

Nottingham City Council

Overview and Scrutiny Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 3 November 2021 from 2.03 pm - 4.32 pm

Membership

Present

Councillor Anne Peach (Chair)
Councillor Georgia Power (Vice Chair)
Councillor Carole McCulloch (Vice Chair)
Councillor Patience Uloma Ifediiora
Councillor Gul Nawaz Khan
Councillor Jane Lakey
Councillor Sajid Mohammed
Councillor Toby Neal
Councillor Ethan Radford
Councillor Angharad Roberts
Councillor Andrew Rule

Absent

Councillor Audra Wynter

Colleagues, partners and others in attendance:

Sir Tony Redmond	- Chair of the Improvement and Assurance Board
Councillor David Mellen	- Leader of the Council
Councillor Sam Webster	- Portfolio Holder for Finance and Resources
Mel Barrett	- Chief Executive
Clive Heaphy	- Interim Corporate Director for Finance and Resources
Laura Wilson	- Senior Governance Officer
Kate Morris	- Governance Officer

36 Apologies for absence

Councillor Audra Wynter – Personal

37 Declarations of interests

None.

38 Minutes

The minutes of the meeting held on 6 October 2021 were confirmed as a true record and were signed by the Chair.

39 The Council's Budget

Councillor Sam Webster, Portfolio Holder for Finance and Resources, and Clive Heaphy, Interim Corporate Director for Finance and Resources gave a presentation to the Committee on the Council Budget focusing on in year pressures, consideration of the financial context and the Council response. During the presentation, the following points were highlighted:

- (a) Each year a budget is allocated to services across the council. Some of these are discretionary services some are statutory. Once the budget is set it is tracked and monitored throughout the year and it is normal that there are in year variations, however during 20/21 and 21/22 there have been greater variations due to changes in demand for some services as a result of Covid 19. These variances will cause cost pressures going forward;
- (b) The biggest demand on the budget is currently from Children in Care services. The Council is working to see how this demand will project into the future and how funds can be spent on services across the Council;
- (c) The 21/22 budget was set against a very challenging backdrop. There were losses because of the sale of interests in Robin Hood Energy and the pressures of Covid 19, in particular income loss and increased cost of some services. There was the Public Interest Report, the Government rapid review lead by Max Caller, and an interim budget from 19/20 with £71 million negative variances. There was the successful request for capitalisation of £20million for the 21/22 budget, and the end of year 20/21 budget £18million underspend that still resulted in a £53million overspend on the original budget. This created significant pressures and difficulty for setting the 21/22 budget because of these scarring effects;
- (d) The In-year forecast for 21/22 shows an overspend. The pressure on demand for Children in Care costs continues to rise due to increased cost of placements and complexity of care requirements. This is a similar scenario to all of the Core Cities, who are seeing pressure on both Children and Adult care budgets;
- (e) The Chancellor has indicated that a precept of 1% can be added to Council Tax to help councils fund Adult Social Care. Nottingham has a traditionally low Council Tax Base and high demand for Adult social care and so funding is still a budget pressure;
- (f) Nottingham City Council owned companies are currently show an adverse position of £2million;
- (g) On a positive note there is a better than expected "bounce back" following lifting of Covid restrictions, with residents using services, such as leisure centres and parking, which is providing a better than budgeted for income, and, as a result of grants received and favourable care purchasing budgets the Adult Services budget is currently showing a small underspend;

- (h) There has been no further borrowing by the Council and current debt is being repaid, reducing the cost of servicing it. This has further contributed to the more positive outlook in Period 5 monitoring than was anticipated;
- (i) A number of in year controls have been used to improve the financial situation.
 - A new finance system has been introduced to make recording easier and more efficient.
 - Specialist training by the Chartered Institute for Public Finance and Accountancy has been given to members and officers highlighting the joint responsibility for a financial accountability.
 - Quicker reporting and more accountability for Corporate Directors via a monthly budget review group, where pressures as well as savings can be identified early on.
 - enhanced spending controls, including recruitment freeze, and essential only spending;
- (j) These in year controls are allowing the Council to create a stable and realistic Medium Term Financial Plan (MTFP), as is common and best practice in Local authorities. This consists of a firm plan for 2 years followed by a 2 year period with an indicative plan that can more easily react and adapt to changes;
- (k) Capital expenditure is being tightly controlled, there will be no new borrowing, and the development and implementation of the Capital Board to monitor all Capital expenditure allows greater oversight and ensures expenditure remains within financial restrictions. This allows the Council to support services rather than capital borrowing;
- (l) There has been extensive work around governance of Council owned companies including lots of work with individual companies. There are now mechanisms in place to alert the Council at the earliest point if there are financial troubles forecast and a Shareholder representative group for knowledge sharing;
- (m) Councils across the country are experiencing budget pressures around rising energy costs. Various solutions to mitigate against these rises are being considered and efficiency savings are being drafted. Alongside these actions the Council is also working hard on the transformation agenda, looking at how services can be delivered differently with better outcomes for lower cost;
- (n) The budget gap looks to rise to £26million in the next four years, when taking into account the rising cost of Adult and Children care and the National pay award, as set by the government. Staffing is the Council's biggest area of spending and government negotiations with Unions is still ongoing. The Council has budgeted for the previously announced pay rise, this is being renegotiated by central government. This is not negotiated locally and the Council has no input;
- (o) The MTFP is being finalised and will be presented to the Improvement and Assurance Board at the start of November and the Executive Board in mid November which will be the start of the formal public consultation period. The final budget will be presented to Council in March having had consultation

