

Committee: Overview and Scrutiny

Meeting Date: 7th July 2021

Title: Nottingham City Council Recovery and Improvement Plan

Report of: Leader of the Council

1. Purpose

1.1 To provide an update on the progress being made to implement Nottingham City Council's Recovery and Improvement Plan

2. Action Required

2.1 To consider the information provided on the delivery of the Recovery and Improvement Plan and use it to inform questioning and make recommendations where appropriate.

2.2 To decide on how the Committee will carry out further scrutiny of the Recovery and Improvement Plan on an ongoing basis.

3. Background Information

Background to the creation of the Recovery and Improvement Plan

3.1 On the 11th August 2020 the Council's external auditor published a Report in the Public Interest, which revealed significant failures in the Council's governance of its wholly owned subsidiary, Robin Hood Energy.

3.2 Subsequent to the publication of this report, it was agreed between the Council and the Ministry for Housing, Communities and Local Government (MHCLG) that a Non Statutory Review would be undertaken, focussing in particular on the Council's financial stability and governance.

3.3 This review was carried out in November 2020 and the resulting report made a number of recommendations. These included the creation and delivery of a Recovery and Improvement Plan and the appointment by MHCLG of an Improvement and Assurance Board (IAB) to monitor its implementation.

3.4 The Recovery and Improvement Plan was developed and subsequently approved by Full Council on 25th January 2021 and is due to run for a period of three years.

3.5 The IAB was appointed by the Secretary of State for Housing, Communities and Local Government around the same time. The IAB is chaired by Sir Tony Redmond, a former local authority Chief Executive and former Local Government

Ombudsman. There are two further external appointees to the IAB with specialisms in finance and company governance. The fourth member of the IAB is the Leader of Nottingham City Council.

3.6 In addition to providing support and challenge to the Council, the IAB is required to produce a report to the Secretary of State on the Council's progress against the Recovery and Improvement Plan on a quarterly basis.

Nottingham City Council Recovery and Improvement Plan

3.7 The Recovery and Improvement Plan was developed to meet the concerns raised in the Non Statutory Review carried out in November 2020. It has been developed around the following eight themes which encompass much of the activity of the Council.

1. Medium Term Financial Strategy
2. Asset Management
3. Companies
4. Capital Programme
5. Constitution (Governance)
6. Organisation and Culture
7. Delivery Options (Transformation)
8. Council Plan

3.8 The Plan brings together activity that the Council had already commenced prior to the Non Statutory Review alongside additional work identified by that Review.

3.9 The narrative for each theme within the Recovery and Improvement Plan sets out key objectives, activities, deliverables and risks. This is accompanied by a series of milestones to clearly set out what needs to be delivered by when in order to achieve the Plan's outcomes.

3.10 The delivery of the Recovery and Improvement Plan is underpinned by a programme management approach. This ensures that a clear governance and performance monitoring system has been put in place, that risks are identified and managed and that there is a clear process for managing any required changes to the Plan.

Performance to date

3.11 The Recovery and Improvement Plan is a significant undertaking for the Council. The approved Plan included approximately 200 milestones, several of which had to be achieved within a relatively short timeframe.

3.12 It is important to note however, that the Recovery and Improvement Plan is to a degree a live document. Some of the activities identified within the Plan are about completing initial work which will lead to further activities being required

over the three-year period. This is particularly the case for Delivery Options (Transformation) Theme where further initial scoping work is currently taking place.

3.13 The list below provides an illustration of the Council's progress in achieving a selection of the milestones set out within the Recovery and Improvement Plan:

- Adoption of a new Protocol for Councillor / Officer Relations
- Review and amendments to the Terms of Reference for the Overview and Scrutiny and Audit Committees
- Approval and implementation of revised Council structure
- Review, approval and implementation of Executive Portfolios
- 2021/22 budget approval
- Updated Capital Programme
- Updated Treasury Management Strategy
- Debt Policy and Borrowing Strategy
- Development and approval of a new Capital Strategy

3.14 Further work is being progressed internally across all of the eight themes. This incorporates reviews of good practice from other organisations in certain areas and support from bodies such as the Centre for Governance and Scrutiny and the Local Government Association, in addition to receiving valuable input from the members of the IAB.

