme: Blenheim industrial estate	Introduce new on street cashless parking scheme by Nov 21	(0.012)	(0.030)	(0.030)
13	C&O	Parking	Off street car parks tariff review	Small increase in off street tariffs at MSCP and surface car parks from 01/04/21	(0.060)	(0.060)	(0.060)
14	CEX	Finance	Welfare Rights	Amalgamation of 2 teams supporting the city	(0.050)	(0.050)	(0.050)
15	CEX	Finance	Welfare Advisory services	Review the offer in conjunction with other advisory services - Housing Aid, NCH advisors and CAB & make or buy	0.000	(0.335)	(0.335)

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
			(Transformation activity)				
<b>PORTFOLIO TOTAL</b>					<b>(0.588)</b>	<b>(1.133)</b>	<b>(1.133)</b>

## Employment & Community Protection

## Appendix 1d

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Community Partnerships	Removal of 24/7 monitoring of Public Space CCTV Monitoring	Redesign of how Public Space CCTV is actively monitored across the City	(0.202)	(0.202)	(0.202)
2	C&O	Community Partnerships	Redesign of the Security offer for Council Buildings/Sites	Redesign of security provision across the Council sites maximising the use of the accredited NSI Gold Alarm Receiving Centre and response team	(0.358)	(0.358)	(0.358)
3	C&O	Operations	Reduction of ASB Enforcement Officers	Removal of ASB Enforcement Officer posts	(0.110)	(0.110)	(0.110)
4	C&O	Operations	Reduction of Community Protection Officers	Transformation to a response model of service delivery with a tighter focus on the statutory responsibilities of the service	(0.709)	(0.709)	(0.709)
5	D&G	Economic Development	Reduction of grant to Futures	Reduce NEET grant to statutory minimum	(0.050)	(0.050)	(0.050)
Page 21	S&R	HR	Employability budget reduction	Maximise in house support and training for apprentices and work services across the council should enable us mitigate the impact of this proposal	(0.175)	(0.250)	(0.250)
<b>PORTFOLIO TOTAL</b>					<b>(1.605)</b>	<b>(1.680)</b>	<b>(1.680)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Energy Services	BEIS grant funding to facilitate Green Homes Grant Programme	Energy Services have recently extended their value of a Section 31 Agreement with the Department for Business Energy and Industrial Strategy (BEIS)	(0.200)	(0.200)	(0.200)
2	C&O	Bulky Waste	Bulky Waste (White Goods) Charging Charge £10 per collection	Introduce a charge of £10 for the collection of 'large item white goods' (e.g. fridges, freezers, washing machines, tumble dryers)	(0.035)	(0.035)	(0.035)
3	C&O	Garden Waste	Garden Waste Charge for additional bin(s)	Retain free garden waste service, and introduce a charge of £25 for households who have / request a second bin. £25 per additional garden waste bin.	(0.027)	(0.027)	(0.027)
4	C&O	Building Cleaning	Circa 10% reduction of internal cleaning spend to reflect building closure/under occupancy	Impacted by exit or reduced occupancy of satellite offices and depots	(0.050)	(0.100)	(0.100)
Page 25	C&O	Operations	Waste Operations	Proposed to increase Bin Starter Packs to £35 for 2 x bins and £50 for 3 x bins (from £20/£35). Removal of RPI on green waste disposal charge	(0.035)	(0.035)	(0.035)
6	Corporate	Customer Services (S&R as lead)	Improving customer access to the council	Rationalisation of contact centres and incoming calls across the council to provide one customer focused entry point. 2 year programme - savings to mature in 22/23	(0.275)	(0.550)	(0.550)
7	CEX	Legal & Governance	Reduction of grade D post	Reduction of grade D post	(0.024)	(0.024)	(0.024)
8	CEX	Legal & Governance	Reduction of Area Committees and associated members allowance budget	Reduction of Area Committees and associated members allowance budget. 7 Area Committees @ £6,763 per chairs allowance.	(0.047)	(0.047)	(0.047)
<b>PORTFOLIO TOTAL</b>					<b>(0.693)</b>	<b>(1.018)</b>	<b>(1.018)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Regulation	Environmental Health, Trading Standards, Licensing.	Review of statutory functions, creating a new three stage operating model	(0.172)	(0.172)	(0.172)
2	C&O	Commercial Catering	Reduction in commercial catering outlets & management cost	Commercial Catering services and sites have been significantly impacted by Covid. We will only retain the commercially viable operations, and this allows for a reduction in management costs by the release of a management post	(0.048)	(0.048)	(0.048)
3	D&G	Economic Development	Grant income repurpose	Use new grant income to replace business growth components of economic development programme	(0.250)	0.000	0.000
4	D&G	Economic Development	Review of place marketing	Gradual reduction of funding to allow for current review process on place marketing to conclude and strategy for attracting external income from business to be implemented'	(0.050)	(0.050)	(0.050)
5	CEX	Finance	Contract efficiencies	Review of non-pay budgets and external contracts	(0.200)	(0.200)	(0.200)
Page 26	CEX	Finance	Removal of the Northgate contract	Top slice of funding removed as a result of removing the contract. Contract ends 1 October 2021	(0.146)	(0.292)	(0.292)
	CEX	Finance	Commercial Finance	Removal of posts providing transactional activities to budget managers based on managers fully operating self-serve in relation to monitoring actual financial activity.	(0.073)	(0.073)	(0.073)
	CEX	Finance	Review of internal contracts for delivery of financial function	Review of internal contracts/Service Level Agreement alignment of delivery of service	(0.020)	(0.200)	(0.200)
	CEX	Finance	Transactional Finance - realignment of functions & processes	Realignment of functions and processes within transactional finance, resulting in the deletion of 3.8 FTE posts of which 2 are vacant	(0.131)	(0.200)	(0.200)
10	CEX	Finance	Review of HRA capital support	Full recharge of costs in relation to the HRA capital programme	(0.054)	(0.054)	(0.054)
11	CEX	Finance	Treasury Management	Treasury Management - saving generated from treasury management activity from work undertaken to reduce cost of borrowing / generate financial returns from use of resources. Includes the renegotiation of contract with external advisors	(0.120)	(0.120)	(0.120)
<b>PORTFOLIO TOTAL</b>					<b>(1.264)</b>	<b>(1.409)</b>	<b>(1.409)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People	Public Health	Remove Dental Health Budget	Removal of the recurrent allocation to provide dental public health	(0.015)	(0.015)	(0.015)
2	People	Public Health	Reduce staffing related costs	Travel and training needs are removed due to current ways of working	(0.023)	(0.023)	(0.023)
3	People	Public Health	Maximise the Public Health Grant across NCC	Maximise use of the Public Health grant to support wider council functions which contribute towards improved health and wellbeing outcomes	(0.144)	(0.144)	(0.144)
4	People	Public Health	Health Check software	Negotiated reduction in software contract	(0.007)	(0.007)	(0.007)
5	People	Public Health	Integrated approach to public health service delivery	Working with the ICP to reshape how we deliver mandatory services. Progress opportunities for integrated commissioning with Health	0.000	(0.020)	(0.020)
6	S&R	Analysis & Insight	Deletion of PH Insight Specialist L1 role	Reduction in Public Health Insight Specialist capacity	(0.044)	(0.044)	(0.044)
Page 27	S&R	Human Resources	Further reduction to corporate Development & Change Team	Further reduction to corporate Development & Change Team	(0.033)	(0.044)	(0.044)
<b>PORTFOLIO TOTAL</b>					<b>(0.266)</b>	<b>(0.297)</b>	<b>(0.297)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
			<i>None</i>				
<b>PORTFOLIO TOTAL</b>					<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Facilities Management	Introduce a charge for use of city centre toilets	Introduce a user charge via contactless / cashless payment mechanism at the city centre Greyhound St toilets. Retain the single public toilet facility at Bulwell Bus Station as a free of charge facility	(0.045)	(0.045)	(0.045)
2	C&O	Culture & Libraries	Reduction in external grants to cultural partners	Reduction on cultural organisation grants	(0.107)	(0.107)	(0.107)
3	C&O	Culture & Libraries	Review of admission charges	Review of charges at heritage sites	(0.100)	(0.100)	(0.100)
4	C&O	Culture & Libraries	Museum service efficiencies	Redesign of museum operations	(0.101)	(0.135)	(0.135)
5	C&O	Culture & Libraries	Commence Libraries needs assessment	Complete libraries needs assessment to support future library service efficiencies	(0.070)	(0.200)	(0.233)
6	C&O	Sport & Leisure	Review of Sport & Leisure service	Review the future of John Carroll Leisure Centre, including options which could include the transfer or closure of the building	(0.444)	(0.644)	(0.644)
Page 29	C&O	Sport & Leisure	Review of Sport & Leisure service	Review the operation of the sport and leisure centre service	0.000	(0.289)	(0.289)
29	C&O	Events	Redesign of event programme	Review programme of major events	(0.080)	(0.148)	(0.148)
9	C&O	Cemeteries & Crematoria	Business Plan Proposal	Including Fees and Charges - 3% on burials / cremations / misc. items	(0.060)	(0.060)	(0.060)
10	C&O	Parks & Open Spaces	Redesign of Parks & Open Spaces structures and budgets	Reorganisation of Parks & Open Spaces management duties to release posts; transfer of operational roles to Street Scene services. Associated reductions in supplies & services costs	(0.260)	(0.260)	(0.260)
<b>PORTFOLIO TOTAL</b>					<b>(1.267)</b>	<b>(1.987)</b>	<b>(2.020)</b>

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m	
1	People	Adults Children Passenger Transport	ASC/SEND/Children's: Passenger & mainstream transport	Seeking further efficiency in sourcing/delivery and policy decisions across People's Services	(0.015)	(0.015)	(0.015)	
2	People	Education	Income generating services	Review of the existing income generating services and cease where they are not covering costs	(0.090)	(0.090)	(0.090)	
3	People	Education	Removal of services from College Street Centre	Exit College Street and release the building for sale	0.040	0.040	0.040	
4	People	Education	Increase income from traded services	Increase income from traded SEND services including Education Psychology, Learning Support, Autism and Sensory Services	(0.100)	(0.100)	(0.100)	
5	D&G	Strategic Assets & Property	Operational Property rationalisation	Reduce NCC occupancy in Loxley House & rent out space. Savings to start in year 2 given lag in rental income. Assumes c£0.4m costs to provide equipment for hybrid workers	0.000	(0.350)	(0.350)	
Page 30	D&G	Major Projects	Alternative funding for cross-Council PMO	Removal of remaining Major Projects revenue budget to be paid for from creation of cross-Council PMO funded by capital	(0.038)	(0.038)	(0.038)	
	S&R	Communications & Marketing	Reduction of corporate campaign budget	Reduce the corporate campaign budget	(0.040)	(0.040)	(0.040)	
	8	S&R	Communications & Marketing	Reduction to Arrow Magazine Budget	2 digital and 1 printed and posted	(0.076)	(0.076)	(0.076)
	9	S&R	Communications & Marketing	Reduction of corporate communications budget	Reduce the corporate communications budget	(0.057)	(0.025)	(0.025)
10	S&R	Communications & Marketing	Review council communications & marketing services.	Review council communications and marketing services	0.000	(0.170)	(0.170)	
<b>PORTFOLIO TOTAL</b>					<b>(0.376)</b>	<b>(0.864)</b>	<b>(0.864)</b>	

<b>Subject:</b>	<b>Nottingham City Council Recovery and Improvement Plan</b>
<b>Corporate Director(s)/Director(s):</b>	Mel Barrett – Chief Executive
<b>Portfolio Holder(s):</b>	Councillor David Mellen – Leader of the Council
<b>Report author and contact details:</b>	Richard Beckett – Head of Major Projects richard.beckett@nottinghamcity.gov.uk
<b>Other colleagues who have provided input:</b>	Catherine Underwood – Corporate Director for People  Chris Henning – Corporate Director Development and Growth  Clive Heaphy – Strategic Director of Finance  Malcolm Townroe – Director of Legal and Governance  Richard Henderson – Director HR and Customer  Chris Deas – Director Major Projects  Colin Monckton – Director of Strategy and Policy
<b>Subject to call-in:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Key Decision:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
<b>Total value of the decision:</b>	Nil
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder:</b>	7 <sup>th</sup> January 2021
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input type="checkbox"/>
Living in Nottingham	<input type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>The report requests that Executive Board endorses the required Recovery and Improvement Plan, developed in response to the findings of the recently completed Non-Statutory Review of Nottingham City Council, completed in November 2020, the recommendations for which were subsequently accepted by the Secretary of State.</p> <p>Subject to Executive Board endorsement the Recovery and Improvement Plan will be considered by an Extraordinary meeting of the City Council on 25<sup>th</sup> January. Following which, if appropriate, it would be submitted to the Improvement Board, established by the Ministry of Housing, Communities and Local Government (MHCLG), which is required to meet and consider the Recovery Plan, no later than the end of January 2021, prior to the Recovery Plan being</p>	

submitted to the Secretary of State with the Improvement Board's observations.

**Exempt information: State 'None' or complete the following**

**None**

**Recommendation(s):**

**1** To review and endorse the Recovery and Improvement Plan for submission to City Council with a recommendation for approval

**2** To make provision for meeting the costs of the Improvement Board who are appointed by and accountable to the Secretary of State, but paid for by the council. It is estimated that full year costs will be up to a maximum of £300k per annum for three years.

## **1 Reasons for recommendations**

- 1.1 The recommendation that Executive Board endorse the Recovery and Improvement Plan to Full Council for approval has been made for the following reasons.
- 1.2 The Recovery and Improvement Plan is a required document in response to the findings of a Non Statutory Review (NSR) which has recently been undertaken by a team appointed by the Ministry of Housing, Communities and Local Government (MHCLG).
- 1.3 The Plan sets out how a number of key issues raised in the NSR will be managed and provides the framework through which those issues will be addressed.
- 1.4 The endorsement of the Recovery and Improvement Plan by Executive Board for subsequent approval at Full Council demonstrates a commitment by the Council to address the issues raised in the NSR and give confidence to stakeholders, including MHCLG, that the Council has a robust plan of action for dealing with them.
- 1.5 By doing this the Council will be strengthening its foundations to better meet the challenges and opportunities that the City faces over the coming years to the benefit of its citizens.
- 1.6 The recommendation to fund the costs of the Improvement Board will allow the Council to fulfil its obligations to MHCLG with regards to the creation and operation of the Improvement Board.

## **2 Background (including outcomes of consultation)**

- 2.1 On 11<sup>th</sup> August 2020 the Council's external auditor published a Public Interest Report (PIR) which revealed significant failures in the Council's governance of its wholly owned subsidiary, Robin Hood Energy.
- 2.2 In response, Full Council approved an Action Plan, which set out how it would deal with the issues raised in the PIR. Significant progress has been made against this plan, including the establishment of a Governance Improvement Board and a wider review of the Council's governance arrangements.
- 2.3 Subsequent to the publication of the PIR the Council was approached by MHCLG with regard to the possibility of a Best Value Inspection being undertaken.
- 2.4 Following discussions with MHCLG, it was agreed that instead of a full Best Value inspection, that a rapid Non-Statutory Review (NSR) should be carried out, focussing in particular on the Council's financial stability and governance. The review was led by Max Caller CBE.
- 2.5 The NSR was concluded at the end of November 2020 and is attached at Appendix One. The NSR identifies that the council will require external support to set a legally required balanced budget for 2021/22 and that the council's leadership should be supported to recover to an improved position; rather than undergo a process of Best Value Inspection as a precursor to Commissioners being introduced to take over some or all of the decision making functions of the council.
- 2.6 This was on the basis of the NSR's recommendations being supported by the Secretary of State and the Council. The eight recommendations are:
- 2.7 (8.1) NCC should produce a three-year recovery plan by January 2021. The recovery plan should clearly set out the actions and key milestones required to restore the financial viability of the Council's capital programme and revenue budget. The recovery plan should also establish the actions required to end the current reliance on annual budget setting towards implementing a more robust, at least 3- year, medium-term financial planning process. This plan should be considered by the proposed Improvement Board (recommended below) and submitted to the Secretary of State with their observations.
- 2.8 (8.2) The Ministry of Housing, Communities and Local Government, in partnership with NCC, should establish a small focused Improvement Board by no later than January 2021 to oversee implementation of the three-year recovery plan, meeting at least quarterly. The Improvement Board should be chaired by a strong, independent chair with sector experience. Members of the Board should be appointed also as non-executive directors/mentors within the Council in order to support and improve performance, as has been used to good effect recently in Birmingham City Council. One Member of the Board should have relevant experience in political decision taking and the Leader of the Council should be the only member of the Council on the Improvement Board.
- 2.9 (8.3) NCC should establish a simplified decision-making process as part of the recovery plan for the duration of the recovery period to support implementation of the recovery plan and ensure it is delivered at pace.

- 2.10 (8.4) NCC should review their constitution within 6 months to ensure that the roles and responsibilities of members and officers, the framework within which they operate, including the decision-making processes, performance management and procedures within the Council, are clearly defined.
- 2.11 (8.5) NCC should conduct an in-depth assessment of its group of companies during the first year of the Plan and integrate their conclusions within their medium-term financial planning process. This will determine the future status of each company as part of the Council Group.
- 2.12 (8.6) NCC should produce a clear policy statement within 6 months which establishes the roles and responsibilities of nominated non-executive directors and shareholder representatives and incorporate it as an element of the Constitution. NCC needs to ensure that this relationship is clearly defined within all Council owned company agreements within a further 6 months.
- 2.13 (8.7) The Secretary of State for Housing, Communities and Local Government should limit the borrowing capacity of NCC via statutory means at the earliest opportunity as part of the agreement for the Council to implement its recovery plan. NCC's borrowing capability could be adjusted incrementally, both up and down, on an annual basis as the recovery plan is implemented and this could form part of the conditions associated with any short-term financial support the Council is minded to seek from central Government.
- 2.14 (8.8) The Secretary of State for Housing, Communities and Local Government should publish Departmental guidance, or commission guidance from an appropriate external body, for the Local Government sector on Council owned companies, including the roles and responsibilities of non-executive directors and shareholder representatives on Council owned company Boards.
- 2.15 The Secretary of State confirmed his agreement to the recommendations of the NSR on 17 December 2020, and this letter is attached at Appendix Two.
- 2.16 In accepting the report there is therefore a requirement that the Council develop and approve a Recovery and Improvement Plan that addressed the findings of the NSR by the end of January 2021.
- 2.17 The Council has developed a Recovery and Improvement Plan that is attached at Appendix Three. The Plan is split over eight themes that covers the issues raised in the NSR, clearly setting out objectives and milestones within each theme, with overarching sections on governance, risk and organisational culture.
- 2.18 MHCLG will be appointing an independent Improvement Board to oversee the delivery of the Plan over a three year period, and have confirmed that the Improvement Board will be chaired by Sir Tony Redmond, a former local authority Chief Executive and a former Local Government Ombudsman. The Council will be expected to work closely with the Improvement Board and both the Council and the Panel will be required to submit their assessment of progress against this Recovery Plan on a quarterly basis to the Secretary of State.
- 2.19 Once approved, the Recovery and Improvement Plan will be used to direct the Council's activity to improve performance in the areas identified as requiring it and be used as the basis of dialogue between the Council and Improvement Board on its journey of improvement during the next three years.

2.20 It is envisaged that the Recovery and Improvement Plan will be subject to a review at the end of quarter one in 2021/22 and an annual review thereafter by the Council's Executive Board.

### **3 Other options considered in making recommendations**

3.1 The recommendation in this report is to accept the findings of the NSR and to implement the council's Recovery and Improvement Plan. To not accept the recommendations of the NSR and progress the Recovery and Improvement Plan, would lead to a Best Value Inspection as a pre-cursor to the appointment of Commissioners and a loss of local democratic control over policy making and decision making at the council.

### **4 Finance colleague comments (including implications and value for money/VAT)**

4.1 The Financial implications of the recovery plan fall into two broad areas

4.1.1 The cost of the Panel itself. Although the establishment and operation of the Panel is a requirement of the Secretary of State for Housing, Communities and Local Government, the cost of the panel will be met by the Council. A budget of £300,000 is considered sufficient to meet the cost of the panel which includes members' fees, expenses and provision for any third party spending that the Panel may require.

4.1.2 The cost of delivering the plan. Delivery of the plan will require intense and often dedicated resources, including a Programme Management Office (PMO). The volume of work involved and often specialist skills (e.g. specialist commercial/company skills) cannot be met by existing staff without impacting on the day to day running of the Council.

4.1.3 The value of budget required will be determined as programmes of work in the plan are firmed up and will be reported as part of the budget setting process. Any resources needed will be time-limited for specific tranches of work and will not become a part of the long term establishment.

Clive Heaphy  
Strategic Director of Finance  
3<sup>rd</sup> January 2021

### **5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)**

5.1 The decision to review and endorse the Recovery and Improvement Plan raises no significant legal issues and is a natural precursor to the proposed formal approval of the Plan by Full Council on 25 January 2021.

