

City Council – 25th January 2021

Report of the Leader of the Council

Nottingham City Council Recovery and Improvement Plan

1. Summary

- 1.1 This report seeks the approval of Council to the Nottingham City Council Recovery and Improvement Plan. The creation and approval of the Recovery and Improvement Plan is a requirement of the Ministry of Housing, Communities and Local Government (MHCLG) following a Non Statutory Review (NSR) into the City Council which took place in November 2020.
- 1.2 The report also notes that a provisional budget has been set aside to fund the work of the Improvement Board which MHCLG has set up to oversee the Council's performance against the Recovery and Improvement Plan.

2. Recommendations

It is recommended that Council:

1. Approve the Nottingham City Council Recovery and Improvement Plan.
2. Note that work remains ongoing to identify the requirement of the Resource Plan to support the delivery of the Plan at pace and that the financial impact of resourcing the plan will be considered at the 8th March 2021 meeting as part of the MTFs.
3. Note that a £300,000 provisional budget is being set aside to fund the work of the Improvement Board in its first year.

3. Reasons for recommendations

- 3.1 The Recovery and Improvement Plan is a required document in response to the findings of the NSR which has recently been undertaken by a team appointed by MHCLG.
- 3.2 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.
- 3.3 The approval of the Recovery and Improvement Plan 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.

4. Other options considered in making recommendations

4.1 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.

5. Background

5.1 On The 11th 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.

5.2 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.

5.3 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.

5.4 Following discussions with MHCLG, it was agreed that instead of a full Best Value inspection, that a rapid NSR should be carried out, focussing in particular on the Council's financial stability and governance. The review was led by Max Caller CBE.

5.5 The NSR was concluded at the end of November 2020 and is attached as Enclosure One of the Executive Board report (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.

5.6 This was on the basis of the NSR's recommendations being supported by the Secretary of State and the Council. The eight recommendations are:

5.7 (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.

- 5.8(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.
- 5.9(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.
- 5.10 (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.
- 5.11 (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.
- 5.12 (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.
- 5.13 (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.

- 5.14 (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.
- 5.15 The Secretary of State confirmed his agreement to the recommendations of the NSR on 17 December 2020, and this letter is attached at Enclosure Two of the Executive Board Report (Appendix One).
- 5.16 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.
- 5.17 The Council has developed a Recovery and Improvement Plan that is attached at Enclosure Three of the Executive Board report (Appendix One). 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.
- 5.18 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 Improvement Board will be required to submit their assessment of progress against this Recovery Plan on a quarterly basis to the Secretary of State.
- 5.19 The Recovery and Improvement Plan was endorsed at the City Council's Executive Board on 19th January 2021 as a precursor to seeking full Council approval.
- 5.20 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.
- 5.21 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.

6. Finance colleague comments

- 6.1 Developing and implementing the Improvement and Recovery Plan at the pace required will need additional and often specialist short term resources outside normal business-as-usual activity.
- 6.2 A full Resource Plan is being drawn up to establish these requirements over the next 3 months as delivery proposals for individual workstream proposals are determined. Costs could relate to temporary staff, consultants or companies providing specialist advisory work through to investment in technology and will be defined as the Resource Plan takes shape.
- 6.3 Spending against this plan will be subject to individual business cases and overall spend will be strictly monitored and reported to Executive Board.
- 6.4 The MTFs, to be considered at full Council on 8th March will consider the funding of the Resource Plan from April 2021 to undertake work referred to in the report and subsequent transformation activity. Any resources needed in the current year will be expected to be met from within existing budgets.
- 6.5 Although the Board is being introduced by MHCLG, the Council will be required to pay the fees and expenses of Board members and any other related costs. The precise work programme and hence the cost will be agreed with the Improvement Board at its initial meetings but based on the costs of similar arrangements in other authorities, the MTFs will recommend that a sum of £300,000 be set aside for 2021/22 for this purpose. Any costs falling into the current year will need to be met from existing budgets.

7. Legal and Procurement colleague comments

- 7.1 The Non Statutory Review undertaken by Max Caller CBE was instead of a full Best Value Inspection under the provisions of the Local Government Act 1999 (as amended). Approval of the Recovery and Improvement Plan, and delivering on its contents within the timescales outlined, is essential if the Council is to avoid a Best Value Inspection in the future.
- 7.2 Delivery of the Plan outcomes will, as signalled in this report, require further temporary resource which will need to be secured swiftly in certain key areas.

Malcolm R. Townroe – Director of Legal and Governance – 20 January 2021.

- 7.3 Procurement will provide support with accessing relevant frameworks and contracts for any external purchasing of either consultants or companies to provide the specialist advisors. There are a range of regional and national frameworks that can be used, they all have different requirements for call off that Procurement will support with.

Steve Oakley, Acting Director of Commissioning and Procurement 20/01/2021

8. Equality Impact Assessment

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

No



An EIA is not required because the report does not contain any proposals for changes to policies or services. However, individual decisions taken as part of the implementation of the Recovery and Improvement Plan may require a specific EIA to be completed which will be done at the appropriate time.

9. Link to background papers relied upon in writing this report (not including published documents or confidential or exempt information)

None

10. Published documents referred to in this report

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

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

Nottingham City Council Recovery and Improvement Plan, Nottingham City Council Executive Board 19th January 2021

Councillor David Mellen

Leader of the Council