3.15 As well as general progress across the Themes, the completion of two significant pieces of work on refreshing the Council Plan and approving a revised Constitution remain on track for delivery in the next quarter.

3.16 Officers, Executive Members and the IAB are updated monthly on the progress of the Plan against its milestones and the impact of key risks and issues. The monitoring shows that good progress is being made towards the overall achievement of the requirements of the Recovery and Improvement Plan and that confidence in the ultimate delivery of the Plan's objectives remains high.

3.17 The level of work required to realise these outcomes should, however, not be underestimated with significant work planned across several themes over the next quarter.

Reports from the IAB

3.18 The IAB have submitted two reports to the Secretary of State, one in February 2021 and one in May 2021. The Secretary of State has now responded to both reports. A third report is due to be submitted by the IAB in August 2021.

3.19 The first report was written shortly after the appointment of the IAB. It recognised that that Council was committed to delivering fundamental change in

the organisation and had taken steps to develop a Recovery and Improvement Plan.

- 3.20 It noted that work had commenced on implementation and highlighted areas where substantial activity and focus would be required over the Recovery and Improvement Plan's duration if it was to achieve the desired outcomes.
- 3.21 The Secretary of State has recently published the IAB's second report and his response, these are included as Appendix A to this report.
- 3.22 The second report concludes by saying that the Council has made good progress in a number of areas referred to in the first report. The report also notes that the Council has laid the foundations for a significant shift in the culture of the organisation, advanced its strategic thinking, finalised a new top management structure and made progress in approving the annual budget.
- 3.23 It then goes on to state that it now needs to move quickly to complete its work on the Strategic Plan, its medium term financial planning process, have a credible asset disposal programme and reflect the shift in culture and amended governance arrangements through changes to the Council's constitution.
- 3.24 The report acknowledges that these areas are set out in the Recovery and Improvement Plan, but emphasised the need to ensure that there was early attention paid to them.
- 3.25 The Secretary of State's response stated that he was encouraged by the commitment of the executive team and Council leadership to delivering the Recovery and Improvement Plan but agreed with the IAB that there needed to be an increase in pace and delivery over the next quarter.

Ongoing Interaction with IAB members

- 3.26 There has been ongoing engagement with the IAB members both individually and collectively and inside and outside the formal Board meeting structure.
- 3.27 These interactions are designed to make sure that the IAB has access to all the information that it requires in order to complete its assurance role. They also allow the Council to use their interactions with IAB members to gain the benefit of their insight and experience across a number of areas. This helps to test both proposals and progress against the Recovery and Improvement Plan which in turn allows delivery to be as robust as possible.

Future Engagement with Overview and Scrutiny Committee

- 3.28 With the reporting from the IAB to the Secretary of State scheduled to happen on a quarterly basis there would be merit in timing further discussions with

Overview and Scrutiny to coincide with these reports and the feedback from the Secretary of State.

3.29 This would allow the Committee to be able to triangulate the internal view on performance on Recovery and Improvement Plan delivery against the external formal reports to ensure that it had the most comprehensive picture available.

4. List of Attached Information

Appendix A - Improvement and Assurance Board 2nd Report (May 21) and response from the Secretary of State

5. Background documents, other than published works or those disclosing exempt or confidential information

None

6. Published documents referred to in compiling 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

Non-Statutory Review – Nottingham City Council, Max Caller CBE, November 2020

Nottingham City Council Recovery and Improvement Plan – City Council (Extraordinary) 25th January 2021

Amendments to the Constitution – City Council 11th January 2021

Amendments to the Constitution – City Council 8th March 2021

Executive Appointments, Responsibilities and Remits and First Meetings – City Council 26th April 2021