5.2 The report highlights the need for provision to be made for the cost of the Improvement Board but it is assumed that the approval to the actual expenditure will be given by Full Council at the same time as it considers the Plan.

**6 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)**

6.1 Not applicable

**7 Social value considerations**

7.1 Not applicable

**8 Regard to the NHS Constitution**

8.1 Not applicable

**9 Equality Impact Assessment (EIA)**

9.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:

The report and attached Plan does not in itself contain any changes to spending and / or policy decisions. The further work that will be triggered by the Plan will require separate approvals and EIAs for these will be provided as necessary.

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

**10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

10.1 None

**11 Published documents referred to in this report**

11.1 Report of the external auditor, 'Report in the Public Interest concerning the Council's governance arrangements for Robin Hood Energy Ltd' 11th August 2020

11.2 Full Council (extraordinary) report, ' Report in the Public Interest on Nottingham City Council's governance arrangements for Robin Hood Energy and Action Plan in response' 27th August 2020

**Appendices**

1.Max Caller CBE, 'Non Statutory Review Nottingham City Council' November 2020

2.Letter from Secretary of State accepting recommendations of NSR, 17 December 2020

3. Draft Nottingham City Council Recovery and Improvement Plan



# **NON-STATUTORY REVIEW NOTTINGHAM CITY COUNCIL**

**Max Caller CBE  
Lead Reviewer**

**November 2020**

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## 1. Executive Summary

1.1 Nottingham City Council is not in a position to prepare and approve, the legally required balanced budget for 2021/2022, without significant external support or the imposition of spending reductions, which would not be likely to deliver services that meet their statutory duties.

1.2 Over the past 4 years the Council has failed to act on the warnings, clearly stated by their Section 151 Officer (the statutory Chief Finance Officer), to manage their budgets on a rolling 3 year basis and bring forward savings proposals which reduced core expenditure and transformed or reimagined services. Instead, they relied on getting by in-year, the use of one-offs and the increasingly risky concept of 'commercialisation' and income generation. Many of those risks have now materialised, notably, the failure of Robin Hood Energy (RHE) has cost circa £38m. The response to Covid-19 locally did not cause those risks to be triggered but just exposed the fragility of the Council's position.

1.3 Capital expenditure appears to have been relatively unconstrained with schemes allowed to enter the programme throughout the year based on individual business cases. The consequences of this has been high levels of borrowing resulting in the highest debt to net budget of all core cities with the repayment restricting flexibility in revenue terms.

1.4 The Council has a significant number of wholly owned companies in its portfolio. Roles and responsibilities in managing and directing these companies have not been understood in the past, liabilities have been incurred without the returns justifying the risk. Until this is addressed there will be continued high levels of risk.

1.5 The current Executive Member and top Officer structure is confusing and overlapping. Ownership and responsibility is diffuse and the processes employed prevent speedy decisive action. It is not fit for purpose in facing up to the Council's current challenges.

1.6 To return to financial and operational stability the Council needs to focus its goals on what can reasonably be afforded during the necessary recovery period. It needs to move quickly to change structures, culture and mechanisms at both Member and Officer level.

1.7 If the Council does this and rigorously focuses on recovery for the next 2-3 years, the Review Team consider that the current political leadership in partnership with the newly appointed Chief Executive, should be supported through a difficult and lengthy period.

1.8 The Review team's recommendations are designed to help the Council change and hold them to account for delivery of the Plan that they agree in exchange for support until the Council can again stand on its own feet.

## 2. Introduction

2.1 The Secretary of State for Housing, Communities and Local Government, by way of letter dated 26<sup>th</sup> October 2020, appointed Max Caller CBE to lead a rapid, non-statutory review at Nottingham City Council (NCC) to be completed by the end of November 2020.

2.2 The purpose of the review was to provide assurance to the Secretary of State on the governance and commercial and investment issues identified in the City Council's External Auditors, Grant Thornton, Public Interest Report (PIR)<sup>1</sup> published on 11<sup>th</sup> August 2020.

2.3 Subsequently the Secretary of State appointed Julie Parker and Phil Brookes as Assistant Reviewers.

2.4 The Secretary of State provided the following Terms of Reference in relation to the undertaking of the review, requesting consideration of the following themes which are aligned with the Best Value duty:

- Governance
- Culture and Leadership
- Financial stability
- Services
- Capacity and/or capability to improve

2.5 In addition, specific questions were identified in relation to the Council's financial stability and their management of commercial risk:

- What level of confidence can the Department have on the Council's assessment of its financial position, particularly its estimate of their budget gap, for 2020/21 and 2021/22?
- What level of confidence can the Department have on the Council's plan to mitigate pressures; including the delivery of necessary savings, the existing resources that can be deployed, and their ability to afford borrowing
- What is your view of the Council's assessment of future financial risks and adequacy of their plan (or ability to plan) to manage those risks?
- What is your view of the Council's approach to mitigating their budget gap under different scenarios for how much financial support is provided?
- What level of confidence can the Department have on the Council's assessment of wholly owned companies, including the viability of companies to continue without any additional Council funding or loans?
- How robust are any forward-looking commercial strategies/plans and their longer- term approach to borrowing and investment?
- Does the Council's oversight and management of commercial and investment risk feel adequate or fit for purpose?

2.6 The full text of the letter of appointment of the Lead Reviewer can be found at Appendix 1.

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<sup>1</sup> <https://www.nottinghamcity.gov.uk/media/2835756/report-in-the-public-interest-rhe.pdf>

2.7 Max Caller is a former London Borough Chief Executive and was one of the Intervention Commissioners, following the imposition of Directions on the London Borough of Tower Hamlets. He led the Best Value Inspection of Northamptonshire County Council in March 2018 and was one of the Non-Executives appointed to support Birmingham City Council in their improvement journey. He was also the Chief Executive of London Borough of Hackney, the first authority to be subject to the Direction regime. Julie Parker is a former London Borough Director of Resources (Section 151 Officer) at both Barking & Dagenham Council and Haringey Council and was the Assistant Inspector on the Northamptonshire Inspection. Phil Brookes is a Crown Representative at the Cabinet Office and has worked with a range of strategic suppliers to government in facilities and construction services.

2.8 NCC had assured the Secretary of State of their willingness to engage openly with the review. The Team wish to acknowledge the efforts made by the Council to provide substantial documentation at relatively short notice and to make available Senior Councillors and Officers, including executives of their wholly owned companies, to meet the timetable, and the openness of the communications. All requests for documentation, information or the facilitation of meetings were dealt with efficiently and speedily. No doubt, many staff were involved in making this happen but the work of Colin Monckton, Gill Cooke, Vanessa Watkin and Lorel Manders helped enormously. When the Ministry for Housing, Communities and Local Government (MHCLG) were asked to provide administrative support, they may not have appreciated the scale of the involvement. However, Tom Quinlan, who corralled lots of his colleagues to help and kept on top of all the documentation and meetings, did really well and he should be thanked for this.

2.9 The inspection has been undertaken by an extensive document review which encompassed both published documents and working papers where they existed; a programme of interviews involving councillors of all 3 parties represented on the Council, both in Executive positions and Overview and Scrutiny and Audit, Trade Union representatives, and senior and middle ranking Council staff or their equivalents in each of the Council's portfolio of companies. The team reviewed both published, high level officer financial assessments and budget papers for the last 4 years. The assessment of NCC is based upon the evidence and documentation provided, supplemented by interviews, which has been reviewed at pace to meet the rapid timeframe specified by the Secretary of State.

2.10 The Best Value legislation states:

*“A best value authority must 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. (Local Government Act 1999 Part 1 section 3(1))”*

*“Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. (Local Government Act 1972 Section 151)”*

2.11 The concept of continuous improvement must mean that the best value duty must be a process. It must mean that even in the best performing authorities' errors will occur, failures of policy or practice may result despite good intentions and that an instance of this would not automatically mean a failure to comply with the best value duty. However, it must mean that an authority will learn from its past performance, rectify defects, and not continue along a path when failure is evident. Such events should be clearly isolated and exceptional rather than regular and repeated and should be immaterial in value or wider implications. A continued failure to comply with say, a Statutory Direction, is not an isolated matter and capable of being considered a failure to make the necessary arrangements that the legislation envisages.

### **3. Context**

3.1 NCC is a tightly bounded urban unitary authority with a population of around 333,000 represented by 55 councillors in 20 wards elected on a 4-year cycle. It is characterised by high levels of deprivation and relatively low skills overlain by a significant student population drawn by the presence of high-quality university provision in the area. It is also the focus for top level sporting activity either in the City itself or immediately adjacent.

3.2 Over the past years, it has promoted an extremely ambitious vision, set out in the Council Plan, which has led to a large programme of capital expenditure. Some of this has been funded by capital receipts but most by external and internal borrowing. In addition, there is a significant part of this programme where the specific funding is yet to be identified or secured. This has led to the Council carrying much higher levels of debt than comparable authorities, with a consequent impact on the revenue budget due to debt servicing.

3.3 English local authorities, over the last decade, have been subject to a significant financial squeeze, both in terms of external support and restrained tax rises. Many authorities have used this externally imposed constraint to reimagine their core purposes and to promote ways of service provision and delivery which have been transformative, often in a positive way.

3.4 This has not been the approach used in the Council. They have pursued a policy of 'commercialisation'. In part, this has been seeking opportunities to maximise income streams, albeit, without much understanding of either the volatility or quality of these streams creating a risk issue in setting the budget. In part, purchasing investment properties outside the core purpose of the authority, aimed at producing income streams to avoid cutting the revenue budget and, in part, by holding some services or assets in a wholly owned or joint venture company structure. This appears to have been done, in some instances, to avoid redundancy costs or hoping to secure a return from increased trading. However, the Council has not understood the implications of this strategy and, in particular, the business environment in which they operate. The Covid-19 crisis has not caused this strategy to fail as of itself. It has just exposed the risks the Council were exposing themselves to.

3.5 The case study of RHE, the subject of the PIR is instructive. The City's residents experience a high level of fuel poverty with many residents using prepayment meters and so unable to access the best tariffs. Recognising this and seeking to reduce this as an outcome, is a legitimate and admirable goal for the Council to want to address. Perhaps a combination of a bulk buy/affinity arrangement with one of the big players in the market or one of the switch sites coupled with some form of credit union mechanism to smooth payment for those on prepayment meters might have worked. However, the chosen solution was to set up a wholly owned energy supply company, RHE, to seek to deliver a cheaper tariff arrangement. Whether this was a Member or Officer idea is irrelevant. The UK domestic energy supply market is notoriously difficult. Even big supply companies struggle to make money and the marketplace is littered with failed challenger companies. If there were councillors and/or officers who understood this business, they would have seen the huge risks and the likely limited rewards that this initiative implied. At the very least, the Council would have wanted to ensure that at both Executive and Non-Executive levels the business was fully understood.

3.6 The PIR documents what happened. The skill level at Board level was unable to critically appraise the trading position and a forecast profit outturned as a significant loss. Even worse, RHE did not even deliver the best rates in the market so the political objective was not achieved. By the time the Council recognised this and brought in seasoned industry professionals as interim managers to manage an exit it was a question of how to limit the damage. The likely outturn will be a direct loss to the Council and thus City taxpayers of around £38m together with a significant impact financially to all stakeholders and reputational damage to the Council. Some will seek to recover their losses by an increase in charges and levies on all energy users so it will not just be local taxpayers that will lose out although it will be their services directly impacted.

3.7 What this experience demonstrates however, is that for a local authority councillor, being a company director is not just about a 1-day training course on the difference in legal duties in the different roles. Being a brilliant ward councillor or an effective political leader are not necessarily the skills you need in assessing a business. You cannot run a 1-day course in how to read a balance sheet, profit and loss account and challenge the assumptions in the management accounts. Being a company director needs specific skills and experiences, either in the industry itself or the wider business environment. The feedback the team has had, across the board, from the company perspective, was that not many appointees were able to contribute and that, too often, they were not on the board long enough to gain understanding. If the Council is to continue to be involved with a company structure in the future it needs to appraise the roles and skill sets required for specific companies and ensure they appoint the best match, even if this means the individual appointed is not a councillor.

## **4. Nottingham City Council: Governance and Structure**

### **Executive Member and Officer Structures and Processes**

4.1 As is identified in the Financial Position later in this report, the team noted that one of the major causation factors for the position the Council now finds itself in is the inability to recognise, respect and take action on the advice the Section 151 officer (S151 officer) was providing. Over a period of years, the position she had correctly identified was delayed in reporting, not supported by other senior officers, and resulted in no effective action being taken. This was not aided by the structure of the Council, which had established posts in spending and delivery areas which properly needed to come under the professional oversight of the S151 officer. In a similar vein, the team also noted that it was possible for legal advice to be sought and proffered to the Council without the clear oversight of the Monitoring Officer. Such an approach completely undermines the Statutory Officer roles that these officers are required by legislation to play and is completely unacceptable.

4.2 Even now, the evidence shows that there is no effective machinery to identify, quantify, validate, and bring forward proposals across the Council as a whole to meet the budgetary challenge. It does not and should not have required the arrival of the review team to kick start a process to bring proposals forward to Members. As a consequence, the team considered whether they should abort the process and invite the Secretary of State to consider initiating formal action under the Best Value legislation. Throughout our engagement with the Council the team have been impressed by the commitment of the Leader and his Executive colleagues to bringing sound management and leadership back to the Council and taking the decisions necessary to stabilise the position. The team concluded that, with support, it was possible to proceed to a position where the Council could take their decisions and be held to account for their delivery.

4.3 Structures and performance arrangements need to be rationalised at both Member and Officer levels. At Executive member level, a more effective approach during the recovery period, could be to provide more clarity about who is taking responsibility for what outcomes. There may therefore be value in reducing or eliminating overlap in portfolios. More importantly, there may be value in designating one Member with specific responsibility for performance and citizen experience ranging across all portfolios.

4.4 The Council does not appear to have a mechanism for setting targets and goals for its Chief Executive and holding the postholder to account for it. Whilst the Chief Executive delivers an administration's policies, they are accountable to the whole Council for performance of the entire job. Without targets being clear and explicit, and a recognition that it is part of the job to manage the performance of all their direct reports, control will not be possible. Implementing the procedure outlined in the JNC for Chief Executives, publishing the targets and performance measures agreed and cascading these into the direct reports and to the bottom of the officer structure is the best way forward.

4.5 Below the Chief Executive the structure is seen to be complicated, diffuse and lacking corporate focus and control. A much simpler structure will be required to make the necessary changes to services and delivery during a recovery period. The organisation is not used to moving at pace corporately and ensuring consistency in its decisions and actions. By inspection, it is clear that there are opportunities to make significant savings by insisting on a standard model of delivery or using the benefits of corporate purchasing across the whole range of the Council's activity. It would be possible to set cost reduction targets trimming waste from the base.

### **Audit Committee**

4.6 The Council's constitution does make it explicit how important it is to avoid conflicts of interest with the Membership of this Committee. The team noted that Councillors who are appointed as Directors of Council owned companies also sat on this committee and that this had led to problems in the recent past in respect of Audit reports. The newly appointed Chair is taking a lead in changing that and this is to be welcomed. Even so, there is significant development required for the Committee to become a best practice exemplar.

4.7 It is not routine for the External Auditor to meet with Members of the Committee in private without officers, the internal audit programme needs to be more focussed on risk and there appear to be no reports on counter fraud activity, not even about the level of activity. Most importantly, it is not clear where the committee reports in the Council structure in a way that ensures it secures and monitors action. It should be possible for a matter of concern to be referred to a relevant executive body and the Chair should then have the right to attend and speak to that item. It should be possible for the Committee to require responsible officers to appear at the committee to deal with matters under their control. It is suggested that as part of any constitutional changes to give effect to the Council's consideration of these observations the opportunity is taken to embrace all the relevant parts of the Redmond report on local authority financial reporting and external audit<sup>2</sup> in advance of a Government Decision.

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<sup>2</sup> [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#)

## **Overview and Scrutiny Committee**

4.8 It was noted that on a number of occasions, when dealing with significant changes or proposals, the Chair had waived the right to call in a proposal on the grounds of urgency. Good practice Councils would have ensured that such a waiver would only be sought if members of the committee were offered an informal briefing in advance of the decision so that any potential concerns could be identified and either addressed informally or dealt with formally at the decision taking body and the report to Council noting the waiver would include a reference to this. Whilst the Committee appears to have a full programme of work it is not clear how this is focussed, on either, key issues facing the City and the Council, or, to deal with performance or policy gaps so that it can help take the Council forward. Best practice also indicates that as Overview and Scrutiny is a Council function rather than an Executive function it could be appropriate for either the Chair or Vice Chair to be held by an opposition member. In the Nottingham context Vice Chair is most appropriate and this needs to be considered as part of any review of the constitution.

## 5. Nottingham City Council: Group Companies

### Background

5.1 The Council has material financial interests in a number of group companies over which it has varying degrees of control or influence. There is a risk of exposure should any of the companies run into financial difficulties and this was clearly demonstrated by the losses incurred as a result of the establishment of RHE. The shortcomings in governance inherent in the organisation were covered in the PIR issued on 11 August 2020 and 13 recommendations were made for the Council to address.

5.2 The rationale for the establishment of the different companies is varied but can be distilled down to two principal reasons. Firstly, they were seen as an opportunity to raise income to offset reductions in funding from Central Government. Secondly, it was to allow them to access grant funding sources that were not open to Local Authorities, or following changes in legislation, or the introduction of borrowing caps for certain activities. This was particularly relevant in the case of Nottingham City Homes (NCH) and Nottingham City Transport (NCT), the two largest entities by revenue.

5.3 The degree to which the companies are autonomous from the Council also varies considerably, with some not having any direct employees and utilising the services, exclusively, of NCC employees. In these instances, it is difficult to understand what benefit exists in them operating on a standalone basis, given the additional burdens of Company reporting and governance requirements. Usually, where large organisations (both public and private sectors) have multiple entities there is generally a 'template' that dictates the general operating model of those entities ensuring a consistent approach to the delivery and monitoring of financial and operational performance. That is not evident within NCC and its subsidiaries, with the scope of activities within some, having evolved beyond their original objective. Some companies were also established / acquired to either profitably grow activity beyond NCC core services, or to help transform existing service delivery. Although there are examples of these objectives being met in some instances, there are a number where this is not the case and they have actually been a considerable drain on the Council finances.

5.4 Public sector bodies have increasingly turned to outsourcing, to help effect change and to reduce cost over recent years across a range of public services as Central Government finances have come under severe pressure. This is generally delivered through challenging historical working practices, utilising benefits of scale and modernising the terms and conditions of employees. In outsourcing to wholly owned subsidiaries, NCC have not realised the scale of savings that other bodies have enjoyed, as any changes implemented have been incremental and not transformational.

## Overview of Group Companies and Joint Ventures

5.5 The Council maintains relationships with a number of organisations over which it has varying degrees of control, influence and exposure. These include:

- **Subsidiaries** – where the Council is exposed to variable returns from its involvement with the organisation and has the ability to affect those returns through its control.
- **Associates** – where the Council exercises a significant influence, having more than 20% of the voting power and has a participating interest.
- **Joint Venture (JV)** – where the Council exercises joint control with one or more organisations and has some rights to its net assets.
- **No group relationship** – where the body is not an entity in its own right, or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements.

5.6 For the purpose of this report and to address the specific points raised in the terms of reference we have focused on the following companies.

5.7 RHE - set up to tackle fuel poverty and run on a not for profit basis. It supplies gas and electricity to residential and business customers. The decision has now been taken to exit this business and those arrangements are well advanced. As this organisation was the subject of a review resulting in a Report in the Public Interest earlier this year, our discussions were focused purely on a judgement of the adequacy of the provision set aside to cover the cost of exit.

5.8 Nottingham City Homes – created in 2005, the principal activities of the Group are to act as the managing agent of the Council's housing stock and to provide a repairs and maintenance service in respect of these properties, as well as owning housing stock of its own for social and market rent. The Group comprises Nottingham City Homes Ltd (NCH), Nottingham City Homes Registered Provider Ltd and Nottingham City Homes Enterprises Ltd. The Council has a management agreement with NCH and pays it an annual management fee (£22.374m in 2019/20).

5.9 Nottingham City Transport – this resulted from the 1985 Transport Act which moved operation of buses out of the control of local authorities into the private sector. The great majority of local authorities chose to exit, with only a small number retaining an interest. The company is the principal bus operator in the Greater Nottingham area. The company is controlled by the Council and commenced trading in October 1986. NCC have a 95% shareholding and Transdev Plc the remaining 5%. Transdev Plc receive a dividend of £288,000 per annum from an initial investment of £2.883m.

5.10 Futures Advice, Skills and Employment Ltd – is a company which is an all age, careers and employability service which delivers a range of careers advice and consultancy services in the East Midlands and across England. The company is jointly owned 50/50 by the Council and Nottinghamshire County Council. It was established in 1995 when both Councils were concerned that budget cuts were threatening the delivery of effective careers services. The funding for the business is ring fenced, giving no opportunity to pay dividends to NCC.