responses considered and incorporated where appropriate and having been back through Executive Board for endorsement;

During questions and discussion the following points were made:

- (p) In the past Overview and Scrutiny have had more focus on the services and provision of services. Moving forward there will be more of a focus on scrutiny around where the demand for services is and the allocation of funding. This will allow for more openness and transparency in budget setting for Councillors and for citizens;
- (q) The roles of Audit and Scrutiny must be redefined. Audit Committee looks at the controls and systems on place for the Council, and Overview and Scrutiny must look more at service based provision. Both Committees will see the budget proposals, but Scrutiny are the Committee to hold Portfolio Holders to account for maintaining it;
- (r) Going forward the aim is to have a number of these budget sessions at Scrutiny over the year. This is the start of that process and it will become clear as more sessions take place where variances are occurring and where demand is peaking. These variances can be circulated to Committee members on a monthly basis to ensure that members are kept updated between budget sessions and to alert the Committee to any issues that may need closer scrutiny;
- (s) Committee members asked for assurance that strategic thinking was in place for the full budget proposals and that cuts were not being made in places that would then need back filling at greater expense. The Interim Corporate Director for Finance and Resources assured committee members that strategic thinking was in place and the Portfolio Holder confirmed that the proposals around budget allocation reflected the revised Council Plan. Both informed the Committee that statutory services would be met, but cuts to optional services were inevitable as a result of budget pressures;
- (t) Changes to services delivery will also be inevitable. The pandemic has offered the opportunity to rethink how services are provided and how savings can be made by moving more services to be digitally based. There will always be options for people who are not connected or technologically savvy to access services in a more traditional way;
- (u) The Council has a legal obligation to produce a balanced budget; best practice suggests a medium term financial plan of 4 years. The transformation programme will need to be scrutinised to ensure it is delivering the savings, that will contribute to the balanced budget. It is not practical to rely on reserves to balance the budget as these will deplete over time. Reserves should be used to deal with in year fluctuations and be replenished. The budget needs to reflect a “business as usual” structure;
- (v) Committee members felt that a bigger, more strategic view needed to be taken, as a Council, as to what services are provided and where savings can be made. The Portfolio Holder highlighted that the revised Council Plan was being developed and implemented and that is the strategic overview for spending;

- (w) The Council does not have the ability to set wage rates, this is done by central government. Unlike private business it is more difficult for the Council to generate enough additional income to cover wage rises and the rise in energy costs. These have to be accommodated by the budget. There has been some excellent work done by the Council's energy team to lock in lower prices until 2022 however the energy price rises will hit the budget after this period is up;
 - (x) The monthly budget review group with the Corporate Directors will allow for better control on variance and to monitor where pressure builds up. Using this monitoring along with previous years data, it will be possible to see where any reduction in cost is due to reduced demand or transformation savings. It will also be an opportunity for sharing what has been going well and, where appropriate applying that across other directorates in an effort to make further savings;
 - (y) The Interim Corporate Director for Finance and Resources informed the Committee that he was confident that the transformation programme would be successful. He added that he was confident that with proper business cases for spending, access to dashboard information on performance and finance, looking imaginatively at different methods of service delivery and the controls on capital borrowing already in place that the transformation programme would help to stabilise the medium term financial forecast. He warned that the effects would not be immediate but that they would work. Committee members questioned whether this would be sufficient to be considered working "at pace" as required by the Improvement and Assurance Board;
 - (z) Committee members were concerned about cuts to preventative services that would lead to higher demand and more pressure on statutory services, giving youth and play work as an example. They raised concerns about the erosion of services adding more pressure, and a negative feedback loop developing. The Portfolio Holder and the Corporate Director reinforced the message that services need to be rethought and delivered innovatively in order to avoid the negative spiral. The Council still has a duty to deliver statutory services and to have a balanced budget. This will result in some difficult choices;
- (aa) The most immediate effect from the transformation programme has been seen from the tight control over vacancies. Each vacancy is assessed and only recruited to if considered essential. This has produced savings for the Council already. Thanks to returning customers income from Leisure Centres is rising again and parking fees across the City are beginning to bring in more revenue as people return to normal activities;
 - (bb) The Portfolio Holder confirmed that the budget proposals were almost ready to be presented to the Executive Board in November, with a few changes required following recent national announcements.