Budget 2021/22 – City Council 8th March 2021

Treasury Management Strategy 2021/22 and Capital Strategy 2021/22 – City Council 8th March 2021

Report of the Improvement and Assurance Board – Nottingham City Council's Improvement and Recovery Plan 2021-24 - (February 2021)

Nottingham City Council – Improvement and Assurance Board – Letter March 2021 – From the Secretary of State for Housing Communities and Local Government to the Chair of IAB

7. Wards Affected

7.1 All

8. Contact Information

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Appendix A – Improvement and Assurance Board 2nd Report (May 21) and response from the Secretary of State

Second Improvement and Assurance Board Report

Introduction

The first quarterly report of the Board in January 2021 provided an initial assessment of Nottingham City Council's response to the Caller report. In that analysis the Board was able to recognise that the Council had acknowledged its shortcomings as well as, illustrating, through its three-year Recovery Plan, how it sought to address these failings. However, the Board expressed a number of concerns about the practicability of many of these improvement measures, given that there remained uncertainty about the capacity to deliver such a fundamental change.

This second report seeks to demonstrate how the Council has responded to the sixteen points of concern set out in the January report. However, in addition, the Board report accommodates what now seem to be the continuing challenges facing the authority as it pursues transformational change, whilst delivering key essential services through a period of major transition. The Board is also very aware of the impact Covid 19 has had, and is having, on the Council's planning, resourcing and service delivery whilst seeking to effect fundamental change. Improvement must match the Best Value criteria, together with putting in place sustainable finance, sound governance and quality services delivered by a skilled and competent workforce. These principles are examined in this report through the following principal challenges to the Council that the Board has presented:

- Strategy
- Culture
- Governance
- Finance
- Commercial
- Service Delivery
- Communication

Strategy

The Strategic Council Plan is currently under serious consideration with the intention of it being completed by no later than September this year. This will be developed in conjunction with the draft MTFs Process for 2022/23 and beyond. Strategic direction is key to delivering the change programme contained in the Recovery Plan and there must be no slippage here. The concept of transformation has still to be articulated in practical terms and fully embedded in the organisation and this, too, requires urgent attention. There is a keen awareness of the need to construct the plan in such a way as to highlight the key decisions that must be made in prioritising services and the decisions that must be made to enable these to be delivered within current financial constraints. The Council is creating a plan which puts at its centre a vision for its residents which emphasises the importance of outcomes, demonstrating the intention to deliver a healthy, prosperous and stable environment, with a vibrant local economy, alongside satisfying the needs of a diverse population. We will monitor the completion and delivery of this strategic plan paying particular attention to the service planning and prioritisation yet to be articulated. The high level nature of the Strategic Council Plan must be

underpinned by a clear demonstration of the key service priorities identified and how they are to be financed.

Finance

The Council has approved a one year budget with the intention of finalising the MTFP for 2021/24 by September in accordance with the timetable for the Strategic Council Plan. The Board acknowledged the Council's difficulty, given the time available, in producing this plan alongside the annual budget by March 2021. The annual budget for 2021/2022, itself, is assisted by the capitalisation approved by the Secretary of State. The need to reduce, further, the underlying level of spend must be addressed when determining the MTFP. Whilst there is clear understanding by the Council Leadership and Senior Management of the need to make very difficult decisions to ensure the Council lives within its means, there is more to be done to instil this way of thinking across the whole organisation. In particular, by putting in place practical medium term business/service planning guidelines for all service managers, focusing on the efficiency and effectiveness of achieving desired outcomes, linked to a new strategic plan but also realistic resource assumptions – to enable sustainable service level and service design options to come forward.