5.11 Nottingham Ice Centre – the principal activity of the company is to manage the trading aspects of the National Ice Centre and arena and it is a wholly owned subsidiary of the Council. The centre was constructed 20 years ago as a replacement for a facility that had fallen into disrepair. The Council received £22.5m from Sports England which represented 50% of the construction cost of the facility and is subject to a 50-year contract, the obligations of which are not contained in any agreements with the Ice Centre.

5.12 Thomas Bow Ltd – the Council acquired 100% of the issued share capital in September 2019 and it is now a wholly owned subsidiary of the Council. The Council claims the benefits of this acquisition include:

- There are complementary skill sets with the Council's in-house Highways service
- An opportunity to create a regionally significant highways construction company
- An opportunity to realise efficiency and synergy savings
- An opportunity to make a significant financial contribution to the Council's Medium-Term Financial Plan
- An opportunity to trade both regionally and nationally
- An opportunity to see further re-investment in the City's highway network

5.13 Enviroenergy Ltd – its main activities are the production of heat and steam for supply to domestic and commercial customers, along with the generation and sale of electricity. Enviroenergy is a wholly owned subsidiary of the Council and it was acquired in June 2001. It is the only heating source available to circa 4,800 properties, half Council owned, and half sold under Right to Buy with a covenant that residents must keep the heating system.

5.14 Blueprint Limited Partnership – the principal activities of the partnership are that of the purchase of interests in and redevelopment of property and the sale and interim rental of land and property. The General Partner, Blueprint (General Partner) Ltd manage the activity of the partnership. The objectives of this partnership are to carry out this trading and development in order to generate a commercial return and to encourage the physical regeneration and economic growth of the priority urban areas within Nottingham City. The Council purchased its share in March 2015. Places for People (PFPC1 LP) bought out the Igloo Regeneration share in May 2018. The Council and PFPC1 in effect own 50% share each through a limited liability agreement. Igloo Regeneration Ltd provide development management, finance, investment management and company secretarial services to Blueprint, in effect, Blueprint utilises only Igloo employees.

5.15 Nottingham Revenues and Benefits Ltd – the company is principally engaged in the provision of administration services in relation to Nottingham’s revenue and benefits services and is a 100% wholly owned subsidiary. It was established in 2014 with the intention of creating up front savings and reduce pressures around Council finances. It is claimed to have delivered £6.2m of up-front savings, but these were not explained. A 7-year agreement was put in place with Northgate Public Services by the Council, but NCC wanted to maintain control of services and therefore Nottingham Revenues and Benefits was created to deliver those services and protect jobs. The contract expires in the next 12 months.

5.16 The Council also has involvement in the following Trust Funds. Highfields Leisure Park, Harvey Hadden Stadium Trust and Bridge Estate, together with Associate relationships with Nottingham Regeneration Ltd, Ticketing Network East Midlands Ltd, EMPSN Services Ltd and Inspired Spaces Nottingham Ltd. These organisations are excluded from the group accounts on the basis of risk and materiality and therefore have not been included in this review.

5.17 In addition to the companies listed above NCC also receives HR, payroll and finance transactional services from East Midlands Shared Services, which was established in partnership with Leicestershire County Council.

### **Oversight of Group Companies and Joint Ventures**

5.18 The Councils governance arrangements for the companies varies in its effectiveness in terms of holding to account the management of the company and how they are performing against financial and delivery targets. In the more established long-term operations such as NCT and NCH there appears to be a more consistent and established approach to financial forecasting and monitoring. This is to be expected given the duration they have been operating and the scale of the businesses. In some other companies this was not as evident, although the churn of non-executive board members and shareholder representatives is most likely a contributing factor.

5.19 The PIR for governance arrangements with RHE examined in detail the use of councillors operating as non-executive directors and questioned whether that was appropriate. We would echo those concerns as the role of non-executives is only effective when they have detailed sector knowledge, experience of interrogating management reports – especially financial reports and an understanding of the risks that are inherent within the sector. Since the report was published, Legal and Governance Officers have developed and rolled out comprehensive briefings at the Companies Governance Executive Sub-Committee (CGESC) on what the responsibilities of the role actually are and further training is planned. This training needs to be comprehensive if it is to adequately prepare individuals to operate effectively. There are some examples where councillors are fulfilling the role of non-executive and providing a good balance of support and challenge, but these seem to be in a minority. It is also a cause of great frustration to some management teams that they have no say in who is appointed to their Board and the frequency with which changes are made, both of which are valid concerns.

5.20 We would also emphasise the importance of the shareholder representative role. These are relatively recent appointments so the scope and effectiveness will need to be developed over time. Whether the importance of this role is fully understood at the moment is questionable. Minutes from a recent CGESC included the following statement:

*'The shareholder representative is the representative of the shareholder, i.e. the Council, and is authorised by the Council to protect its investment. By providing a report back to this Committee, this is the fulfilment of the role and provides the necessary assurance that the investment is protected.'*

5.21 This implies that the role is merely a reporting one, when, in reality, it should be the key interface between the company and NCC, with a clear watching brief on the Council's financial stake whilst ensuring the Council's policy aims are being delivered to the optimum level. It is intended that reports will be presented quarterly to the CGESC on each company by the shareholder representative, but clearly there will be monthly / bi-monthly reviews in the companies where the shareholder representative and non-executive board members will need to monitor performance and hold management to account.

5.22 The recent establishment of the CGESC, operated effectively and with appropriate representation, is a positive step and should play a central role in improving governance. Adequate time needs to be allocated to these sessions to ensure that reviews are sufficiently in-depth to allow participants to gain a full understanding of the risks and opportunities. The financial information that is compiled by the Finance function and presented at the CGESC for all subsidiary companies is comprehensive and focuses in the main, on the most relevant financial indicators. It has recently been proposed that more detailed cash flow forecasting be added, and we would support that proposal. It should be stressed however, that the CGESC need to ensure that what is being presented is meaningful and reliable, through robust challenge. They also need to consider the risks that the companies face and to satisfy themselves that the companies' management are alive to the competitive environment they operate in and thinking about the longer-term opportunities. Another aspect that the CGESC should monitor and relates to the scope of the companies' activities. Diversification away from the core of what was envisaged when these ventures were established or acquired has taken place in a number of areas and as a consequence, the level of risk has increased. Any diversification needs to be carefully thought through and subject to appropriate business case scrutiny. Ultimately, to be effective any oversight board needs to be decisive and respond to the challenges presented. A number of significant risks have regularly been reported on the Company Group Risk Register, but there is limited evidence of meaningful mitigation measures being implemented. The establishment of an officer Shareholder Board was reported in the Council's response to the PIR on RHE. The officer Shareholder Board appears to be a welcome initiative, but it needs significant development in understanding and action to make the necessary difference.

5.23 It was noted that the level of interaction between the various companies was minimal and certainly less than would normally be expected in a large and diverse organisation. Communicating and reinforcing policy, performance and priorities in a forum comprising all subsidiary companies' management teams is good practice. Similarly, using these forums to explore opportunities to share resource and equipment, look for bulk buying opportunities and helping keep everyone informed about new challenges could lead to improvements. It is also important in helping ensure connectivity to the 'centre' and morale of the company employees, many of whom transferred out in the first instance.

### Financial Performance of NCC Companies and JV's

5.24 A summary of the last 3 years financial performance for the main subsidiaries and JV's as reported in the statutory accounts to March 2020 is shown in Table 1.

COMPANY	REVENUE £m			PROFIT BEFORE TAX £000's			NCC FUNDING £m
	2018	2019	2020	2018	2019	2020	
BLUEPRINT	6.098	3.582	5.905	571	319	172	0
ENVIROENERGY	7.970	8.653	9.521	(515)	487	206	11.563
FUTURES	18.026	14.300	14.565	403	(969)	(2288)	0.536
NOTT CITY HOMES	63.507	64.959	67.029	(7320)	(5645)	(6053)	39.421
NOTT CITY TRANSPORT	53.222	53.689	53.915	1225	764	5294	35.576
NOTT ICE CENTRE	15.663	19.378	20.718	(55)	(215)	(669)	2.385
NOTT REV & BENEFIT	5.635	5.998	6.114	(1010)	(821)	(968)	0
THOMAS BOW			28.804			790	0.297
TOTALS	170.12	170.56	206.571	(6701)	(6080)	(3516)	89.778

1. Thomas Bow figures relate to the period 1 Oct 2018 - 31 Mar 2020
2. Profit Before Tax figures include significant pension adjustments (credits and debits) which can distort underlying performance.
3. Enviroenergy: these figures come from draft accounts.

5.25 Even allowing for the pension movements contained within the profit before tax returns, it is evident that recent financial performance across the companies is variable and, in many instances, deteriorating. It should also be noted that the figures represent the best case, as it is inevitable that there will be cost to NCC in the oversight of these companies that is not fully allocated, most notably around governance. It should also be highlighted that Enviroenergy and Nottingham Ice Centre have both been required to obtain letters of support from NCC to achieve going concern status following issues raised by their external auditors.

5.26 As the figures are to March year end, they include very little impact from the disruption caused by Covid-19. That impact varies significantly across the different companies, with NCT and NIC being most affected, through loss of revenue. In the case of NCT, the Bus Service Operators Grant (BSOG), provided through DfT will reduce the financial impact, but it will not be in a position to make a contribution to NCC this financial year. Equally, NIC has needed to obtain additional financial support from NCC as the facility has been unable to host any significant events throughout the year and is unlikely to before the current financial year end. Some operational impact occurred within the construction and maintenance activities, but to a far lesser extent. There is also likely to be an impact on the recovery from property disposals – both commercial and residential – together with potential reductions to rental income, although the extent is difficult to quantify at this stage. Overall, the outlook for 2020/21, for the full year forecast as provided by management, despite the various support initiatives from Central Government including the furlough scheme, is poor. Unless there is swift and comprehensive intervention it is highly likely that further funding will need to be made available to some of the companies, as has happened with NIC since year end.

5.27 There are significant long-term pension liabilities being carried in a number of the companies. The smaller turnover over which each of the companies operate (compared to the Council) means the impact on revenue has the potential to be much greater. The Council has recognised this as a risk and does need to work with the companies on mitigating the risk.

5.28 The onset of Covid-19 has clearly been commercially devastating across whole swathes of the private sector with very few companies fully prepared for such an event. It does though highlight some of the risks of the commercialisation agenda that NCC have pursued over recent years and should be a central strand when considering which activities merit further investment in the future. There are also some major capital investment decisions that need to be made as a matter of urgency and sufficient focus needs to be given to those critical choices, which will have far reaching consequences if delayed further.

5.29 In developing an appropriate medium- and long-term strategy for which activities NCC consider might be best delivered in house, as opposed to the current approach, consideration needs to be given to the management bandwidth available within NCC. The level of planning required to affect a smooth transition is considerable and good communication with employees and other stakeholders is essential and the scale of that challenge should not be underestimated.

## **6. Nottingham City Council: Financial Position**

### **Background**

6.1 Like all of English local government the Council has experienced a substantial reduction in the value of government funding. The Council has managed these reductions while at the same time seeking to protect key front-line services and maintaining jobs.

6.2 The Council's approach has been to pursue commercialisation. It has established a large number of controlled companies to deliver services and activities and has also made significant commercial investments in order to generate income. This approach has supported the Council budget over the years, however in recent years increasing cost pressures in Adults and Children's services have challenged the Council's financial position.

6.3 The problem started 4 years ago as prior to 2016/17 the Council underspent on its revenue budget, however since then it has been over budget. Over recent years there has also been a consistent use of one-off measures and mitigating management action to get the outturn position.

6.4 Budget setting has been characterised by identifying budget pressures over a number of years, while only setting savings plans for one year with many of the savings not being ongoing and the budget being supported by one off measures. Each year the Council has updated its medium-term financial outlook which incorporates a balanced first year budget then a projection of budget pressures over the years that give rise to a significant budget gaps. The scale of the financial challenge that the Council has been facing has been set out very clearly in the annual budget report by the S151 officer.

6.5 There is no strategy setting out how the Council will address the financial challenge going forward. There also appears to be a disconnect between the outlook and the decisions the Council makes regarding spending, with more and more commitments and risk being added to an already challenging financial position.

6.6 The S151 officer has regularly prepared a State of the Nation paper (April 2018, March 2019 and July 2019) to assist in the development of a budget strategy. The March 2019 State of the Nation report to the corporate leadership team identified £184m of quantifiable risks (which included £40m for RHE) and also a number of unquantifiable risks. Many of the identified risks in the report have continued or materialised.

6.7 In the July 2019 report the S151 officer said the following to the Executive Panel, all of which still holds true:

- We have an immediate significant financial issue to deal with in-year and requires immediate action
- This issue needs dealing with in an extremely difficult financial context
- The amount of financial risks the Council is managing are significant and of significant value
- In order to live within our means, the Council is going to have to look substantially different from the way it looks and delivers

6.8 The statements made by the S151 officer on the robustness of the budget each year set out the overall financial position and the risk, these have become increasing focused on the level of risk and the reducing financial sustainability. In February 2019 the S151 officer pointed to the need for a thorough transformation plan and strategy in order to balance the medium-term financial position. No action appears to have been taken as that was reiterated a year later in February 2020 when the S151 officer made it clear that the Council needed a budget strategy with a stronger focus on transformation and financial sustainability.

6.9 Over recent years the Council reserves have been reducing. The S151 officer has reported on the reduction in the level of unallocated balances compared to core cities. The level of unallocated reserves as % of net revenue expenditure has dropped from 4% in 2018, to 3.9% in 2019 and for 2020 is 3.31%, putting the Council as having the second lowest level of unallocated reserves of all core cities.

Table 2 Comparison of reserves with core cities – Feb 2020 Budget setting report			
Authority	Net Revenue Expenditure (NRE) £m	Estimated unallocated financial reserves level at 31 March £m	Estimated Unallocated Reserves as % of NRE
Birmingham	848.785	144.050	16.97%
Bristol	347.068	23.258	6.70%
Leeds	517.471	27.991	5.41%
Manchester	453.377	22.045	4.86%
Newcastle	230.056	10.135	4.29%
Liverpool	455.292	16.311	3.58%
<b>Nottingham</b>	<b>240.887</b>	<b>7.962</b>	<b>3.31%</b>
Sheffield	370.752	8.130	2.19%
The trend for Nottingham			
Feb 2018	242.5	9.6	4%
Feb 2019	245.7	9.6	3.9%
Feb 2020	240.887	7.962	3.31%

6.10 Earmarked reserves have reduced by 49.3% as a result of the interim budget in Oct 2020, so now the Council only has corporate reserves (no service reserves). £31m of earmarked reserves have been ‘borrowed’, the repayment is planned over 5 years, adding to the budget gap in future years. This gives the Council little room for manoeuvre.

6.11 The repeated warnings given by the S151 officer both publicly and privately have not resulted in action, the warnings have been ignored by officers and members. More recently the S151 officer has been reporting to the corporate leadership team on the capital programme these reports show an increasing level of risk and there appears to be little action and certainly not at pace.

## 2020/21 Budget

6.12 The 2020/21 budget was set with £8.783m of one-off items or one-year savings in order to present a balanced position. The S151 officer stated to the Executive Board on 18/2/20 in Annex 5 of the budget setting report that:

*‘The continued use of reserves and one-off measures have had the impact of deferring the more significant changes that are required to balance the revenue budget to secure future financial sustainability. It needs to be recognised there are diminishing options for the use of one-off measures which reduces further any budget flexibility.’*

6.13 The Council set an interim budget for 2020/21 on 5<sup>th</sup> October 2020 based on the projected position at period 4 to address the financial consequences of Covid-19 and the projected crystallisation of the costs of the closure of RHE. The latter of which at £38m is eye watering. Table 3 below sets out the detail.

Table 3 - Interim Budget	£m
<b>2020/21 Net budget</b>	<b>248.059</b>
Net Covid-19 impact	38.585
Business as usual forecast underspend	(5.811)
New savings	(12.505)
Carried over from 2019/20 overspend	6.754
Robin Hood Energy	38.200
Companies provision for Debt and other risks	6.000
Use of earmarked reserves	(38.718)
Borrow and Pay back of earmarked reserves	(31.304)
Use of general reserve	(1.202)
<b>Total after interim budget</b>	<b>248.059</b>

1. Figures extracted from table in Executive Board report which includes a miscalculation of £1k.

6.14 The interim budget has bridged the gap in the budget by using earmarked reserves in two ways. £38.7m has been the straight use of the reserves, while £31.3m has been ‘borrowed’ from the reserves (mainly the PFI reserve) to be paid back over 5 years. The repayments have increased the size of the budget gap in future years, so requiring a greater level of savings. This spending in advance and then paying back/ replenishing occurs in the capital programme also (see later).

6.15 The net costs of Covid-19 is a projection with a high degree of uncertainty and will change as additional grants are received and income projections change given lockdown restrictions and confidence levels. Presently the borrowing from reserves might be partially replenished by the £10.7m received in tranche 4 from government to cover Covid-19 costs.

6.16 As a consequence of the interim budget earmarked reserves have reduced by 49.3% from 2019/20, with £77.5m remaining, many of these are fully committed for PFI and capital or are to fund known issues.

6.17 The Executive Board on 29/6/20 identified the need to find a minimum of £15.5m savings, on 22/9/20 it recommended new savings of £12.5m which were included in the interim budget set on 5/10/20, however only £4.8m are ongoing.

6.18 These savings make a contribution to the overall in year budget gap, however they are tactical and not substantial. Given the Council is facing a significant budget crisis the approach illustrates the challenge the Council has to respond at pace and scale.

6.19 The Council on 20/10/20 agreed to consult on a voluntary redundancy package that generates up to £2.3m of ongoing savings. A small-scale contribution to the size of the problem the Council faces.

## **2021/22 onwards**

6.20 When the Council set the 2020/21 budget it was projecting the budget gap for 2021/22 to 2023/24 to range from £25m to £33m and at the time did not set out any strategy for how it would address the gap.

6.21 At the Executive Board on 22/9/20 it has updated its projections in the light of Covid-19 and emerging issues. This is now showing budget gaps in the range of £39m to £54m for 2021/22 rising to £53m to £64m in 2023/24.

6.22 These are significant sums to find. Given NCC failure to achieve savings at scale in the past this will require a massive shift in approach. It is not evident that the Council's savings plans have been transformational in previous years.

6.23 Savings from significant service changes and transformational changes usually take time to implement and it is therefore good practice for Councils to be planning ahead in terms of making savings. Annual savings are unlikely to deliver savings at scale. The Council needs to plan ahead so it can implement service changes now that will net ongoing savings in future years.

6.24 The Council needs to move to setting a 3-year budget that is linked to service plans which contain policies, priorities and statutory requirements, with a strong underpinning strategy on how it will bridge the budget gaps. The plans may need to change, but by planning ahead it gives the Council time to find alternative options without the need to use reserves.

6.25 NCC does not have the level of reserves to be able to address repeated shortfalls in the bridging of budget gaps that occur.

6.26 The review team were aware that the officers were set the task of identifying budget reduction options of £50m for consideration by the Executive. This is needed so that the Council could be in a position to set the 2021/22 budget without exceptional support from central Government. We were aware that as this report is being finalised there was a considerable shortfall still to be bridged.

### **Capital programme**

6.27 The Council has for many years had an ambitious capital programme, funded extensively from prudential borrowing. It has acquired £250m of commercial investments and provided loans to Council owned companies.

6.28 The Council has in total borrowed £1,075m and it has the highest debt to net budget of all the core cities, only Birmingham and Leeds have higher levels of debt. Its financing costs for the general fund are 16.7% of the net revenue stream increasing to 25.8% when PFI costs are included.

6.29 The capital programme is characterised by the addition of significant schemes each quarter. To illustrate, during 2019/20 from an initial £454m general fund capital programme £87m of new schemes were added during the year.

6.30 The current general fund programme is £173m for 2020/21 (£352m over the 5 years of the programme) of which £90m for 2020/21 is funded from prudential borrowing (£134m over the 5 years). The capital programme is dependent on £43m of capital receipts which are still to be secured. Prudential borrowing has been used to temporarily fund this so incurring additional debt costs.

6.31 The Council does not have a well-advanced disposal programme to provide confidence that these level of receipts are achievable in year.

6.32 It is hard to see how the Council can continue to add schemes to its capital programme and fund schemes from borrowing or capital receipts, when it has such a large budget gap to bridge and is already short of capital receipts. It needs to focus on only borrowing where it has a sustainable revenue position and only committing to schemes once the existing capital receipt shortfall has been addressed.

6.33 The review team are aware that the Chief Executive and Leader have recently put in place temporary measures to more centrally control the level of capital commitments.

### **The size of the financial shortfall**

6.34 The Council has identified a revenue budget gap of £39m to £54m for 2021/22. This continues into future years increasing to a range of £53m to 64m by 2023/24. The range reflects the uncertainty around the impact of Covid-19 on the Council's income and expenditure.

6.35 There is a shortfall in the capital programme of £43m of capital receipts that are still to be secured. The short-term borrowing to fund this impacts on the revenue gap.

6.36 There are a number of potential capital schemes that the Council has been considering, which the S151 officer assessed as totalling circa £100m, that are not included in the programme. In addition, there are a number that have not been quantified.

