

Executive Board – 19th January 2021

Subject:	Nottingham City Council Recovery and Improvement Plan
Corporate Director(s)/Director(s):	Mel Barrett – Chief Executive
Portfolio Holder(s):	Councillor David Mellen – Leader of the Council
Report author and contact details:	Richard Beckett – Head of Major Projects richard.beckett@nottinghamcity.gov.uk
Other colleagues who have provided input:	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
Subject to call-in:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Key Decision:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Criteria for Key Decision:	
(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
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
Total value of the decision:	Nil
Wards affected:	All
Date of consultation with Portfolio Holder:	7 th January 2021
Relevant Council Plan Key Theme:	
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"/>
Summary of issues (including benefits to citizens/service users):	
<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 25th 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 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.
- 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
3rd 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