The Chair thanks the Portfolio Holder and the Corporate Director for their full and honest discussion around issues impacting the budget. She highlighted that it was pleasing to hear that a monthly summary of the variances would be circulated to Committee members, and should any particular area be highlighted as concerning, it could be looked at more closely at a Scrutiny meeting.

The meeting was adjourned at 15:12 for a short comfort break

The meeting was reconvened at 15:18

40 Refresh of the Recovery and Improvement Plan

Councillor David Mellen, Leader of the Council and Mel Barrett, Chief Executive of Nottingham City Council presented the refresh of Nottingham City Council Recovery and Improvement Plan (R&IP) to the Committee, setting out the rational for the refresh of the Plan and seeking input from the Committee on the draft. The presentation highlighted the following points:

- (a) The first version of the plan was written at pace at the end of 2020 following the outcome of the non statutory review of the Council by Max Caller. It was written in response to the observations, recommendations and required improvements set out in the outcome of the report. That 3 year plan was then approved by the newly established Improvement and Assurance Board in January 2021;
- (b) Some parts of the plan are now outdated, and some need to be refreshed to appropriately reflect the progress made by the Council in the last 11 months. The plan needs to be adjusted and better informed, given the greater clarity and understanding on important milestones now that the improvement journey is underway;
- (c) There are 8 themes within the Plan which are all at various stages of their journey. The first is the Medium Term Financial Plan (MTFP) which is at a crucial stage of development as discussed in the previous item. Executive Board will soon launch the public consultation on the budget and there are some difficult proposals around service cuts, but it is important that citizens have the opportunity to contribute to the consultation;
- (d) The second theme within the Plan is Asset Management where there has been some success in selling land and property no longer needed by Nottingham City Council. Around £16million has been raised so far from the asset management programme, which has allowed the repayment of debt, reducing the cost of servicing the external debt;
- (e) The third theme focuses on Companies and better governance. The process of Hiving up to bring EnviroEnergy back in-house is progressing at pace, and full reviews of the other Council owned companies will take place in due course. Decisions on the futures of other companies have not yet been made and will depend on the reviews and advice from experts;
- (f) The fourth theme is the Capital Programme. There are many ongoing capital projects in progress. The recently opened, Broadmarsh Car Park, Sherwood Library and the Housing Revenue Account build of housing in Bestwood are some of the biggest. There are no large Capital projects due to be started. Once the new central library is completed the capital programme will be scaled back whilst debt is reduced;

- (g) The fifth theme is the Constitution and governance. Following an intensive review the new Constitution came into effect at the start of October after being passed by Council in September;
- (h) The sixth theme is Organisation and Culture. This is the most difficult theme to describe and to address. There has been a lot of work around performance management and redefining key indicators, with the introduction of a new performance management framework, however it is so much wider than this and can vary widely;
- (i) The seventh theme is Transformation, the programme has been underway for a short while, led by Richard Grice, Transformation Programme Director. Business plans have been adjusted to ensure more robustness and projects are underway to look at how services can be delivered more effectively. During Covid there was a shift to a lot of services being provided digitally and the transformation is plan reacting to that;
- (j) The eighth and final theme is the Council Plan. Work is underway to review the Council Plan and its priorities in light of the financial environment;

During discussion the following points were made:

- (k) Although the eight themes all stand as their own work stream, each one is intrinsically linked to all of the other through various threads. The Council needs to be responsive to the needs of the City and its Citizens and a city wide view is essential. Resources need to be coordinated and links with the voluntary sector must be maintained;
- (l) A very large portion of the budget is spent on Children and Adults care. These services need to be modernised and delivered in a more cost effective way. This will be a slow process with thorough review and assessment to ensure it is correct for service users;
- (m) Asking people to work in a different way takes time. Culture change will never be a “quick fix” and it relates to Officers and Members, going forward Officers will give members options to achieve the plan priorities, but within a budget that is affordable and sustainable;
- (n) Committee members asked for the asset breakdown by ward be circulated as previously requested. The Leader assured committee members that this breakdown would be provided, however he highlighted that asset sale could not be done evenly across wards as some wards have assets suitable or available for sale whilst other wards do not. Ward members will be consulted in terms of sale of assets within their wards. He agreed that at present it feels like assets are being sold off without reinvestment into the community, however the sale of assets is reducing debt, which will allow investment in communities further down the line. The process is a long one, it is not a quick fix and will take time to rebuild the services in a more efficient and cost effective way;
- (o) An Asset Disposal policy is being developed to help speed up the disposal process. An Asset Management Strategy needs to be developed and tested before being adopted to ensure that, as Corporate Landlord, our buildings are

safe, and safely managed, not just structurally, but to ensure assets are helping to deliver positive outcomes for citizens in a cost effective way;