6.37 Two significant ones are Broadmarsh City Centre – Southside Development and Enviroenergy for the provision of heating services to properties in the City. Broadmarsh is a major project which initially included the redevelopment of an existing shopping centre and bus station, together with a new library and the creation of new car parking. The development partner for the shopping centre Intu, fell into administration earlier this year and NCC have had to work with Intu's contractor Sir Robert McAlpine to make the site safe. Works are ongoing to the site to allow the contractor to leave site in early 2021, with some additional ongoing costs likely until work recommences or the site is disposed of. Spend to date on this element of the project is circa £18m of which approximately half is estimated to be a sunk cost. Works to the bus station and car park are scheduled to be complete in spring 2021. A full review is underway of options for the site, but it is highly likely to require significant capital investment. The Council needs to ensure that any options considered limit the extent to which they will be required to fund the project.

6.38 For some time, management at Enviroenergy have been trying to engage the Council in a full consideration of the investment need. This LA company is the sole provider of heat to a significant number of domestic and commercial properties, using assets that are around 50 years old. Consideration of this is intertwined with the future of the waste incinerator which provides the power for this district heating scheme. The topic needs a proper review and integrated proposal taking into account the Government's recent statement on green energy which will greatly influence the outcome. Such a review will take around 6 months to complete and result in a proposal which will need to be included in a programme under the service failure head. It is not possible to quantify presently what resources will be required but significant investment will be required. This, together with consideration of the Broadmarsh development, dwarfs any other issues in the assessment. Only then will it be possible to have confidence in the overall financial position.

6.39 Covid-19 has had an impact on the business cases of a number of capital schemes, these are still to be assessed by the Council.

6.40 The provision for the costs of RHE are based on a mid-case, so these could change. While the Council has provided resources in 2020/21 for the debt and other risks within its other companies, this may be insufficient.

6.41 The Council has limited reserves to fund future redundancy and other exit costs resulting from revenue and capital budget reductions. Another potential budget pressure for the Council to address.

6.42 As can be seen there are still a number of large budget pressures that will impact on the size of the Council's budget gap particularly for 2021/22 onwards. As the Council does not at present have an articulated plan to address the known gap (yet alone the unquantified areas) it is hard to see how it can afford additional borrowing.

6.43 With a large budget gap to bridge, limited reserves, funding gaps in the capital programme and unquantified risks the options available to the Council to respond to different levels of support that might be provided by MHCLG are limited.

## 7. Conclusions

*'If we want things to stay as they are, everything will have to change'. Tancredi in The Leopard by Tomasi di Lampedusa*

7.1 The publication of a Public Interest Report or a Section 114 Notice is a sign that political and managerial leadership has failed and is not capable of listening and acting. These events could be avoided if authorities take the necessary corrective action that is in their power beforehand.

7.2 Four years ago, Nottingham started to lose control of their budget. They were advised that they needed to address these issues. Both managerial and political leadership failed to heed these warnings and take the necessary action. This was, in part, due to the status of two of the Statutory Officers in the management arrangements, which meant that they did not have enough visibility or traction at the top table and the then Chief Executive did not initially recognise the risks that this entailed.

7.3 The Council also believed that a strategy of increasing income, via direct charges and investment, would help them avoid taking hard decisions on staffing levels and services. This approach was not considered in the context of commercial risk, the quality of the earnings generated and the threat to the core purposes of a local authority. As a consequence, the opportunity was not taken to use these income streams to manage the step change in the service offer and delivery mechanism that most English Local Authorities have gone through. This was not exposed because Nottingham continued with its one-year budget setting approach so, despite advice, a longer-term view was not encouraged. When presented with statistics which highlight high unit costs compared to comparable authorities, it did not trigger a focussed review on the cause of these costs, rather a search for statistics which better justified the existing position.

7.4 Many of these risks have now materialised. Covid-19 did not cause these risks but clearly exposed the fragility of the Council's position. Had the previous political and officer leadership still been in place the team would have concluded that a formal inspection would find that the Council had breached its Best Value Duty and made recommendations accordingly.

7.5 However, there is a relatively new political leadership team now in place, who have impressed with their determination to fix the issue. A new Chief Executive has just taken up post, who can lead the organisation to meet the challenges the Council faces, but it is not yet evident that all of the senior management below him either accept or understand the scale and pace of change and approach that is now required. A fundamental culture shift is required together with a much simpler structure, working together, with clear accountability and a strong personal and collective performance management regime starting from Councillors and focused through the Chief Executive right down the organisation. Reflecting this in the Council's Constitution is therefore indicated. Both politicians and officers will need support to help them through the recovery process which will not be quick or easy.

7.6 It is important that Councils are ambitious for their area and citizens and seek to improve their place for everyone's benefit. Whilst there needs to be a guiding principle and a vision, the plan itself, over a 1, 3- and 5-years period, needs to be deliverable with the resources confidently expected to be available. Nottingham's Council Plan needs to be scaled back in the short and medium term, to reflect the smaller, more focused Council that will emerge from the recovery process.

7.7 At present, at both officer and member level, the Council finds it hard to move at pace. Processes need to be streamlined to enable the Council to recognise what decisions it needs to take, in what order and at what time with a grip on implementation. This will require consideration of what information is required to take a decision rather than what it would be useful or nice to know but will not change the decision itself.

7.8 Our analysis indicates that there either never was or no longer is a rationale for the portfolio of companies under the Council umbrella. Some, for example, Nottingham City Transport or Futures, can only be operated in this format if the Council wishes to be involved in delivery. Many of the others are mainstream Council activity and urgent consideration should be given to bringing these back in house sooner rather than later. This will also provide the opportunity for cashable savings across the board. Whatever happens, the Council cannot continue to underwrite trading or provide loan capital in the short term and will need to realise returns and seek repayments where possible. For the companies that continue to trade, the Council will need to have a clear policy position on the role of nominated Directors and the Shareholder representative and agreement. This issue is of more than local significance and a recommendation is made to the Secretary of State for Housing, Communities and Local Government also on this topic.

7.9 Today, it is clear that the Council cannot balance its 2021/22 revenue budget without support. It is some way from producing the elements of a coherent recovery plan which will set out how it will get there over a 2-3-year period and the staging posts along the way. Whatever support MHCLG choose to offer, strong mechanisms to hold the Council to account in delivering this recovery are required and a recommendation to address this is promoted. Given the extent of the issues to be addressed it is likely that this mechanism, if adopted, will supersede the processes set up by the Council in response to the Public Interest report.

7.10 Funding any capitalisation of revenue streams cannot be by increasing external debt overall, although the report acknowledges this might be necessary in the immediate term. Nottingham is already one of the most heavily indebted Councils compared to comparators. The Council will need to develop and implement a plan to realise a significant increase in capital receipts for both General Fund and Housing purposes, to fund existing schemes and any support arising from a capitalisation Direction. No new schemes, unless required for Health and Safety or to prevent service failure should be introduced until the scale of indebtedness is substantially reduced. This will also require ending the capitalisation of time spent on developing schemes. The Secretary of State for Housing, Communities and Local Government should consider using powers contained in Local Government legislation to ensure that debt steps down, year on year, until stability is restored.

7.11 The Secretary of State requested the review to consider a number of specific points and these have been commented on throughout the text in the appropriate place and are not repeated here.

7.12 The Council approach to companies, its capital programme and revenue budget has layered risk upon risk and the consequences of Covid-19 on the budget has pushed it into the financial position of having a massive ongoing budget gap with depleted reserves.

## **8. Recommendations**

8.1 NCC should produce a three-year recovery plan by January 2021. The recovery plan should clearly set out the actions and key milestones required to restore the financial viability of the Council's capital programme and revenue budget. The recovery plan should also establish the actions required to end the current reliance on annual budget setting towards implementing a more robust, at least 3-year, medium-term financial planning process. This plan should be considered by the proposed Improvement Board (recommended below) and submitted to the Secretary of State with their observations.

8.2 The Ministry of Housing, Communities and Local Government, in partnership with NCC, should establish a small focused Improvement Board by no later than January 2021 to oversee implementation of the three-year recovery plan, meeting at least quarterly. The Improvement Board should be chaired by a strong, independent chair with sector experience. Members of the Board should be appointed also as non-executive directors/mentors within the Council in order to support and improve performance, as has been used to good effect recently in Birmingham City Council. One Member of the Board should have relevant experience in political decision taking and the Leader of the Council should be the only member of the Council on the Improvement Board.

8.3 NCC should establish a simplified decision-making process as part of the recovery plan for the duration of the recovery period to support implementation of the recovery plan and ensure it is delivered at pace.

8.4 NCC should review their constitution within 6 months to ensure that the roles and responsibilities of members and officers, the framework within which they operate, including the decision-making processes, performance management and procedures within the Council, are clearly defined.

8.5 NCC should conduct an in-depth assessment of its group of companies during the first year of the Plan and integrate their conclusions within their medium-term financial planning process. This will determine the future status of each company as part of the Council Group.

8.6 NCC should produce a clear policy statement within 6 months which establishes the roles and responsibilities of nominated non-executive directors and shareholder representatives and incorporate it as an element of the Constitution. NCC needs to ensure that this relationship is clearly defined within all Council owned company agreements within a further 6 months.

8.7 The Secretary of State for Housing, Communities and Local Government should limit the borrowing capacity of NCC via statutory means at the earliest opportunity as part of the agreement for the Council to implement its recovery plan. NCC's borrowing capability could be adjusted incrementally, both up and down, on an annual basis as the recovery plan is implemented and this could form part of the conditions associated with any short-term financial support the Council is minded to seek from central Government.

8.8 The Secretary of State for Housing, Communities and Local Government should publish Departmental guidance, or commission guidance from an appropriate external body, for the Local Government sector on Council owned companies, including the roles and responsibilities of non-executive directors and shareholder representatives on Council owned company Boards.

**Max Caller CBE**  
**Lead Reviewer**  
**November 2020**

**Julie Parker**  
**Financial Reviewer**  
**November 2020**

**Phil Brookes**  
**Commercial Reviewer**  
**November 2020**

## Appendix 1: Max Caller CBE Appointment Letter



Ministry of Housing,  
Communities &  
Local Government

**Catherine Frances**  
Director General, Local Government, Strategy & Analysis

**Ministry of Housing, Communities  
& Local Government**  
2 Marsham Street  
London SW1P 4DF

Max Caller CBE

26 October 2020

Dear Max,

I am writing to thank you for agreeing to lead a rapid, non-statutory review at Nottingham City Council. This letter formally appoints you on behalf of the Secretary of State and confirms the terms of reference that we have agreed for your work.

The purpose of this review is to provide assurance to the Secretary of State on the governance and commercial and investment issues identified in the recent [Public Interest Report](#). I would like to acknowledge Nottingham's willingness to engage openly with the Department on these issues over recent months and their apparent recognition of the need to improve governance and financial management, alongside the challenges they face currently in terms of protecting their communities from Covid 19.

### *Terms of reference*

We have agreed that your review will focus on the following themes, reflecting the lessons we have learnt and published about organisational culture and governance from recent interventions. These are aligned with the Best Value duty:

- *Governance*, e.g. sense of strategic vision and direction, adequate internal processes; key senior posts filled with appropriate permanent appointments;
- *Culture and leadership*, e.g. positive and open relationships between councillors/officers and officer/officer; openness to challenge;
- *Financial stability*, e.g. ability to stick to budget plans; clear plans for closing identified budget gaps;
- *Services*, e.g. reports from inspectorates/regulators/ombudsman;
- *Capacity and/or capability to improve*, e.g. acknowledging problems and engaging with sector support; evidence that attempts at improvement (possibly with sector support) have been effective.

We have also identified specific questions that we would like you to explore in relation to the Council's financial sustainability and their management of commercial risk:

- What level of confidence can the Department have in the Council's assessment of its financial position, particularly its estimate of their budget gap, for 2020/21 and 2021/22?

- What level of confidence can the Department have on the Council's plan to mitigate pressures; including the delivery of necessary savings, the existing resources that can be deployed, and their ability to afford borrowing?
- What is your view of the Council's assessment of future financial risks and adequacy of their plan (or ability to plan) to manage those risks?
- What is your view of the Council's approach to mitigating their budget gap under different scenarios for how much financial support is provided?
- What level of confidence can the Department have on the Council's assessment of wholly owned companies, including the viability of companies to continue without any additional Council funding or loans?
- How robust are any forward-looking commercial strategies/plans and their longer- term approach to borrowing and investment?
- Does the Council's oversight and management of commercial and investment risk feel adequate or fit for purpose?

I have agreed with the Chief Executive that you should have access to any information, whether by hard copy or electronically, relating to Nottingham which appears to you to be necessary for the purposes of your work at the Council. This includes documents that may be considered confidential from a public perspective.

We have agreed that you will submit your report to the Secretary of State by late November. This will set out recommendations for next steps, including possible further action by the Department. If appropriate, your recommendations will underpin a package of targeted support lasting up to two years. The latter should be supported by a robust improvement plan owned by the Council, which will help Nottingham City Council address the concerns you have identified and ensure they are meeting their Best Value duty.

#### *Practicalities*

As you are aware, Julie Parker has been appointed to work with you to focus on the financial aspects of the review. You will also be supported by a private sector consultant, Phil Brookes, in respect of the Council's commercial operation.

My team will provide secretariat support for your work, as well as press support to help manage any media interest. Because of the independent nature of this review, we will not provide IT and you will want to work with your secretariat to keep separate records of your work.

If you have any questions, please do get in touch at any time. Max Soule, Deputy Director for Local Government Stewardship, will be the lead official in my team for your work.

I am copying this letter to the Leader and Chief Executive of Nottingham City Council. It will also be published on gov.uk

Yours,

**CATHERINE FRANCES**

## Appendix 2: Interviewees

### Nottingham City Council: Members

Cllr David Mellen	Leader, Regeneration, Schools and Communications
Cllr Sally Longford	Deputy Leader, Energy, Environment and Democratic Services
Cllr Cheryl Barnard	Children and Young People
Cllr Rebecca Langton	Communities, Highways and Strategic Transport
Cllr Neghat Khan	Employment and Community Protection
Cllr Sam Webster	Finance, Growth and City Centre
Cllr Linda Woodings	Housing, Planning and Heritage
Cllr Dave Trimble	Leisure, Culture and IT
Cllr Adele Williams	Adult Care and Local Transport
Cllr Eunice Campbell-Clark	Health, HR and Equalities
Cllr Audra Wynter	Chair of Audit Committee
Cllr Anne Peach	Chair of Overview Scrutiny Committee
Cllr Andrew Rule	Leader of the opposition Conservative Group
Cllr Kevin Clarke	Leader of the opposition Independents

### Nottingham City Council: Officers

Mel Barrett	Chief Executive
Chris Henning	Corporate Director, Development & Growth
Catherine Underwood	Corporate Director, People
Hugh White	Interim Corporate Director, COVID Response & Recovery
Andrew Errington	Director of Community Protection
Dave Halstead	Director of Neighbourhood Services
Paul Seddon	Director of Planning & Regeneration
Nicki Jenkins	Director of Economic Development
Chris Deas	Director of Major Projects
Richard Henderson	Director of HR & Customer
Colin Monckton	Director of Strategy & Policy
Malcolm Townroe	Director of Legal & Governance
John Dexter	Director of Education
Nicholas Lee	Director of Education Services
Alison Challenger	Director of Public Health
Helen Blackman	Director of Children's Integrated Services
Steve Oakley	Acting Director of Commissioning and Procurement
Nigel Hawkins	Head of Culture and Libraries
John Wileman	Head of Sport Community & Leisure Centres
Clive Heaphy	Section 151 Officer
Laura Pattman	Former Section 151 Officer
Theresa Channell	Head of Strategic Finance
Najeeb Nazir	Unison Representative
Jean Thorpe	Unison Representative
Christina Sanna	Unison Representative
Katherine Whitehouse	Unison Representative

## **Nottingham City Council: Companies**

### **Robin Hood Energy**

Jeff Whittingham	Interim Chief Executive
Mike Thomas	Interim Finance Director

### **Thomas Bow**

Alistair Bow	Managing Director
Zuned Yusef	Finance Director

### **Nottingham City Homes**

Nick Murphy	Chief Executive
Darren Phillips	Finance Director

### **Nottingham City Transport**

Mark Fowles	Managing Director
Rob Hicklin	Finance Director

### **Enviroenergy**

Antony Greener	Programme Director
Paul Brown	Finance Director

### **Nottingham Revenues and Benefits**

Lisa Black	Director of Operations
David Marshall	Finance Director

### **Nottingham Ice Arena**

Martin Ingham	Chief Executive
Marie Marshall	Finance Director

### **Futures**

Peter Brammall	Chief Executive
Jennie Willock	Finance Director

### **Blueprint**

Samantha Veal	Chief Executive
Matt Severs	Finance Director

### **External Auditors: Grant Thornton UK**

John Gregory	Director, Audit
Helen Lillington	Auditor

**Members of Parliament (who received a briefing on the review)**

Nadia Whittome (Labour)	Nottingham East
Alex Norris (Labour)	Nottingham North
Lillian Greenwood (Labour)	Nottingham South

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Ministry of Housing,  
Communities &  
Local Government

**Rt Hon Robert Jenrick MP**

*Secretary of State for Housing, Communities and  
Local Government*

**Ministry of Housing, Communities and Local  
Government**

4th Floor, Fry Building  
2 Marsham Street  
London SW1P 4DF

Email: [robert.jenrick@communities.gov.uk](mailto:robert.jenrick@communities.gov.uk)

[www.gov.uk/mhclg](http://www.gov.uk/mhclg)

17 December 2020

Max Caller, CBE

Dear Max

## **NOTTINGHAM CITY COUNCIL – RAPID NON-STATUTORY REVIEW**

I am writing in response to your recent submission of a rapid, non-statutory review of Nottingham City Council. I would like to thank you and your team – Julie Parker and Phil Brookes – for producing a comprehensive analysis in such a short space of time.

Your report paints a picture of a Council facing significant challenges:

- The Council's financial strategy and commercial investment decisions over the past four years have resulted in a significant budget gap and low levels of reserves.
- The Council failed to understand the roles and responsibilities associated with managing their companies and, as a result, incurred significant liabilities.
- The Council's new leadership team is committed to addressing these issues, but significant organisational changes will be needed to make this happen.

You recommended the Council takes a number of steps to address these issues. These can be summarised as:

- The Council should produce a three-year recovery plan to restore their financial position by January 2021, including a plan for assessing the Council's group of companies within the first year to determine their future status. An Improvement Board should be established to oversee the recovery plan. Progress reports should be submitted to MHCLG at least quarterly;

- The Council should establish a simplified decision-making process to support implementation of the recovery plan and ensure it is delivered at pace;
- The Council's borrowing capacity should be limited, and then reviewed on an annual basis. This could be a condition of any future financial support from the Department; and
- The Council should review their constitution to ensure the roles and responsibilities of members, officers, non-executive directors and shareholder representatives on Council-owned company boards are clearly defined.

You have also recommended that my department publish sector guidance on council-owned companies. I have asked my officials to consider this further as part of our wider Capital Strategy and will make an announcement in due course.

Having carefully considered your report, I am minded to agree that, on balance, Nottingham City Council should be able to respond to their challenges and take the steps you have recommended. This reflects the Leader and Chief Executive's commitment to change and the fact that the necessary budget management work is now underway. However, it is clear that the Council will require significant and ongoing support.

As a first step, I agree with your recommendation that the Council should submit a three-year recovery plan by the end of January. This is a short timeframe to produce a substantial piece of work and so I would welcome any support and advice that you and your team can provide to the Council over the coming weeks on this issue.

In view of the scale of the challenges outlined in your report, I will need ongoing assurance that Nottingham is working at pace to deliver a recovery. I intend to appoint sector experts to provide advice and support to the Council over the longer term, including on delivery of the recommendations which relate to governance and company ownership issues. I will announce the membership and Terms of Reference for a Nottingham Improvement and Assurance Board, which will provide regular quarterly reports to me, in due course. I have asked my officials to ensure that the Improvement and Assurance Board is established within weeks.

I also note your assessment of Nottingham's financial pressures, and that the Council will need additional support from Government in order to balance their budgets. I will consider this request and options for assurance (which could include your recommendation

to impose a borrowing cap), once the Council confirms the amount of support they will require.

I agree with your assessment that Nottingham's recovery will be 'a difficult and lengthy period' for the Council. They will need to maintain focus and pace to deliver the scale of change that is needed to turn the Council around. Therefore, in the event of a failure by the Council to demonstrate progress, particularly in the formulation and delivery of their recovery plan, I will consider whether it is appropriate to use the Best Value powers available to me, including the appointment of Commissioners.

I am copying this letter to Cllr David Mellen, Leader of Nottingham City Council, Nottingham City MPs and the Chair of the Local Government Association.

**RT HON ROBERT JENRICK MP**

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# Nottingham City Council Recovery & Improvement Plan 2021 – 2024

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## Foreword

This document presents our Recovery and Improvement Plan, to confirm and provide assurance to the Government that Nottingham's response to the Non-Statutory Review (NSR) of the Council is positive and being undertaken at pace, building on work already underway in response to the Public Interest Report on the Council's governance of Robin Hood Energy (PIR) published in August 2020.

Nottingham is a vibrant, diverse and ambitious city. We are home to the "Nottingham Declaration on Climate Change", and maintain a nationally leading position on carbon reduction with the ambition to be carbon neutral by 2028. We pioneered Early Intervention and Community Care models and maintain award winning parks, leisure and cultural facilities for the benefit of our citizens. Our support for cyclists, and our bus and tram systems are celebrated nationally and internationally.

We are looking forward to the opening of Nottingham Castle following a comprehensive renovation which has transformed this world-class facility, together with a new city centre College Hub building and broader inward investment from those that want to be part of our success over the coming years. Notwithstanding the impact of Covid-19, the building blocks for our success are being put in place.

Nevertheless, as Leader and Chief Executive, we recognise the seriousness of the financial, governance and operational challenges we face, and it is going to take a significant collective effort from all at the Council to address them and reach a sustainable position.

However uncomfortable the findings of the review are for both the political leadership - who determine the Council's policies and are the ultimate decision makers, and officers - who manage the Council's day-to-day operations and provide advice on policy, we remain determined and confident in our organisation's capacity and capability to change.

We are under no illusions about the size and scale of the challenge ahead of us, but working constructively with the Government, our partners, and the people of Nottingham, we are confident we can take the necessary actions, at the required pace, and to the desired quality, to deliver the fundamental changes needed.

We need to achieve a sustainable balanced budget, in the context of a refreshed policy framework and direction for the Council, with transparent, effective and efficient decision making, and having regard to the resources that are available to us to deliver this on behalf of the people of Nottingham.

Over the next three years, the organisation will go through significant and at times disruptive change, but we will not lose sight of our ambition, values and commitment to fairness, inclusivity and equality for all.

We are committed to ensuring that we continue to deliver the quality statutory and day-to-day local services that help keep the city safe and clean, and that we work in partnership with the communities we serve to build a prosperous city that offers residents the opportunity to realise their potential.

**Cllr David Mellen**  
Leader of the Council

**Mel Barrett**  
Chief Executive



## Introduction

Nottingham City Council has taken bold decisions over the last decade to improve Nottingham's neighbourhoods and the city centre environment, through capital schemes, improving housing stock, and better public areas such as parks and neighbourhood centres. New libraries, a new leisure centre, and investment in public spaces have brought about improvement, but the level of financial risk that comes with these investments has not been considered systematically and governance of these schemes has not always been tight enough.

Following the election of a new political leadership in 2019, the Council has embarked on a series of significant changes in order to strengthen both the governance and financial stability of the Council. This has included establishing the Companies Governance Executive Sub-Committee, and launching a Strategic Review of Robin Hood Energy which has resulted in a decision to transfer customers to an existing energy supplier and to progress the orderly winding up of the company.

There have also been considerable changes to the senior management of the Council following the departure of the previous Chief Executive in April 2020, including the appointment of a new Chief Executive and an Interim Chief Finance Officer to drive forward Council policy, supported by strengthened management arrangements.

The Report in the Public Interest (PIR) into the City Council's governance of Robin Hood Energy was published on the

11<sup>th</sup> of August 2020 and revealed significant failures in the Council's governance of RHE, including a need to improve the council's strategic financial management, overall corporate governance and organisational culture. Progress has been made against an Action Plan in response to the PIR, including establishing a Governance Improvement Board to oversee and support improvement in the Council's wider governance arrangements.

The Council was subsequently approached by MHCLG with regard to the possibility of a Best Value Inspection being undertaken. An agreement was reached in October 2020 for a rapid Non-Statutory Review (NSR) to be undertaken, led by Max Caller CBE.

The NSR has rightly highlighted serious and significant areas of concern for the Council, and elected members and senior officers are clear that the Council cannot continue as it has in the past, and we fully accept the recommendations in the NSR.

Nottingham City Council is committed to continuing the improvement journey commenced in relation to the PIR, which will supplement the response to the NSR, for the benefit of the citizens of Nottingham who rely on the Council to provide well planned, effective, and value for money services.

The Council has adopted a spirit of partnership working and collaboration with MHCLG to date and this will continue. The Council looks forward to receiving additional support from the Non-Executives who will form the Improvement and Assurance Board,

and the insights on best practice they will bring, and will identify and allocate the necessary resources to deliver the required recovery and improvement.

Delivering this plan will lead to real and positive change, with lessons learned being applied to a new Council Plan for 2023 to 2027, in line with the council's electoral cycle.

# Governance & Assurance

## Aims & Principles

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In order to place the Council on a sustainable financial footing in the medium term and to protect the delivery of essential services to residents, there is a need to make changes to how the authority operates.

This is required to keep in balance the delivery of a positive vision for the city and the regeneration and renewal required, whilst maintaining essential services to residents within the available financial envelope, and ensuring timely, transparent and accountable local decision-making.

This will mean rationalising the number of organisations delivering core council services, reducing duplication, increasing efficiency, and will involve taking difficult, but necessary decisions in the short term, in order to ensure that the Council can deliver the desired outcomes within a financially sustainable framework over the medium term.

Nottingham City Council, with targeted support from the Government and the Local Government Association (LGA), will undertake a three year recovery plan to deliver the above, based on the following priorities and principles:

The High Level Priorities for the Recovery Plan are:

- Delivering a sustainable financial footing for the Council in the medium term and protecting delivery of essential services to residents.
- Focusing on providing the best quality core service we can afford, whilst continuing to be safe, clean, ambitious and proud for Nottingham.
- Implementing a Council wide cultural change and improvement programme, to remedy the long standing cultural issues identified by the PIR and NSR.
- Continuing to use our leadership role in Nottingham to unite residents, businesses and partners around a common purpose, and to make a clear case for a better deal for Nottingham.
- Supporting our businesses, partners and residents with the recovery from Covid-19.
- Demonstrating excellence in public administration and effective governance.

## Objectives

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The Recovery Plan will deliver:

- An ambitious, fully costed and deliverable refreshed Council Plan for the City and its recovery from the impact of Covid-19

- Clarity on the complementary but different roles of elected members and officers
- The wholesale cultural changes needed to affect meaningful progress.
- A sustainable Medium Term Financial Strategy.
- A refreshed and affordable Capital Strategy and system of Capital Governance.
- A clear plan for reducing and managing our overall levels of debt over the medium to long term.
- A revised approach to the management of the Council's assets.
- A sustainable approach to the Council's company holdings.
- A refresh of the Council's Policy Framework – to ensure it is affordable and deliverable.
- A refreshed Performance Management Framework.
- A modernised Constitution and decision-making process.
- A clear Member/Officer Protocol to support the above.
- Changes to Executive Portfolios to provide clarity of role and link clearly with senior officer structures.
- A programme to build our capacity and invest in the development of our people.

## Plan Delivery

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We understand the need to provide the Improvement and Assurance Board with the necessary confidence that Nottingham City Council has the capacity and desire, alongside the right

targeted support from the Government, to deliver on the Recovery Plan.

The successful delivery of the plan will also require us to build on the strengths of the partnership with MHCLG, develop the support already received from the Local Government sector as a whole, and engage and harness the good will and commitment of City Council staff.

To help provide that assurance, the following sections set out our proposed:

- Prioritisation
- Key Deliverables
- Governance Arrangements
- Programme Management Plan
- External Support from the LGA and others

## Prioritisation

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Our focus will be on addressing the most pressing and urgent issues first, including a detailed savings plan, delivering a robust budget for 2021/22 and establishing an Improvement and Assurance Board to oversee the ongoing development and implementation of the Recovery Plan.

The prioritisation of deliverables in the Recovery Plan has been set in response to the findings of the NSR and PIR, acknowledging their criticism of the pace and robustness of Council decision-making, and of delays in taking the appropriate action when issues have been identified previously.

A clear programme management plan, and dedicated resource to support it, will ensure Recovery Plan activity is undertaken with the appropriate pace, robustness and quality.

## Governance of the Recovery Plan

A governance structure has been developed based on the introduction of an external Improvement and Assurance Board. The Improvement and Assurance Board will be key to both monitoring the progress of the Recovery Plan, and providing assurance to MHCLG and wider stakeholders that they can have confidence that the improvements set out in the Plan are being delivered.

The Improvement and Assurance Board will be chaired by Sir Tony Redmond, and membership will include the Leader of the Council alongside a number of independent external members, who will be appointed by the Secretary of State to provide oversight and confidence in the delivery of the Recovery and Improvement Programme.

A number of arrangements will be put in place to ensure the timely delivery of the Recovery and Improvement Programme. An Officer Recovery Programme Board, chaired by the Chief Executive and made up of key Corporate Directors and other officers from within the Council, will progress individual programmes and projects within the overarching Recovery and Improvement Plan. This work will be supported by a Programme Management Office (PMO), to ensure the Recovery Plan is delivered within its parameters.

Lead officers will be accountable and provide assurance of progress to lead Portfolio Holders, who are in turn accountable to the Leader of the Council, other councillors, and of course the people of Nottingham who elect them.

The process for formal decision making will be undertaken in accordance with normal local government practice, including through the City Council's Corporate Leadership Team, Executive Board and Full Council, as appropriate, recognising that a simplified and prompt decision making process will be required to ensure delivery of the plan at the required pace. Links and updates will also be provided to Overview and Scrutiny Committee, Audit Committee and Full Council as appropriate.

The use of a PMO working closely with those officers leading work-stream themes and their underpinning projects will provide assurance that the Plan is being delivered, or if variances occur, that these are identified at the earliest opportunity and mitigation plans are developed to keep that work-stream on track.

This will be done through the creation of a rigorous monitoring process focussing on delivery against milestones, risks, financial implications, and issues that need to be escalated to ensure the programme's success.

The PMO will also provide an oversight and support role to a wider selection of programmes across the Council, to ensure that this work is delivered with the same rigour as the Recovery Plan, and a "One Council Approach" is taken to managing risk and resource deployment across the organisation for all of its significant project work.

Each of the Themes of the Recovery and Improvement Plan will form programmes of work. Colleagues delivering these programmes will be responsible for delivering their projects and making sure that the appropriate project documentation, controls and performance management frameworks are in place, to ensure that the projects run effectively.

## Plan Management

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To support delivery of the Recovery and Improvement Plan, a more detailed programme management plan has been developed.

The Programme can be summarised as setting out how the Council will deliver a sustainable balanced budget, in the context of a refreshed policy framework, with transparent and efficient decision making, having regard to the resources that are available.

Given the wide range of those themes, i.e. the Council's finances and policy framework, the scope of the Programme is considerable.

To help narrow this down, the early stages of the Programme will focus on the process for delivering a balanced Medium Term Financial Strategy and an ongoing policy framework which is both affordable and deliverable.

A number of programmes, projects and work packages have already been identified to help define activity and the scope of the Programme more tightly. These are summarised at a high level in the later sections of this Recovery Plan, please see the individual Themes and Milestones sections.

It is likely that over time, given the extent of the Recovery and Improvement Plan and its duration, that other work will be added or potentially sometimes removed, from the Programme. This will only be done in order to ensure that its long-term objectives continue to be met, and will take place with reference to a clearly defined change protocol.

## Links to other non-Recovery Plan Activity

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The Recovery Plan covers the work the City Council needs to undertake to deliver on the aspirations we have set out to improve and transform the City Council over the next three years.

However, this does not reflect all of the activity the Council is involved in, such as continuing to delivery important statutory and day-to-day services, supporting our city and residents in recovering from Covid-19, and significant projects to support sustainable growth and development of the city and provide opportunities for residents to realise their full potential.

To ensure this is recognised and appropriately managed, the scope of the Recovery Programme, but not the Recovery Plan, will be widened to include the governance and management arrangements of a number of other significant projects and pieces of work that the Council is undertaking.

The rationale for this is twofold; first these projects in themselves consume both resource (people and finance), and decision making capacity. Given the ambitions of the Recovery and Improvement Plan itself and the Council's wider resource constraints, it is essential that it manages its resources effectively.

Secondly; the formation of the Improvement and Assurance Board and appointment of its Non-Executive Members by the Secretary of State for their subject matter expertise provides the opportunity to benefit from their considerable knowledge and experience across a range of Council activity.

## Resources and Management

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The Council recognises that over the period of this Plan the way it conducts business will change, with the shape of this work being determined by its revised budget and policy framework.

In the short term, it is also acknowledged that the scale and the pace required to successfully deliver this Recovery and Improvement Plan will inevitably lead to a need to provide further resource into the Council on a short term basis. Resourcing requirements will be determined through the creation of Resource Plans for each of the Themes within the Plan, and appropriate allowances will be made to finance this requirement in the Council's budget setting process. The Council will ensure that this resource does not become core to its ongoing functions and is capable of being quickly stepped down once the specific pieces of work required by the Plan have been carried out.

## External Support

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We have taken on board feedback from MHCLG and other sources about, at times, being too internally focused, and will seek out sector appropriate support from external agencies where necessary.

We cannot successfully undertake our transformation journey without external support and a willingness to learn from the best practice of others.

We will continue to share and learn from best practice from elsewhere – including use of “off the shelf” solutions where appropriate, to support the pace of our modernisation and improvement journey.

We will also actively seek out robust “check and challenge” from external organisations such as the Chartered Institute of Public Finance and Accountancy (CIPFA), the Centre for Governance and Scrutiny (CfGS) and the LGA, to improve the credibility and transparency of the Recovery and Improvement Plan and its programmes, and provide additional assurance for Government.

The LGA has already provided considerable support to the City Council to date, demonstrating the strength of the sector and the willingness of our partners to collaborate and help us in our improvement journey.

This support has included:

- Provision of a Mentor for the Chief Executive.
- Support to the Nottingham City Council Governance Improvement Board.
- All Portfolio Holders will be offered Councillor Mentors.
- Independent challenge and review of our work on revised Committee Terms of Reference.
- Independent review of our progress on delivering the Action Plan in response to the PIR.

Additional support can provide robust check and challenge which will improve credibility and transparency, and additional assurance for Government.

### **Governance:**

- Support, advice and challenge on changes to NCC's Constitution.
- Support, advice and challenge on embedding a new Member/Officer Protocol.

- Training and development for the Audit Committee.
- Training and development for the Scrutiny Committee.

## **Organisational Culture & Leadership:**

- Advice to Leader and CEO as required.
- Dedicated mentoring advice to Leader (in place via Baroness Blake).
- Dedicated coaching, mentoring advice to CEO (in place via Dame Stella Manzie).
- Dedicated role mentoring and 1-2-1 mentoring for each Portfolio Holder.
- Facilitated team session(s) with Full Executive.
- Facilitated session(s) with elected members.

- Workforce development/cultural change (supplier potentially sourced and funded by LGA).
- Offer of a series of member development sessions and Leadership.

## **Companies and Joint Ventures:**

- Review of governance of external companies in the light of the PIR on RHE.
- Advice and support on bringing services back in-house, or leaving them out in an ALMO or other arrangement.

## **Financial Stability:**

- Challenge and advice on the financial strategy.

## Monitoring Progress

The proposed approach is to measure delivery of the plan against the identified milestones by exception in order ensure any variance from the original plan is understood and justified.

Additional metrics will be developed to measure longer term impact and progress towards key outcomes. This is likely to include staff surveys and taking views from Members in relation to organisational culture, information garnered from the annual citizen survey, and perception surveys from businesses and partners in terms of the council's openness to collaborating and the effectiveness of joint working. These are expected to be few in number and focus on the measures that provide the clearest indication of movement towards a more sustainable financial position. Current proposals are summarised below.

Where practical, the City Council will make use of existing measures and reporting mechanisms rather than duplicate effort.

In addition, it is anticipated that individual projects are likely to require additional reporting arrangements particular to them. The Improvement and Assurance Board may also have a view on metrics they would want to see reported at regular intervals. Their view will be sought as an early item of business for the Board.

### Financial Sustainability

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Budget year to date (YTD) variance and Forecast Variance will be monitored using the existing period reporting process. Quarterly figures with commentary will be produced as part of the

suite of KPIs for the Improvement and Assurance Board. A mechanism will be developed to distinguish between business as usual (BAU) resources and those consumed on a temporary basis to deliver specific action plan objectives. This will help establish the underlying budget position.

Total capital receipts from asset sales by class will be reported on a quarterly basis against predefined targets. Capital receipts figures could also include a measure of losses/gains on sale against balance sheet asset valuations.

The quantum of principal repayments will be reported on a quarterly basis along with forecasts for annual total debt. Actual debt levels will be reported on an annual basis. These are measured against predefined targets. The cost of servicing debt will be monitored and reported on a quarterly basis to the Improvement and Assurance Board as an indicator of both affordability of debt levels and taking into account the structure of liabilities.

### Culture, Organisation and Workforce Development

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Nottingham City Council already undertakes annual employee surveys in addition to the daily contact individuals have with each other and with management. These will allow progress to be measured on the effectiveness of the council's managerial leadership and staff satisfaction in undertaking their roles and provide useful insight into the wellbeing and fulfilment of our

employees, as well as shedding some light on where the organisation could do more to help them achieve their full potential.

## Risk Management

Due to the scope of the Recovery and Improvement Plane, the identification and appropriate management of risk will be key to its overall success.

Risk identification and management will take place at all levels within the Recovery Programme in line with the Council's Risk Management Framework. Individual projects within each Theme will be responsible for carrying out an initial risk analysis of their area and then reviewing and updating this on at least a monthly basis.

### Risk Analysis and Recording

Risks will be identified and then analysed to understand their potential impact. Risks will be scored to determine their opening likelihood and impact using the Council's standard risk scoring methodology. This will allow risks to be RAG rated and used as a tool for prioritising management focus and action. The means of treating each risk will also be determined on a "tolerate, terminate, treat, transfer" basis and logged on a standard template.

The risk log will be updated on at least a monthly basis by the relevant project team, who will also provide a current risk score to reflect how their treatment has impacted on the risk.

### Risk Monitoring

The monitoring regime being introduced through the Recovery Programme will require the reporting of risk from project level up to Theme level, and then again to the Officer Recovery and Improvement Programme Board. Lead Officers will be responsible for providing assurance to Portfolio Holders. This process will be overseen by the PMO, who will ensure that risks are aggregated and that plans for the treatment of risk are appropriate and acted upon.

Programme risk reporting will be added to the forward plans for Audit Committee, having regard to that committee's important role, and to Overview & Scrutiny Committee to ensure appropriate oversight of Executive decisions and Officer risk management arrangements.

The importance of risk management will be reinforced through regular risk monitoring reporting, to ensure it is reported and acted upon at senior leadership level, and assessed and mitigated appropriately throughout the organisation.

The establishment of this chain of reporting and the use of the PMO means that not only are risks reported in an accurate and timely manner, but that an understanding of risk across the whole Recovery Programme is created. In turn, this will allow the Recovery Programme Board to manage the combined Programme

risk against its risk appetite and take action where the two are not aligned.

## Key Programme Risks

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The following risks have been identified as the Recovery Programme's most significant high level risks:

- Loss of confidence by MHCLG leading to statutory intervention.
- Loss of confidence in the City Council by the citizens who live here.
- Insufficient resourcing of transformation programmes and related projects.
- Officer and Councillor resilience, fatigue and demoralisation.
- The potential for Covid-19 to impact on plan delivery in the event of requirements for the Council to support mass vaccination, or a significant change in the trajectory of the pandemic.
- That the Council is unable to set a balanced and sustainable MTFS over a three-year period that delivers statutory services.
- That the Council's generation of capital receipts does not reach the levels or timescales required to balance its financial needs.
- That organisational structures and culture prevents the delivery of the Recovery Programme to the required manner and timescales.



# Culture

Delivery of any change programme will succeed only where the culture of the organisation supports it. This plan includes a number of organisational, structural and developmental objectives that aim to create the conditions in which a positive culture can thrive, however, cultural change is ultimately about the choices and behaviours of individuals.

The Political and Officer leadership understand and embrace their responsibilities to consistently model the behaviours they seek for the organisation as a whole. Positive cultural change will be supported by proactive communication and engagement with colleagues, recognised trade unions and partner organisations.

The PIR and NSR both identified issues with the wider organisational culture that need to be addressed:

- The organisation’s pride in itself and the dedication of its employees (as evidenced by its response to the Coronavirus pandemic for example), are impressive, and are strengths that can be built on.
- Evidence-based decision-making should explicitly be part of our culture, and bringing forwards challenging/contrary evidence should not be seen as demonstrating a lack of commitment to the Council’s ambitions.
- Nottingham’s strong narrative of being different, whilst positive in terms of ambition and innovation, has created a blindness to learning from best practice and innovation elsewhere. As

budgets have becoming tighter, this approach has proved increasingly difficult for the city.

- Setting a positive future for the city and council will be less about doing for, and more about doing with our residents and communities, with our citizens more actively engaged in determining how our services are delivered.

For the Recovery and Improvement Plan to be successful, we recognise that the wider culture at Nottingham City Council also needs to change.