- (p) Training for Scrutiny Committee members has been part of the Scrutiny plan since 2020 and has yet to be arranged. Committee members questioned when this would take place. Beth Brown, Head of Legal and Governance confirmed that the action plan had been integrated into the draft revision of the R&IP, and that a business case was being brought forward for the specialist training to be delivered either in December 2021 or in early in 2022;
- (q) Money will continue to go towards funding voluntary sector programmes and services. These services are able to attract and bid for alternative and additional funding not available to the Council, and are often more specialised, understanding and catering to communities in a way that the Council cannot across the whole city. This will help to deliver positive outcomes for citizens, co-designed by the voluntary organisation and the Council;
- (r) An open and frank dialogue needs to take place between the voluntary organisations and the Authority, on what the Council needs from them, but also what they need from the Council in terms of support, training etc. There are some excellent examples of co-designed services in place, this method of collaboration and communication needs to be pushed out across the whole organisation;
- (s) Committee members wanted to see communities and voluntary sector projects working together to boost their local area, and motivate more people to do more for their ward. This would upskill citizens, improve service availability and help to foster a sense of community and interaction with the Council. The Leader agreed that projects with this model were needed across the City and that using and supporting voluntary sector projects was an important part of service provision;
- (t) Committee members highlighted that the refreshed plan needed to address equality, diversity and inclusion more, both in terms of opportunities for colleagues and through organisational culture. The Chief Executive confirmed that more training was planned to develop and encourage those with protected characteristics into management roles, and to develop their skills giving better representation of the diverse community across the workforce;
- (u) Committee members asked how the effectiveness of the new constitution was being assessed, whether there was an indication that suggested it was helping address Culture change, and whether there were any issues that had arisen from its establishment;
- (v) Assessment of key risks for the Council is an ongoing task. The biggest risk currently is the MPTF and being able to produce a balanced budget for 22/23. The Risk Register is regularly seen by and discussed at Executive Panel. There is a risk assurance framework in place that is being developed further and improved that connects group companies and their internal risks, into the wider risk environment of the Council. Balancing this risk is essential. Committee members suggested that this in-depth conversation may better be held as a working group with a more informal check and challenge function rather than in full committee given time restraints;

- (w) Companies need to better demonstrate that they are sustainable, and if they are not, the Council has to consider what impact this will have on services. Companies have accepted the new requirements around their risk registers, and these feed into the Council risk register seen by Exec Panel, and the Corporate Leadership team as well as Audit Committee on a regular basis;
- (x) Committee members questioned how Councillors would address democratic accountability when non-statutory services that are meaningful to local people are cut. The Leader emphasised that the R&IP was a good plan, and that in refreshing it, along with refreshing the Council Plan it encapsulated the ambition of the Majority Group. There are a number of ways for constituents to contact members on any issues they have, including concerns around loss of services;
- (y) Committee members agreed that a balanced budget was not optional, and that ensuring expenditure on services did not exceed income was a balancing act. However they highlighted that expenditure needed to be measured against the needs to the city and spent in the appropriate places;
- (z) Committee members questioned whether the scope of the transformation process was too wide to be acted on “at pace” as required by the Improvement and Assurance Board, and if, acting at pace would allow time for reflection to ensure sound decisions are being made. The Leader of the Council agreed that when the plan was originally drafted it was ambitious. The Chief Executive highlighted in order to comply with requirements from the Improvement and Assurance Board the Council would need to demonstrate a balance between time to reflect and acting at pace;
- (aa) The Chair was pleased that views from the Scrutiny Committee would be considered when the refreshed Plan was being drafted. She highlighted the need to embed the Scrutiny Action Plan into the refreshed draft for completeness;
- (bb) Following on from a suggestion by the Chief Executive, Committee members agreed that an informal task and finish group would be better placed to review changes to the plan and feedback and work with Officers and the Executive. All agreed that this method would be more flexible and agile with both officers and member able to engage in the process;
- (cc) Sir Tony Redmond highlighted the need for Scrutiny to look closely at the efficacy of the proposed plan and the need for the plan to be underpinned by a robust service plan;

The Chair thanked the Leader, the Chief Executive, Members and Sir Tony Redmond for their contribution to the discussion.

41 Work Programme

The Chair confirmed that there were no changes proposed to the work programme and asked Committee Members to contact her if they had any suggestions.