We will assess and reset the cultural norms and expectations in Nottingham, and, working with our staff and the Local Government Association, will scope out and deliver a comprehensive workforce development and cultural change programme. The aim of this programme is to deliver positive lasting cultural and behavioural change in the organisation, taking full account of the council’s absolute commitment to equality, diversity and inclusion.

Our people are our most valuable asset and have demonstrated extraordinary resilience and commitment to public service over the last 9 months. In the face of the most severe health crisis since the Second World War, frontline staff have continued to deliver essential services to residents and protect our most vulnerable citizens.

Change will be disruptive, but it can also be positive if we take our people with us. This means ensuring that voice of all

colleagues can be heard, embracing and celebrating the strength of diversity, and ensuring there is real equality of opportunity for all.

## Plan Structure

### 1. MTFS

Delivering a balanced budget and Medium Term Financial Strategy (MTFS) for the period 2021/22 to 2024/25, funded by sustainable core income and stable revenue streams.

### 2. Assets

Releasing capital from the Council's fixed asset portfolio through an accelerated programme of disposal and realisation, building on the work of the Asset Rationalisation Programme.

### 3. Companies

Reaching a clear determination on the future of each Council company.

Setting a clear direction for all Council companies and commercial activity within a coherent and effectively managed commercial strategy.

### 4. Capital Programme & Debt Management

Ensuring the capital available to the Council is wisely invested in delivering against our core commitments, and that debt levels are sustainable in the medium and long term.

### 5. Constitution

Creating a new and "fit for purpose" Constitution for the Council that provides for efficient, effective and accountable decision making, with clear roles and responsibilities for Officers and Members.

### 6. Organisation & Culture

Ensuring the Council organises itself and its resources effectively and efficiently, and is able to deliver the required change at pace and at scale.

### 7. Delivery Options

Making sure the Council is using all the tools available to deliver good outcomes for the people of Nottingham, the communities they live in and the local economy.

### 8. Policy Framework

A refreshed Council Plan for 2019-23 that enables the City Council to live within its means, with a longer term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners and other stakeholders.

Sustainable Finances				How We Deliver		Council Plan	
1. MTFS	2. Assets	3. Companies	4. Capital Programme & Debt	5. Constitution	6. Organisation & Culture	7. Delivery Options	8. Policy Framework

Three Year MTFS	Asset Disposal Strategy	Council Owned Company Review	Capital Strategy	Updated Constitution	Setting Top-Level Goals	Procurement Strategy	Priorities
2021/22 Budget	Operational Assets	Company Governance	Debt Management Strategy	Member / Officer Roles and Responsibilities	Performance Management Framework	People Services and Commissioning	Statutory Duties
Savings Proposals	Community Asset Review	Commercial Strategy	Review of Capital Schemes	Member Development Programme	Simplifying the Officer Structure	Reshaping Frontline Delivery	Outcomes
			Programme Controls	Review of Portfolios	Culture & Workforce Development	Rationalisation of Customer Access Channels & Digital Strategy	Indicators

## Theme One: MTFS

### **2021/22 Budget and Savings Proposals**

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This work-stream will start with focussing on the 2021/22 budget, where a proposed budget will be submitted to the Council's Executive Board in January 2021, to commence the formal consultation process. Once adopted, the budget will be monitored through the introduction of new budget oversight procedures to ensure savings are tracked and delivered. These procedures will be approved by Executive Board, and ensure that both members and officers are clearly sighted on the budget and the key risks surrounding it, and have a joint responsibility for managing these.

### **3 Year MTFS and Transformation Programme**

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We will deliver a sustainable Medium-Term Financial Strategy (MTFS) for 2021/22 – 2023/24. This will be based on the work of Themes 2-8 which all support delivery of a sustainable MTFS.

The 2021/22 budget will also contain the rolling three year MTFS, and clearly set out the parameters against which this will be managed and delivered. In addition, this work-stream will develop a Debt Management Strategy which will aim to manage the Council's overall debt downwards over MTFS time horizons.

This work-stream will underpin the work on the MTFS and is key to ensuring that the Council has a sustainable budget going forward.

The work-stream will create an Integrated Transformation Programme which develops a long-term funding envelope for core services and reduces the reliance on commercialisation.

Having set the affordability envelope, the Integrated Transformation Programme will agree on the key areas of service reform required across the organisation, and align outcomes to budgets to ensure that Council's objectives are met within the parameters of that envelope. Projects will then be set up to deliver the agreed programme.

The PMO will assist this programme in providing oversight to the projects which sit underneath it. To ensure that this happens in an efficient and effective way, all projects will be required to develop appropriate Project Management Plans and Business Cases and be subject to the overall monitoring and governance regime set out as part of the wider Recovery Programme.

### **Spending Controls and Oversight**

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This work-stream builds on the previous two work-streams to ensure that sustainable budgets continue to be delivered in the short and medium term, moving to a framework of entrenched sustainability in the long term.

It will continue to embed the processes set out earlier and in the milestones below to carry on this work, fully understanding the resources required to deliver these programmes and budgeting for these accordingly.

## Key Objectives

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- A balanced budget for 2021/22 and sustainable MTFS up to 2024/25.
- Reduced reliance on commercialisation.
- Core Services are affordable for the long term.
- Greater budget oversight, with Members and Officers sighted and jointly accountable.

## Key Deliverables

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The outputs that will be delivered through this work-stream will be:

- Balanced budget for 2021/22.
- Affordability envelope for core services 2021/22 to 2024/25.
- Integrated Transformation Programme, backed with appropriate resources and project documentation.
- Sustainable MTFS for 2021/22 to 2024/25.
- Debt Management Strategy.
- New budget oversight procedures.

## Key Activities

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The key activities of this work-stream are:

- Delivery of Medium-Term Financial Strategy and balanced budget for 2021/22 – 2024/25.

- Align new corporate plan within the authority's affordability envelope.
- Significant project work across the Council on the key areas of service reform identified through the Integrated Transformation Programme.

## Key Risk

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Key high level risks identified at this stage are:

- That the Council is unable to set a balanced and sustainable MTFS over a three year period that delivers statutory services.
- That key areas of service reform do not happen at the required level / pace.
- Funding settlements and / or income drop materially, thereby further reducing the affordability envelope on which the MTFS will be founded.

Should these risks become issues the following mitigation strategies will be considered:

- Increase in asset disposals.
- Developing contingency plans within the service reform proposals.
- Developing a list of further potential reforms that could be brought into the Integrated Transformation Programme as required.

## Actions

Work-Stream	Actions/Milestones	Timescale
2021/22 Budget and Savings Proposals	Agreement of Executive on 19 <sup>th</sup> January to budget proposals for consultations – balanced for 2021/22 – expected gap close to zero.	Jan-2021
	Evaluation of Finance Settlement implications.	Jan-2021
	Review of consultation responses and endorsement at Executive Board 16th February 2021.	Feb-2021
	Individual savings implementation plans and EIA/HIAs in place.	Feb-2021
	Full Council budget discussion and approval at 8th March meeting.	Mar-2021
	Monthly and quarterly monitoring of budget and tracking of savings. Members and Officers jointly accountable via Budget Oversight arrangements.	Q1 2021/22
	Tracking of saving through a member/officer forum with corrective action and mitigations where necessary to keep on track.	Q1 2021/22
Three Year MTFS and Transformation Programme	Develop long-term affordable envelope for core services, reducing reliance on commercialisation - establish as new spend base.	Jan-2021
	PMO established with operating protocols and ToRs to assure transformation.	Jan-2021
	Invest to Save approach developed and funding identified.	Jan-2021
	Work continues to establish programme of work and business cases / PIDs.	Feb-2021
	Investment / Resourcing needs identified.	Feb-2021
	Agree on key service reform areas and align outcomes to budgets to ensure that the plan both meets the Council's objectives and is within an affordable envelope (C Tax, Bus Rates, RSG and specific grants, core fees & charges).	Mar-2021
	Programme established and business cases / PIDs developed for approval.	Mar-2021
Develop Business cases / PID / Implementation Plans.	Q1 2021/22	

Work-Stream	Actions/Milestones	Timescale
	Launch and run consultations on areas impacting service users and staff.	Q1 2021/22
	Programme delivery through monthly Board with agreed implementation and resources plans.	Q1 2021/22
	Monitoring of spend and savings proposals.	Q1 2021/22
	Project launches (see integrated transformation programme below).	Q2 2021/22
	Project milestones, deliverables, risks, accountabilities, interdependencies etc determined.	Q2 2021/22
	Project milestones monitored and necessary corrective actions taken via PMO (ITP).	Q3 2021/22
Spending Controls	Member oversight panel established to oversee progress on transformation through dashboard / exceptions reporting.	Feb-2021
	Review of overall resourcing plan.	Feb-2021
	Approval of Business Cases and PIDs – Alignment of programme with resource needs.	Mar-2021
	Early identification of likely resources and expenditure pressures and impacts of transformation programmes.	Mar-2021
	Monthly monitoring of progress. Officers held to account for delivery. Mitigations agreed for Amber and Red items.	Q1 2021/22
	Early member workshops on priorities and pressures from April 2022.	Q1 2021/22
	Early draft budgets agreed identifying further work to establish a fully funded 4-year programme.	Q2 2021/22
	Draft budget agreed for 12-week consultation period to end Christmas 2021.	Q3 2021/22
	MTFS approvals cycle – outcome-based budgets on a 2-year firm/2-year indicative basis.	Q4 2021/22

## Accountability

Lead	Portfolio Holder for Finance.
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Councillor	
Lead Officer	Strategic Director of Finance.

## Theme Two: Asset Management

Our Asset Management Strategy aims to generate sufficient capital receipts using asset rationalisation and disposal to meet both the current commitments within the capital programme, and provide additional cash flow into the Council to mitigate budget pressures and fund a transformation programme.

These assets will include:

- Commercial property assets.
- Land.
- Operational assets.
- Community assets.
- Companies (as identified through Theme Three).

### Asset Disposal Strategy

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Key to the delivery of the Recovery Plan is the acceleration of the Council's asset rationalisation programme and the generation of capital receipts.

This work-stream will incorporate a review of potential receipts across a number of property holdings (operational properties, the investment portfolio and the trading account). The review will consider the implications of each potential disposal, including issues such as revenue loss, maintenance liabilities, and upcoming legislative requirements which may affect valuations.

As part of an earlier phase of this programme a pipeline of c.£100 million of sites that could be disposed of has already been identified, and a number of disposals made over the past 18 months.

This work-stream will accelerate and put forward further recommendations for sites to dispose of, and then carry out disposal in the manner which will leverage the greatest value within the timescales set out in Theme One.

### Operational Assets

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As the Council moves through the budget setting process, the decision taken on changes to service delivery will make a number of operational assets redundant.

In order to minimise the ongoing revenue costs of maintaining underused or unused operational assets, and to maximise capital receipts, the disposal of these assets will also be managed within the Asset Management Theme.

### Community Asset Review

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The Council has a number of properties that are let to community groups for minimal rents, often where this is the case without the renting organisation being responsible for either building liabilities or associated community outputs.

We will develop and implement a new Community Asset Policy and change our approach to community asset leases, to ensure asset values are maintained, community assets are fully utilised and that underutilised facilities are made available for asset disposal. This will include:

- Consideration of transition to Full Repairing and Insuring (FRI) leases as standard.
- Consideration of applying fair market rates to community asset leases, supported by grants to meet rental costs consistent with an agreed basis of occupation.

## Key Objectives

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- Deliver a flow of capital receipts at the level and within the time parameters as required by Theme One.
- To manage the revenue impacts of any disposals as far as possible.
- To deliver and implement a new framework to maximise the value of community assets to residents.

## Key Deliverables

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The outputs that will be delivered through this work-stream will be:

- Generation of an agreed level of capital receipts over a set time period.
- Reduce current and future property related liabilities through the disposal process.

- Framework for how community assets will be delivered in future.

## Key Activities

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The key activities of this work-stream are:

- Development of approach to investment and operational property and community based assets.
- Accelerated assets disposal planning.
- Developing policy and changes to leasing arrangements for community assets.
- Review and rationalisation of the Council's operational properties, taking into account budget proposals, future service requirements and maintenance / running cost / liabilities to the Council.

## Key Risk

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- That the Council's generation of capital receipts does not reach the levels or timescales required to balance its financial needs.
- That in generating receipts the Council creates larger long term revenue pressures on its base budget.

Should these risks become issues the following mitigation strategies will be considered:

- Expanding the pool receipts are generated from. The initial pipeline of c.£100 million of potential receipts are former operational properties and land which can be disposed of with little revenue consequence. Additional lists of properties will

be drawn up and brought forward as required by the acceleration process to ensure receipt targets can be met.

- A system of adjusting forecast receipt value by time in order to ensure realistic expectations of what can be achieved with certain properties is already in place.
- In order to manage revenue consequences the existing performance of property holdings will be reviewed to ensure

that their efficiency is maximised (for example around voids, debt collection, rent reviews etc.), to ascertain how far any loss can be contained. If further mitigation is required after this, it will be picked up in realistic income assessments within the MTFS.

## Actions

Work-Stream	Actions/Milestones	Timescale
Operational Assets	Review of 2021/22 budget savings to identify assets that will become surplus and timescales, agree with service areas to move these into the asset disposal programme.	Jan-2021
	Confirmation of vacant buildings to move into the asset disposal programme.	Feb-2021
	Review the case for the corporate landlord approach and agree with CLT as to how further rationalisation opportunities will be identified and managed through this approach. (This is likely to stem partly top down, with corporate direction given on future asset requirements, and bottom up as service areas identify more surplus assets).	Q1 2021/22
	Engagement with service areas following the agreement of an approach CLT to create an extended rationalisation programme run to tight deadlines.	Q1 2021/22
Asset Disposal Strategy	Timetable for review of all asset classes agreed and assessment method developed to select which ones to take forward.	Jan-2021
	Review of asset rationalisation programme and refresh of strategy.	Jan-2021
	Recruitment of Interim Head of Disposals to oversee programme.	Jan-2021
	Review of disposal process, identifying options for accelerating and generating greater financial returns.	Mar-2021
	Implementation of monitoring and review process.	Mar-2021
Community Assets	Develop and adopt a community asset property policy.	Mar-2021

Work-Stream	Actions/Milestones	Timescale
Review	Review community assets to identify potential properties for disposal or a change in terms.	Mar-2021
	Re-negotiation of phase 1 of community asset contracts (with a view to moving to disposal or changing terms).	Q3 2021/22
	Re-negotiation of phase 2 of community asset contracts (with a view to moving to disposal or changing terms).	2022/23

### Accountability

Lead Councillor	Leader of the Council, advised by Asset Rationalisation Board.
Lead Officer	Corporate Director of Development & Growth.

## Theme Three: Companies

Nottingham City Council has commenced a review of the structures, management and governance arrangements for its companies in response to the PIR.

The report from the NSR builds on the PIR, further emphasising the need for the Council to consider the future direction for all its company interests.

### Council Owned Company Review

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Nottingham City Council will conclude the current review of its companies, and has commissioned CIPFA to provide independent analysis of company information, performance, financials, strengths and weaknesses, and the Council's exposure to risk.

This work will inform individual decisions on whether to maintain, revise focus, in-house or divest from Council companies.

Given the relatively large portfolio of company interests, a risk based approach will be taken to prioritising the sequencing of this activity based on the following factors:

- Type of ownership (subsidiaries, associates, JVs and minority interests).
- Companies showing early signs of financial distress.
- Levels of debt to NCC and requirements for comfort from the parent.

Where there are relatively straightforward and self-apparent opportunities to in-house functions with minimal risk of destabilisation, these will be fast tracked to a delivery stage.

Enviroenergy has been established as the immediate priority. Given the complexity and inherent links to waste management, the district heating scheme and capital programme, the majority of the activity in relation to this company is contained within Theme Four: Capital Programme.

Companies currently under consideration for in-housing are:

- Enviroenergy
- Nottingham Revenue and Benefits
- Nottingham City Homes

### Company Governance

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The work already undertaken to review and revise the arrangements for the governance of Council owned companies will continue, and be split between Theme Seven: Constitution and this theme.

The Companies Theme will focus on the development of Council policy with regard to executive and non-executive directors, establishing a clear role for senior officers through a Shareholder Executive function and Company Loans Board function, ensuring all

forms of parental support to companies within the group are subject to effective controls and clear decision making, and supporting the Companies Governance Sub-Committee and the Council more generally.

## Commercial Strategy

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Where Council companies offer reasonable levels of assurance of future financial returns, the City Council will seek to maximise this benefit through the development and application of an overarching commercial strategy. This will include an assessment of directly delivered charging activity and the treatment of surpluses generated by services that are able to compete in mature markets.

## Key Objectives

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- Provide greater visibility of company performance and risk profile of the wider City Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles.
- To strip out duplication of overhead and management costs by bringing core functions in house where there is no imperative to maintain externalised delivery vehicles.
- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities that are outside the City Council's core competence.

- To establish robust shareholder controls and assurance mechanisms for those companies Nottingham City Council maintains.

## Key Deliverables

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The outputs that will be delivered through this work-stream will be:

- Overarching Commercial Strategy.
- Reinstatement of company analytics.
- Options appraisal for Enviroenergy (within six months).
- Decisions on the direction for each subsidiary and associate.
- Completion of decision making process and in-sourcing of NRB if appropriate.
- Executive and Non-Executive Director Policy Statement.
- Establishment of Officer Shareholder Executive function which can also act as Company Loans Board.

## Key Activities

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The key activities of this work-stream are:

- Enviroenergy – completion of commercial deal with FCC, rapid options appraisal for capital investment options including potential private capital, decision on company structure and delivery vehicle.
- Review of companies (supported by CIPFA).
- Management of in-housing process for selected companies.

- Evaluation of divestment and disposal options.
- Strategy and policy development.

## Key Risk

- Devaluation of subsidiaries.

- Destabilisation of companies who may have legitimate short-term needs for comfort or support arising from the current pandemic.
- Loss of opportunity for financial returns as a result of decision making delays.

## Actions

Work-Stream	Actions/Milestones	Timescale
Commercial Strategy	Draft Commercial Strategy covering aims of commercial activity and proposed actions by company (insource, divest, sell, further due diligence).	Mar-2021
	Review of internally delivered fees and charges income including profitability levels (pre and post Covid) growth options and options to withdraw from non-surplus generating activity.	Q2 2021/22
Company Governance	Critical monthly quantitative analysis – prepare company and summary reporting for management and CGESC.	Feb-2021
	Establish the terms scope and remit for a Shareholder Executive function and seek agreement with CLT and the Executive.	Jan-2021
	Establish resourcing plan and recruit internally / externally.	Feb-2021
	Establish relationship with CGESC.	Feb-2021
	Go Live date incorporating analytics as above.	Mar-2021
Council Owned Companies Review	Complete internal desktop review of current information and CIPFA review.	Feb-2021
	Develop immediate options analysis for Enviroenergy.	Jan-2021
	Integrate with wider end-to-end review undertaken by the Corporate Director of Development and Growth.	Feb-2021

Work-Stream	Actions/Milestones	Timescale
	Commence member and company engagement and draft plans for insourcing on a phased timeline.	Mar-2021
	Agree approach for all other companies.	Mar-2021
	Plan taken to March 2020 Executive Board.	Mar-2021
	Undertake in-sourcing activity on NRB (dependent on outcome of options appraisal).	Q1 2021/22
	Complete NRB insource (subject to outcome of options appraisal).	Q3 2021/22
	Review lessons learned from NRB that can be applied to NCH.	Q3 2021/22
	Establish support to non-subsidiary associated companies (e.g. Futures, Nottingham Playhouse Trust, Groundworks, Marketing Nottingham) - Discovery Phase.	Mar-2021
	Enviroenergy strategic review completed.	Mar-2021

## Accountability

Lead Councillors	Portfolio Holder for Employment and Community Protection and Portfolio Holder for Housing and Planning.
Lead Officer	Strategic Director of Finance.

## Theme Four: Capital Programme

A sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council. A review of our capital programme will look to stabilise the current programme and put it on a sustainable footing for the longer term. We will develop an effective Capital Strategy and a strengthened governance and control framework to allow the authority to achieve this.

### Capital Strategy

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A revised capital strategy will enable the organisation to understand why and how it allocates capital resources, and ensure effective decision making, governance and controls of the programme are in place to enable a sustainable programme going forward.

The revised strategy will include a clear prioritisation process and associated governance framework.

The review will also consider how the programme can be financed in the short, medium and long term, taking into account changes to the Public Work Loans Board regulations and other relevant issues.

### Debt Management Strategy

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Nottingham City Council recognises the need to reduce its current level of external debt to a more sustainable level. In addition

to establishing clear priorities for the Capital Programme and raising the funds to reduce the risk of critical service failures, the Council will use capital raised through the Asset Disposal programme to pay down existing debt over time.

### Review of Capital Schemes

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There will be an immediate review of the current Capital Programme, aiming to create headroom and ensure it is sustainable through reprioritising, reviewing and reducing the projects in it.

It will also ensure all liabilities and future commitments to the Council are fully reflected and accounted for. In particular this review will ensure that the likely commitments arising from the urgent investment required in Enviroenergy and the District Heating Scheme are fully understood.

We also recognise the importance of finding a long term solution for the former Broadmarsh Shopping Centre. Given the current uncertainty about the future shape of city centres, the Council will continue to explore all available options to work with others in the context of a rapidly evolving operating environment.

The review will include both the General Fund and Housing Revenue Account capital programmes, but primarily focus on the General Fund as the area for significant change.

## Strengthened Programme Controls

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We will implement a strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the new prioritisation process, and are then subject to a support, monitoring and assurance package to improve delivery.

Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions.

## Key Objectives

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- To create a fully funded capital programme delivering a revised list of projects.
- To fully understand and make allowance for known potential liabilities within the capital programme (for example District Heating and the former Broadmarsh Shopping Centre).
- To create a revised capital strategy which ensures the effective prioritisation of projects and funding supplemented by strengthened programme controls.

## Key Deliverables

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The outputs that will be delivered through this work-stream will be:

- A clear and agreed prioritisation process for the current programme.
- A funded and sustainable capital programme, fully reflecting known liabilities, over the medium to long term.

- Revised Capital Strategy.
- Strengthened Governance and Control Framework.

## Key Activities

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The key activities of this work-stream are:

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around Enviro Energy and the former Broadmarsh Shopping Centre).
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

## Key Risk

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- That known commitments and future liabilities outweigh the available level of funding for the capital programme.
- District Heating Scheme infrastructure failure.
- That either the new prioritisation process and/or the strengthened Governance and Control Framework are not adopted consistently across the Council.

Should these risks become issues the following mitigation strategies will be considered:

- Further de-prioritisation and/or re-phasing of the capital programme.

- Increasing the level of capital receipts that need to be generated or amending their profile.
- Work with HR, Organisational Development and Internal Audit to ensure that appropriate control mechanisms and cultural

change are embedded in the roll out of the prioritisation process and strengthened Governance and Control Frameworks.

## Actions

Work-Stream	Actions/Milestones	Timescale
Debt Management Strategy	Debt Management Strategy to be approved at Executive Board.	Feb 21
	Debt Management Strategy to be approved at Full Council.	Mar 21
Capital Strategy	Establish prioritisation approach to selection of schemes.	Jan-2021
	Update and link treasury management strategy to emerging asset strategy including asset disposals and rationalisation.	Jan-2021
	Capital and revenue linkages developed through work on corporate plan.	Feb-2021
	Asset Management strategy and revised TPS by approval at Executive Panel 16th February (including accelerated list of disposals).	Feb-2021
	Draft Capital Strategy (in line with MTFP).	Mar-2021
	Final Capital Strategy agreed at Full Council (in line with MTFP).	Mar-2021
	Regular quarterly review points.	Q3 2021/22
Programme Controls	Establish Capital Board to oversee capital programme and scheme approvals as well as funding - ToR's agreed.	Feb-2021
	Capital Board meets monthly to provide steer and oversight of the programme.	Feb-2021
	Capital Board meeting monthly to review overall programme and funding as well as individual scheme scrutiny prior to Executive Board.	Mar-2021

Work-Stream	Actions/Milestones	Timescale
	Priorities kept under review within overall affordable and approved resource envelope.	Mar-2021
	Targets set - monitoring of asset disposals and contribution to capital funding pot.	Mar-2021
	Regular quarterly review points.	Q3 2021/22
	Draft revised programme controls (presented to first meeting of Capital Programme Board).	Feb-2021
	Revised programme controls agreed and implemented.	Feb-2021
	Regular quarterly review points.	Q3 2021/22
Review of Capital Schemes	Identify potential alternative sources of funding / methods of removing projects from balance sheet.	Feb-2021
	Draft Capital Programme (in line with MTFS).	Jan-2021
	Final Capital Programme agreed at Full Council (in line with MTFS).	Mar-2021
Review of Capital Schemes (Broadmarsh)	Complete Big Conversation.	Jan-2021
	Submit Business Case for LEP funding.	Feb-2021
	Conclude review of strategic options and timeframe for decision making.	Mar-2021
	Based on the outcome of the review of strategic options for the site the following indicative milestones may be subject to alteration or refinement.	Q1 2021/22
	Establish budget projections and associated financial risks for the Council with mitigation planned.	Q1 2021/22
	Initial advice from Broadmarsh Advisory Group on design principles and commercial strategy.	Q1 2021/22
	Contractor demobilisation.	Q1 2021/22
	Outcome of LEP funding.	Q1 2021/22
	Full advice from Broadmarsh Advisory Group on creative vision and commercial approach.	Q2 2021/22
	Confirm commercial delivery approach and commence implementation.	Q2 2021/22

Work-Stream	Actions/Milestones	Timescale
	Planning Masterplan finalised.	Q3 2021/22
	Phase 1 Demolition Complete.	Q4 2021/22
Review of Capital Schemes (District Heating Scheme)	NCC decision on 'bringing in-house' or alternatives.	Jan-2021
	Strategic Options Appraisal completed; investment appraisal finalised and NCC financial implications agreed.	Jan-2021
	EE Board appraised of position and take appropriate decision on legal status.	Feb-2021
	EE brought 'in house' (subject to decision).	Mar-2021
	Investment plan drawn up.	Q1 2021/22
	EE 'business' rapid operational review and implementation.	Q1 2021/22
	Executive Board decision to approve investment plan.	Q1 2021/22
	Market testing for 3rd party investment.	Q1 2021/22

## Accountability

<b>Lead Councillor</b>	Leader of the Council, in conjunction with Portfolio Holder for Finance, advised by Capital Board.
<b>Lead Officer</b>	Strategic Director of Finance, in conjunction with Corporate Director for Growth and Development.

## Theme Five: Constitution

Taking on board the recommendations of the External Auditor's recent PIR on Robin Hood Energy, and the recommendations of the NSR, Nottingham City Council will institute a new constitution to improve transparency, governance and accountability for council decision making.

We will deliver a new constitution within six months, including improved Audit and Overview & Scrutiny functions that hold the City Council to account, with a focused work programme that monitors key council projects, and tracks performance against corporate metrics that give a "whole council" view of our activities, including the Council's finances.

### Governance Improvement Programme

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Nottingham City Council has already started the process of reviewing and improving its system of governance and internal control, through our ongoing Governance Improvement Programme and the Governance Improvement Board (which met for the first time in December 2020). Our response to the PIR details the actions the Council is taking and will take up to June 2021.

The subsequent report of the NSR team builds on the findings and recommendations of the external auditor, and as a result there is significant overlap in the actions and activities required by both. In order to streamline management and reporting arrangements, and maximise the efficient use of limited resources,

the Governance Improvement Programme will be rolled into the overall Recovery and Improvement Programme.

The actions contained within the PIR Action Plan are included within Themes Five and Three.

### Updated Constitution

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Nottingham City Council's Constitution has been the subject of review since October 2020, following the adoption by Full Council of the Action Plan in response to the PIR.

This work focuses primarily on the Committee structure and functions, and on their Terms of Reference. This work will now continue alongside a comprehensive rewriting of the whole Constitution, with the aim of simplifying it and enabling the Council to make effective decisions, and implement the broader change programme at the rate required.

This work will emphasise the separation and independence required between the Executive and Non-Executive roles within the Constitution, and strengthen the roles of the Overview & Scrutiny Committee and Audit Committee.

In addition, all Members and Officers will need to undertake mandatory company director training to reinforce their roles and responsibilities, before acting as a company director of a council owned company.

## Member / Officer Roles & Responsibilities

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The NSR has highlighted the need to bring greater clarity to the different roles of Councillors and Officers, and their responsibilities to the organisation as a whole. A new Member/Officer Protocol will be adopted to establish a shared set of expectations for Officers and Councillors.

## Review of Portfolios

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A refreshed portfolio structure that reduces overlap.

The review will support the Leader of the Council in the delegation of executive roles and responsibilities, giving clarity of purpose, avoiding cross over of duties where possible, and avoiding gaps in responsibility.

## Member Development Programme

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The elected members of the City Council have a unique and central role. They are individuals elected by citizens to set the policy agenda for the Council, are the ultimate decision makers, and in turn are accountable to the public.

The Council is committed to investing in ongoing support to the role of Councillors, building on their existing knowledge, community links and skills base.

The additional support offered by the LGA and other authorities, and the opportunity to discuss the experience of Members in similar authorities with members of the Improvement and Assurance Board, will create an opportunity for Councillors to examine how they apply their experience and local knowledge to

the policies and services benefitting local people, in the new Nottingham context.

## Key Objectives

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- To establish and embed best practice principles of corporate governance throughout our decision-making processes and Constitution.
- To provide clarity of the complementary roles of Officers and Councillors, and establish clear lines of accountability including the adoption of a new Member/Officer Protocol.
- To establish clear and well understood boundaries between the responsibilities of Officers and of Councillors.
- To ensure Executive and Non-Executive committees are able to fulfil their respective roles through clarification of their terms of reference.
- To simplify the current Portfolio groupings to reduce overlap.
- To simplify decision making during the delivery of this plan.

## Key Deliverables

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The outputs that will be delivered through this work-stream will be:

- A new Member / Officer protocol.
- Revised terms of reference for Council Committees.
- A modernised Constitution.
- Committee development programme.
- Review of Portfolios.

## Key Activities

The key activities of this work-stream are:

- Consultation with the Executive and Committee Chairs.
- Sourcing external specialist support.
- Producing documentation.
- Formal approval/adoption processes.
- Communication/training on changes to processes and procedures.

- Scheduling and delivery of training packages.

## Key Risk

- Availability of specialist support within the required timescale.
- Remote delivery of training and DPIA requirements.
- Lack of clarity/awareness of new roles or procedures among Councillors or Officers.
- Unintentional delays to decision-making, or the creation of bottle necks because of constitutional changes.

## Actions

Work-Stream	Actions/Milestones	Timescale
Member / Officer Roles and Responsibilities	Adoption of new Member Officer Protocol.	Jan-2021
Member Development Programme	Committee Development Programme established.	Q2 2021/22
	Completion of Year 1 Committee Development Programme Delivery.	Q4 2021/22
Review of Portfolios	Completion of Portfolio Review.	Mar-2021
Updated Constitution	Adoption of revised Overview & Scrutiny Terms of Reference.	Jan-2021
	Adoption of revised Companies Governance Executive Sub-Committee (Shareholder Panel) Terms of Reference.	Mar-2021
	Adoption of revised Audit Committee Terms of Reference.	Mar-2021
	Adoption of standardised ToRs for all Committees.	Q1 2021/22

Work-Stream	Actions/Milestones	Timescale
	Review of Scheme of Delegation.	Q1 2021/22
	Review of Financial Regulations.	Q1 2021/22
	Update of Management Structure (to follow Officer restructure).	Q2 2021/22
	Review Procedures and Standing Orders.	Q1 2021/22
	Redraft of New Constitution.	Q1 2021/22
	Formal adoption of Constitution.	Q2 2021/22

### Accountability

Lead Councillor	Deputy Leader of the Council, supported by cross party member working group.
Lead Officer	Director of Legal & Governance.

## Theme Six: Organisation & Culture

The Council recognises that in order to drive change at the pace and scale required, we must first ensure that we are able to establish clear organisational goals and individual accountabilities, and have effective mechanisms of monitoring and control.

It is equally important that we recognise the strengths of our workforce, and put in place the support to help our people build on their existing skills and experience.

### Setting Top Level Goals

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The City Council will adopt the procedure outlined in the Joint Negotiating Committee (JNC) for Chief Executives, in order to ensure that the targets set by the Leader for the Chief Executive can effectively flow through the senior officer structure, which in turn will allow the Chief Executive to hold senior officers to account for the delivery of the Council's priorities.

This will support the delivery of the organisation's goals by identifying and clarifying the key objectives, priorities and targets of the Council, and appropriate timescales for their achievement over the period of this plan and in each year.

A clear appraisal process for the Chief Executive will enable a clear cascade of responsibility through the Chief Executive to the rest of the officer structure, which will underpin performance management of the whole organisation.

### Simplifying the Officer Structure

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To ensure these objectives have clear ownership and can be cascaded effectively, the Senior Officer structure will be simplified. The Chief Executive will bring forward proposals for a high level restructure of the organisation to provide greater clarity and focus to the responsibilities of the Corporate Leadership Team.

### Performance Management Framework

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An effective performance management framework (PMF) is integral to the effective delivery of the plan and priorities, as well as clear accountability and good governance.

In the first six months of the plan, the City Council will develop a new performance management framework establishing clear accountability for the delivery of outcomes, and providing an effective and efficient mechanism for enabling and managing performance.

A refreshed Council Plan, new policy framework, and an associated performance management framework are substantial contributors to the ability of Nottingham City Council to deliver good governance and accountability from the top to bottom of the organisation.

## Culture & Workforce Development

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We recognise that changes to structures and performance management arrangements will not in themselves lead to organisational change without the right culture and individual behaviours in place.

For this reason, the Recovery & Improvement Plan will prioritise the delivery of a far reaching and meaningful cultural transformation programme, supported by the Local Government Association, taking full account of the council's absolute commitment to equality, diversity and inclusion.

This will clearly articulate both the current prevailing culture and the desired culture, as well as providing sharp focus to the individual behaviours and competencies that need to change or be developed.

Nottingham City Council also recognises that the scale and pace of change required will place a significant draw on capacity while the organisation seeks to reduce the overall size of the workforce.

The external support available through sector partners including the LGA, CIPFA and other local authorities, and the external members of the Improvement and Assurance Board, will help develop and shape our approach, however there will also be a need to develop or acquire the additional skills and resource levels required in the short term.

The Recovery and Improvement Plan should also be seen as an opportunity for Officers and Councillors to develop new skills and experiences which can benefit the organisation in the longer

term and where possible, we will use the workforce development programme to support this process.

## Key objectives

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- Establish a clear set of organisational goals and the mechanisms to hold the Chief Executive to account, and through the Chief Executive to hold Senior Officers to account for their delivery.
- Ensuring that these goals can be embedded within the activities of the organisation as a whole through clear and effective lines of accountability.
- Provide officers with clarity of focus and easily understood remits for delivery.
- Developing the framework and mechanisms to connect top level organisational aims with individual actions and objectives.
- Create a sharper focus on performance for everyone in the Council and set clear expectations for colleagues.
- Celebrate and build on the local knowledge and passion of Councillors in advocating for their communities as part of a culture that champions Nottingham and its people.
- Set a new standard for personal responsibility and behaviour, and recast the cultural norms of the whole organisation.

## Key activity

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- Reviewing the current organisational aims and establishing an agreed set of priorities for the next three years.

- Revising and simplifying high level officer structure.
- Developing a performance management framework using Outcome Based Accountability.
- Establishing dedicated resource to support effective corporate management of performance.
- Scoping and commissioning an Officer Development Programme.
- Embedding the new performance management framework and culture across the Council.

### Key deliverables

- Top tier Officer restructure.
- CEX performance appraisal procedure.
- Performance Management Framework.
- Officer Development Programme.

### Key Risks

- Skills retention during transformation.
- Adverse impact on colleague morale.
- Change resistance.
- Failure to use the Performance Management Framework and Council Plan effectively within the decision making framework – in other words introduction of new activities without consideration of what needs to change in the PMF and Council Plan.
- Lack of engagement and buy in from senior officers and executive councillors, meaning performance management is not taken seriously enough.
- Failure to agree a refreshed Council Plan means the new PMF does not capture/reflect core council activity, leading to lack of oversight and accountability..
- Failure to provide the resources specified within this plan to ensure the PMF can be successfully delivered, resulting in incomplete, inaccurate and failing performance management.

### Actions

Work-Stream	Actions/Milestones	Timescale
Setting Top-Level Goals	Adoption of CEX Performance Appraisal Procedure.	Mar-2021
Simplifying the	ACOS report 1 on Corporate Director structure.	Feb-2021

Work-Stream	Actions/Milestones	Timescale
Officer Structure	Engagement on Corporate Director proposals.	Q1 2021/22
	Complete outstanding Corporate Director appointments.	Q1 2021/22
	LGA to facilitate an external review of HR practice re EDI focused on recruitment/ selection/progression.	Q1 2021/22
	Stage 1 - facilitated dialogue.	Q1 2021/22
	Stage 2- advisory work recommendations.	Q1 2021/22
	ACOS report 2 on Director HOS structure .	Q2 2021/22
	Director / Head of Service appointments (as required).	Q2 2021/22
Performance Management Framework	Internal review of approach to creating new Performance Management Framework.	Jan-2021
	Core Group comments on and agrees work stream's recommended approach to creating a new PMF and Council Plan.	Jan-2021
	Engagement: <ul style="list-style-type: none"> <li>· Agree methodology at CLT and nomination of lead officer(s) for each department.</li> <li>· Agree methodology with Leadership.</li> <li>· Agree methodology with Executive Councillors.</li> <li>· MHCLG Improvement and Assurance Board comment on proposals.</li> </ul>	Feb-2021
	Departments (through agreed Departmental Lead) to establish representative sample of statutory indicators.	Feb-2021
	Departmental leads to seek sign-off/approval of indicators via PFHs.	Feb-2021
	Draft Performance Management Framework Developed on Statutory Indicators, plus retained elements of the existing CP.	Mar-2021
	Engagement: <ul style="list-style-type: none"> <li>· CLT comment on and agree draft PMF.</li> <li>· Leadership comment on and agree draft PMF</li> </ul>	Mar-2021
	PFHs sign-off the PMF (Outcomes, Priorities and Outputs) that Departments have developed and will	Apr-2021

Work-Stream	Actions/Milestones	Timescale
	target for delivery. PFHs review and comment on the new Plan and agree the impact on their Portfolio.	
	Consult Improvement and Assurance Board on PMF.	Apr-2021
	PMF and CP formally adopted at Full Council.	Q1 2021/22
	Cascade CEX targets to corporate directors.	Q2 2021/22
	Design and Deliver Individual Performance Management Framework.	Q2 2021/22
	Establish objectives and outcomes for Directors and Heads of Service - to include cascade targets from Corporate Plan outcomes and CEX targets (IPR package 2).	Q2 2021/22
	Embed the Director / HOS individual performance framework.	Q3 2021/22
	Design a toolkit to support the new individual performance framework.	Q3 2021/22
	Briefings to all leaders / managers on the individual performance management framework.	Q3 2021/22
	Design and deliver an Individual Performance Framework for non SLMG roles that reflects the outcomes based Corporate Plan Framework and future capabilities / behaviours / performance expectations.	Q4 2021/22
Culture & Workforce Development	Develop and agree Leadership Capability Framework (LCF).	Feb-2021
	Culture mapping - Senior Leadership.	Feb-2021
	Culture mapping – Frontline.	Mar-2021
	CLT session to agree, values and future culture message map and vision.	Mar-2021
	Design comms and message mapping re future desired culture and vision.	Q1 2021/22
	Deliver comms plan and engagement activities re future culture and vision	Q1 2021/22
	Design and Deliver an individual performance management framework (IPR) for Corporate Directors, (IPR package 1)	Q2 2021/22

Work-Stream	Actions/Milestones	Timescale
	Seek LGA resources to fund a coaching (coaching for performance) programme for Corporate Directors / CLT. CEX to determine the remit and use to support cascading of targets.	Q1 2021/22
	Develop Leadership Capability Framework including competencies and behaviours for Directors and SLMG roles, cascading from package 1 (LCF package 2) Creating a clear leadership capability framework that ensures a wide leadership cohort that is fit for the future.	Q2 2021/22
	Comms/Engagement activities re new message mapping and vision, including identification of Change Champions - ongoing. CLT and Directors to be actively involved in messaging and engagement to support and drive the organisational changes) sessions, briefings events to organised and mapped.	Q2 2021/22
	Seek LGA resources support culture change to procure and fund a Leadership Development Programme to support the new leadership capability framework. For Directors / HOS.	Q3 2021/22
	Seek LGA resources to procure and fund an Accelerated Development Programme for people with protected characteristics, to support NCC EDI ambitions.	Q3 2021/22
	Develop non SLMG Leadership Capability Framework, role descriptors to reflect desired behaviours, values, competencies (LCF package 3).	Q4 2021/22
	Develop and deliver non-SLMG workforce performance review (IPR package 3).	Q4 2021/22

## Accountability

Lead Councillors	Portfolio Holder for Health, HR and Equalities and Portfolio Holder for Children and Young People.
Lead Officer	Chief Executive, with Director for HR and OD.

## Theme Seven: Delivery Options

The formation of a refreshed Council Plan developed under Theme Eight will provide a sharp focus on the outcomes that are most important to the Council and the City. In order to maximise our ability to deliver against these ambitions, it is essential that the Council makes best use of all the tools available to us.

### Procurement Strategy

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The Council's buying power is already used to secure best value in the services and products it buys. In order to maximise the gains achievable through intelligent procurement, the Council will review all services to identify opportunities to benefit from the economies of scale achieved by a range of providers.

While all Council services will be evaluated, particular focus will be given to:

- Highly specialised services.
- Low volume services with high fixed overheads or capital cost.
- Services that perform beneath industry benchmarks.
- Services with a disproportionately high management overhead.

In addition, the Council will review existing practise and future opportunities for standardising product specifications and

procurement requirements, and joint procurement with partner organisations.

### People Services and Commissioning

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The City Council delivers vital, statutory services that support and protect our most vulnerable children and adults in the city. The rising costs of care present a significant challenge to Local Government and the NHS, and while there are many things we can and will do to manage costs which are listed in this plan, we also recognise the need for a more fundamental and systemic change.

Local Government as a sector has pioneered new models of care which place greater emphasis on understanding the strengths of individuals within a community. These aim to support people to live independently for longer and create the conditions and environment in which children and families can thrive. We want to learn from the best examples of this innovation to develop services for people that produce better outcomes and are also financially sustainable.

We are realistic about the time and sustained effort this will require, and the need to work in partnership with citizens, communities and care organisations. There will be a need for additional action in the short term.

We have already started work on redesigning ways of working, seeking to move to a “strengths based” practice model, and delivering more of our services in partnership with others.

We will also examine how best to use integrated commissioning (covering Adults, Children’s and Public Health services) to deliver better services and outcomes for service users.

This work-stream will focus on:

- Different ways of working in Adults, Children’s and Public Health services.
- Moving Adults and Children’s services to a “strengths-based” practice model.
- New delivery pathways, including delivery through partnerships (e.g. through integrated community health and care).
- Outcome based and integrated commissioning of services between Adults, Children’s and Public Health, and key partners such as the NHS.”

## Reshaping Frontline Delivery

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The Council operates a number services where financial and operational performance exceeds sector averages, and/or where the Council is uniquely placed to deliver best value to citizens.

Through a review of directly delivered services, the Council aims to build on these core competencies and strip out duplication or overlap between different service offers.

The review of companies and externalised Council services will provide further opportunities to de-layer management structures and strip out waste from our processes.

Maintaining a strong core of universal service provision is vital to the health and wellbeing of Nottingham’s communities. It can also form part of a coherent early intervention strategy by building community capacity alongside effective universal services.

The Covid-19 pandemic has necessitated a rapid reconfiguring of services and reimagining the roles of various Council functions in demand management for health and social care services.

The review of frontline service provision will also consider the changed context in which frontline services are delivered, the new opportunities to support local community groups and volunteers, and the changing needs of our citizens.

## Rationalisation of Customer Access Channels

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Nottingham City Council recognises the opportunities for improving citizen outcomes and experiences while reducing cost through the wide spread adoption of digital processes.

Nottingham has already made progress in terms of channel shift and simplifying transactional processes, however this has not been sufficiently wide spread and systemic to realise the full scale of potential benefits.

The recent rapid development of new digital processes to support the Shielding Scheme for vulnerable residents has demonstrated the transformational potential of existing

technologies, and the existing capabilities within the organisation to successfully apply them.

The Digital Strategy work stream, which will run in parallel to the other elements within this Theme, will rapidly consolidate all transactional activity and electronic and telephone contact with citizens, and systematically redesign them to a common digital standard.

## Key Objectives

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- To maximise our ability to achieve our priority outcomes by increasing the efficiency of service delivery.
- To rationalise and simplify our modes of delivery and influence under a coherent strategy.
- To build on existing core capacity and capabilities in those areas where we excel.
- To reduce the administrative overheads associated with complex and inconsistent delivery methods.
- To make the most of the digital tools at our disposal to make it easier for citizens to transact with the Council, promote a viable self-serve model and reduce duplication.

## Key Deliverables

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The outputs that will be delivered through this work-stream will be:

- Procurement plan for 2021-2023.
- Service benchmarking.

- Consolidated contact centre.
- Digitalisation of existing paper processes.

## Key Activities

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The key activities of this work-stream are:

- Review of current services performance.
- Review of market conditions and opportunities for bought services.
- Production of service specifications and current contract performance across bought in services.
- Cost/benefit analysis of existing services delivery methods.
- Mapping of customer contact points and restructuring of existing contact centre (and similar) teams.
- Redesign of transactional processes.

## Key Risk

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- Data availability and quality for comparative analysis.
- Availability of sufficient resources for the client role and contract management.
- Provider failures/financial distress associated with the current pandemic.
- Change resistance.
- GDPR compliance.
- Payment card industry compliance.

→ Resilience of IT infrastructure.

## Actions

Work-Stream	Actions/Milestones	Timescale
People Services and Commissioning	Complete review of high-cost commissioned services and internal provision for Adult Social Care.	Mar-2021
	Development of Children's Social Care workforce development programme.	Mar-2021
	Development of Participation and Engagement strategy for Children's Social Care.	Mar-2021
	Produce scope for review of commissioning to identify opportunities for integrated commissioning and outcome based commissioning.	Mar-2021
	Development of brokerage model for People Services.	Q1 2021/22
	Establishment of Locality Learning Events for Children's Services.	Q1 2021/22
	Undertake review and strategic alignment of the Family Support Pathway, Partnership Workforce Strategy and partnership governance arrangements.	Q2 2021/22
	Development of Adult Social Care workforce strategy.	Q3 2021/22
	Complete refresh of the Children's Services Commissioning Programme.	Q3 2021/22
	Complete review of placement commissioning.	Q3 2021/22
Procurement Strategy	Development of Carers Strategy.	Q4 2021/22
	Refresh of procurement forward plan for 2021/22.	Q1 2021/22
	Develop and implement training, policy and procedural requirements for post EU procurement.	Q3 2021/22
	Implementation of contracts management audit outcomes.	Q2 2021/22
	Review 'make or buy' decision making processes and evaluation criteria.	Q2 2021/22
Implement the Contract Purchase Agreement function within Oracle Fusion to ensure that all spend is identified and then review all expenditure where contracts have not been procured.	Q4 2012/22	

Work-Stream	Actions/Milestones	Timescale
	From the spend data review all expenditure and identify opportunities to amalgamate spend and standardise product specification.	Q4 2012/22
	Review procurement by NCC companies and consider options for bringing requirements together.	Q4 2012/22
Rationalisation of Customer Access Channels	Establish framework for consistent operating model.	Q1 2021/22
	Agree vision, principles and measurements. Agreement on what best value means.	Q1 2021/22
	Consultation, draft, agree and adopt CLT/Leadership.	Q1 2021/22
	Each department to agree to framework through DLTs.	Q1 2021/22
	Agile sprint groups established in each directorate, consultation with stakeholders and schedule programme of rapid review of processes reporting progress through governance arrangements with RAG ratings of findings.	Q1 2021/22
	Agree savings target and business case for any required investment.	Q2 2021/22
	Map current customer access points, journeys and demand volume.	Q2 2021/22
	Establish ongoing schedule based on RAG rating of current performance (R to be prioritised).	Q2 2021/22
	High level information around each service's processes and more granular information at process level. This will be ongoing and pace will be dictated by size of operation, speed of decisions etc.	Q2 2021/22
	Completed Red rated process redesign.	Q3 2021/22
	Review outcomes against business case assumptions and savings target.	Q4 2021/22
	Complete Amber processes and move and complete Green.	2022/23

## Accountability

<b>Lead Councillors</b>	Portfolio Holder for Communities, Highways and Strategic Transport, Portfolio Holder for Leisure, Culture and IT, and Portfolio Holder for Adult Care and Local Transport.
<b>Lead</b>	Strategic Director of Finance in conjunction with the Corporate Director of People.

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Officer

## Theme Eight: Council Plan

The Council Plan 2019-23 set out the vision for improving our great city while keeping citizens at the heart of everything we do. It is about the future of our city for all who live, work, study, invest and visit here, and is rooted in straightforward values of fairness, inclusivity and equality.

This vision and ambition for the city and its people is unchanged, however the context in which we operate has changed dramatically since 2019, not least, as a consequence of the social and economic impacts of Covid-19. It is clear that if we are to achieve our aims and live up to our aspirations for Nottingham, we must be prepared to rethink what we do and how we do it.

Nottingham City Council will develop a refreshed policy framework, the Council Plan, reaffirming our vision for the next three years, taking full account of the council's absolute commitment to equality, diversity and inclusion, while also ensuring it is deliverable within a reduced funding envelope.

This document will include:

- A clear vision for the City and Council and our strategic priorities for the next three years.
- A robust policy framework to deliver against our priorities within the available resources.
- Effective internal controls and management arrangements to ensure we remain able to fulfil our statutory duties.

### Refresh of Council Plan 2019-23

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The current council plan is made up of a range of activity and commitments. It is a mix of high level indicators, performance measures and actions. We will develop a revised Council Plan for 2019-23 that reflects the City Council's budgetary position over the short and medium term.

We will review the commitments in the current plan against the funding and resources available, confirm our high-level outcomes for the refreshed plan, and include the council's statutory and transformation activity that supports those outcomes. The refreshed Council Plan will provide greater focus on the core and statutory services and activities the Council needs to provide to support our local people, places and partners.

### Key Objectives:

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- The refreshed Council Plan will set out the operating context for the Council, the high-level needs in the city, and our vision for Nottingham, clearly articulating our role in delivering on that.
- The new Policy Framework and refreshed Council Plan 2019-23 to include all of the council's activities to ensure that our whole organisation's performance is visible and managed through the governance and accountability frameworks.

- Establish high-level outcomes using outcome based accountability, with a series of detailed measures under each outcome, so that service activity/outputs are clear, and services are accountable for their contribution to our overall strategic goals.
- Enable performance management at all levels through a “golden thread” that runs from the overall strategic aims and objectives at the top of the organisation, and the outcomes of the refreshed Council Plan, down to service plans and individual colleague appraisal objectives. This will ensure that operational performance and risk has a line of sight to the overall reporting of the council plan performance, as well as clear accountability for the delivery of activities in the plan.
- Enable a strong link to financial performance, corporate risk and our workforce and corporate health. In this way the PMF can enable us to look at performance in association with financial, risk and workforce plans.
- Enable the appropriate performance management of the Chief Executive and Corporate Directors against priorities which can then flow into business plans and team performance objectives.
- Be clear to citizens, businesses and stakeholders what our priorities are and where our resources are directed.
- Explain the governance and accountability mechanisms to ensure the delivery of the plan and to enable citizens to hold us to account.

## Key activity

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- Develop an agreed methodology and scope for re-prioritising the commitments in the current Council Plan to 2023.
- Develop a core of 20-30 outcomes, each with a range of priorities, indicators and clear accountability for delivery.
- Develop a refreshed Council Plan that includes:
  - The vision and operating context of the council.
  - Current Council Plan pledges (revised).
  - All statutory responsibilities (organised around key outcomes).
  - New areas of responsibility and action resulting from Covid19 (organised around outcomes).
  - Details of the transformation activities to put the Council onto a sustainable footing.
  - Details of the governance and accountability framework.
  - A statement about our current financial position and how it impacts the above.

## Key Deliverables

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- A refreshed 2019-23 Council Plan.
- A new Policy Framework for the City Council.

## Key Risks

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- The revised Council Plan and new Policy Framework failing to sufficiently take account of both the needs of citizens and

businesses in Nottingham, and the views of the Improvement and Assurance Board.

- Concerns raised in the context of any departure from the existing policy framework.
- The new Performance Management Framework being insufficiently developed (See Theme Six), resulting in a lack of

ability to demonstrate progress against a revised policy framework.

- The ongoing impact of Covid-19 and other changes and impacts deriving from the national policy context.

## Actions

Work-Stream	Actions/Milestones	Timescale
Review and refine existing policy framework and Council Plan	Develop an agreed methodology and approach with political leadership for refreshing the Council Plan in the context of a revised funding envelope, the Recovery and Improvement Plan and the unprecedented challenges of Covid-19 to 2023.	Jan-2021
	MHCLG Improvement and Assurance Board comment on proposals.	Feb-2021
	Seek input and best practice from the LGA and other Core Cities to ensure that our plans take account of learning from elsewhere.	Feb-2021
	Based on agreed list of statutory departmental indicators and the retained Council Plan 19-23 priorities - Set out 20-30 outcomes, as part of an Outcome Based Accountability approach, each with a range of performance indicators, priorities, and outputs, with clear accountability for delivery.	Mar-2021
	Using the outcomes developed as a basis, map a proportionate and indicative set of measures from NCC's statutory duties as further priorities, indicators and performance measures to provide a clear high-level view of the Council's performance against statutory requirements.	Mar-2021
	Use the new MTFP to set the resource envelope for the Council Plan and thereby check the deliverability of the proposed outcomes.	Mar-2021
	Bring the agreed outcomes, priorities, statutory indicators and performance measures together so that a whole organisation approach is firmly developed in the first draft of the refreshed Council Plan.	Mar-2021

Work-Stream	Actions/Milestones	Timescale
	A public consultation on the draft plan could be conducted to allow Nottingham's people, businesses and other key stakeholders to set out their view on what NCC should prioritise.	Mar/Apr 21
	The new recovery Council Plan is formally adopted at Full Council and the Performance Management Framework is embedded in the practice of officers and Portfolio Holders so that the golden thread flows through the CEX's objectives, the refreshed Council Plan, and through departmental and service plans into individual objectives.	Q2 2021/22

### Accountability

Lead Councillors	Deputy Leader in partnership with whole Executive.
Lead Officer	Chief Executive.

## Glossary of terms

- ACOS - Appointments and Conditions of Service
- ALMO – Arm’s Length Management Organisation
- BBS – Balanced Business Scorecard
- CEX – Chief Executive
- CGESC – Companies Governance Executive Sub-Committee
- CfGS – Centre for Governance and Scrutiny
- CIPFA – Chartered Institute of Public Finance and Accountancy
- CLT – Corporate Leadership Team
- CR – Compulsory Redundancy
- C Tax – Council Tax
- DH – District Heating
- DLT – Departmental Leadership Team
- EDI – Equality, Diversity and Inclusion
- EE – Enviroenergy
- EIA – Equalities Impact Assessment
- FRI – Full Repair and Insuring Lease
- GDPR – General Data Protection Regulation
- HIA – Health Impact Assessment
- HOS – Heads of Service
- HR – Human Resources
- IT – Information Technology
- IPR – Individual Performance Framework
- ITP – Integrated Transformation Programme
- LCF – Leadership Capability Framework
- LEP – Local Economic Partnership
- LGA – Local Government Association
- LTA – Lawn Tennis Association
- MHCLG – Ministry for Housing, Communities and Local Government.
- MTFP – Medium Term Financial Plan (see also MTFS below)
- MTFS – Medium Term Financial Strategy
- NCC – Nottingham City Council
- NCH – Nottingham City Homes
- NHS – National Health Service
- NRB – Nottingham Revenue & Benefits
- NSR – Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG.
- PAG – Project Assurance Group

- PID – Project Initiation Document
- PIR – Public Interest Report on Robin Hood Energy (see RHE)
- PMF – Performance Management Framework
- PMO – Programme Management Office – a support function to the Officers accountable for delivering elements of the plan
- PoS – Point of Sale
- PW – Private Wire
- Q1, Q2, Q3, Q4 – Quarter 1 (April to June), Quarter 2 (July to September), Quarter 3 (October to December, Quarter 4 (January to March).
- R&IP – Recovery & Improvement Plan
- RAG – Red, Amber, Green performance management ratings
- RHE – Robin Hood Energy
- RSG – Revenue Support Grant
- SE – Shareholder Executive
- SLMG – Senior Leadership Management Group
- TBC – To Be Confirmed
- TOR – Terms of Reference for a Committee or Board.
- TUPE - Transfer of Undertakings (Protection of Employment)
- VfM – Value for Money
- VR - Voluntary Redundancy

## Index of High Level Deliverables

MHCLG Theme	PRODUCT/OUTCOME	TIMESCALE	Plan Theme / Section	Location
Assurance	<b>Improvement Board established</b> The Board will be in place to challenge, support and improve performance, with the first meeting in January, to agree a commentary on the Council's recovery plan when it is submitted to the Secretary of State, and a forward plan of work to support quarterly evidenced based progress reports.	December 2020		8
Assurance	<b>A three-year recovery plan submitted to the Secretary of State</b> With actions, milestones and accountabilities to restore the financial viability of the Council's capital programme and revenue budget.	January 2021		
Finance	<b>A robust three-year medium-term financial plan</b> With actions to end the reliance on annual budget setting and a plan to restore financial resilience, including through long term cost reduction and building reserves (targets should be included for capital receipts).	January 2021	MTFS	21
Finance	<b>A robust draft budget for 2021/22</b> With a clearly identified funding gap/ask and evidence of significant measures already included to close that gap, including asset disposals.	February 2021	MTFS	21
Finance	<b>A detailed savings plan</b> Including a schedule of who is responsible for each identified saving, an implementation plan, and a description of the process the council will put in place for generating further savings (star chamber model).	January 2021	MTFS	21
Finance	<b>Updated Council Plan</b> To update the council's policy framework and revise its operating model to show clearly that the council can meet its statutory	June 2021	Council Plan	55

	requirements; and that delivery plans have regard to its medium-term financial strategy.			
<b>Finance</b>	<p><b>A detailed asset disposal strategy</b> Including a review of capital assets and a disposal plan. This will include a detailed plan to deliver a very significant increase in capital receipts, for both General Fund and Housing purposes, to fund existing schemes and to fund or co-fund a capitalisation Direction. It will also detail assets or commercial ventures which should be exited, owing to a lack of expertise or rationale for remaining involved. In both cases, the plans will need a clear timetable.</p>	April 2021	Asset Disposal	26
<b>Finance</b>	<p><b>Debt Management Strategy</b> This should reflect an annual step down in external borrowing and include a commitment to quarterly returns on asset disposals.</p>		Capital Programme & Debt Management	34
<b>Governance</b>	<p><b>Council adopts an updated constitution</b> To clearly define roles and responsibilities of members and officers, the framework within which they operate, decision-making processes, performance management and procedures within the Council.</p>	June 2021	Constitution	39
	Reducing or eliminating overlap in Cabinet portfolios, with one Member with specific responsibility for performance and citizen experience.	June 2021	Constitution	40
	Identifying specific skill requirements, training and development needs, as well as potential conflict of interest issues, for Councillors appointed to statutory Committees including Planning, Licensing, Appeals and Audit and Scrutiny, and also to Company Boards, including appointments to Non-Executive Company Chair roles.	June 2021	Constitution	40
	A revised Member Officer protocol clarifying roles and responsibilities as between members and officers.	June 2021	Constitution	40
	A simplified officer structure incorporating a new senior leadership	June 2021	Organisation	43

	structure with sufficient seniority for strategic financial management (the S151 officer and the Monitoring Officer to report directly to the CE). This structure must ensure that Statutory Officers have effective control and/or oversight of the professional functions that provide advice to the Council. The Chief Executive to ensure sufficient permanent and interim management capacity in place to drive recovery plan at pace			
	Implementing the procedure outlined in the Joint Negotiating Committee for Chief Executives, publishing the targets and performance measures agreed and cascading these into the direct reports and to the bottom of the officer structure, with appropriate mechanisms for the Chief Executive to hold officers to account	June 2021	Organisation	43
	Identify and initiate workforce development and cultural change programme for senior officers	June 2021	Organisation	44
	Adopting a standard model of delivery or using the benefits of corporate purchasing.	June 2021	Delivery Options	49
	Clarity on the role of the Audit Committee and adopting relevant Redmond recommendations	June 2021	Constitution	40
	Reforming the working practices of the Overview and Scrutiny Committee so it aligns with best practice, including the Vice Chair to be held by an opposition member.	June 2021	Constitution	40
<b>Commercial</b>	<b>Assessment of the Council's group of companies</b> Include an assessment of which would be unlawful to bring back in-house, and a VfM assessment of current company ownership arrangements vs managed exits, with the aim of reducing risk, cost and avoiding unnecessary duplication. The conclusions should be integrated within the medium-term financial planning.	January 2021	Companies	30
<b>Commercial</b>	<b>Decisions on each company</b> Decisions on the future status of each company within the Council's	Outline Jan 2021, final	Companies	30

	group of companies, including careful sequencing and prioritisation of these decisions.	plan June 2021		
<b>Commercial</b>	<p><b>Decisions relating to Enviroenergy</b> Council to urgently review and determine the future of their district heating scheme, linked to the incinerator investment. Further to this, the Council must develop and implement an investment plan to ensure that residents have heating now and in the future in line with government commitments on climate change and carbon emissions.</p>	June 2021	Companies  Capital Programme & Debt Management	30 31 34
<b>Commercial</b>	<p><b>Policy statement on roles and responsibilities of nominated non-executive directors and shareholder representatives</b> This statement will also be reflected in the updated constitution. It should establish a common core element for the shareholder agreement together with the company specific elements and effectively impose it onto the companies they retain. It should also commit the Council to increasing its' capacity and capability for managing their commercial operation.</p>	June 2021	Companies	31
<b>Commercial</b>	<p><b>Council to develop new officer shareholder executive function to support and challenge the Companies Governance Executive Sub-Committee</b> The officer group's functions should include: reviewing financial and operational performance; acting as the loan committee for the council; identifying ways to drive down costs and increase dividends or reduce losses held on balance sheets.</p>	January 2022	Companies	31

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