The Board will closely monitor the development of this alongside the Council's work on its new Strategic Plan and the 'Service Delivery' theme of its Recovery Plan. With regard to the Council's Capital Investment Plan the programme is based largely on already committed schemes, but there remains an issue as to whether the asset disposals programme is realistic. The Council has been asked to look critically at the means by which these potential capital resources might be achieved in a proper risk assessed way with due regard to being paid to achieving best consideration based on an efficient and suitably skilled process. There is a Council undertaking that involves a continuous risk assessment of the timing of capital receipts, and a reaffirmation of confidence in the 'voluntary cap'. A draft action plan has been produced to examine how existing shortcomings in the management of the asset rationalisation programme can be rectified.

The Board recognises that the Council has set in train a number of initiatives to counter recent failings in financial administration and control. Realistic budget planning and robust financial control remain fundamental to the City achieving financial resilience in the medium to long-term. The reserves position and debt profile are also key indicators of financial health and the recent Capitalisation allowance has made a positive difference to the former. The Council is very much aware of these challenges and some progress has been made in achieving these goals. However, the financial plan for 2021-24 must now incorporate specific actions to reduce the level of revenue spending and future pressures which will effect permanent and sustainable reductions in service costs to match underlying resources going forward. These must be consistent with fulfilling the Authority's statutory responsibilities in line with permitted council tax levels.

Governance

In the first quarterly report the board identified the potential lack of clarity between officer and member roles as an issue. The Council has adopted a revised member/officer protocol and sought support from the Centre for Governance and Scrutiny as well as the LGA. There has also been a major review of member portfolio roles which seeks to emphasise clarity in roles and responsibilities. It is acknowledged that the revised protocol will require behavioural change. More work may need to be done to ensure that detailed operational matters fall within the scheme of delegation to officers. Clarity is key

here. The associated point is one of ensuring that the discharge of roles and responsibilities within the government scheme is fulfilled by those with the required knowledge, skills and experience. This point extends to ensuring that those who Chair Committees, Panels, Boards and Working Parties have received the necessary induction and training to enable them to deliver these functions effectively. The Council is conscious of these challenges and will seek to incorporate the necessary improvements in the revised constitution which is currently being considered.

The Council's Recovery Plan does include proposals to strengthen its overall approach to risk. It is also recognised that there is change of mindset in parts of the Council through learning lessons from the Robin Hood Energy failure. The non-statutory review identified a significant weakness in the Council's approach to risk. In response, the Council has strengthened risk management focus, in particular through attention given to the directive risk registers, with this issue also being highlighted and addressed by the corporate leadership team, leadership and executive panel and with greater coverage, also, at the audit committee. More, however, needs to be done to review the Council's risk policy, appetite and tolerance together with robust procedures for risk management and accountability. This is also very relevant to the commercial activities of the council. Responsibility and accountability for risk must also be embedded in management systems and procedures.

Commercial

The issues relating to the failure of Robin Hood Energy are well documented and Board Members have been seeking to establish what lessons the Council has learnt from this event which may be of relevance to other commercial activities. A new Interim Companies' Lead has been appointed by the Council with considerable experience in local authority trading companies. A plan is in place to improve companies' commercial guidelines and governance. In addition, companies are subject to review and the Council plans no new ventures. A commercial strategy needs to be developed together with procurement, commissioning and contract management; processes which are to be reviewed by the Director of Finance and Resources. The changes in approach currently being contemplated by the Council, particularly in terms of ownership and accountability are fundamental and the Board looks to see how their practical application will reinforce the need to put the Council's commercialisation programme in a proper context. A very substantial portfolio of companies owned, or part owned, by the council may expose the city and its residents to unnecessary risk. It is understood that the current review will seek to address this significant challenge.

Culture

The council has approved a new management structure which seeks to offer greater clarity and simplification for the most senior management. This encompasses a new Strategic Leadership Team supported by a service leadership group of heads of service and senior managers. Importantly, this is underpinned by a planned change in the culture of the organisation, paying particular attention to vision, strategy, change and innovation and collaboration whilst reinforcing equality, diversity and inclusion. However, the Council is aware that achieving a fundamental change in culture, with new behavioural expectations, is not straightforward and additional resources will therefore need to be dedicated to this task if the scale of change required is to be achieved. The Board recognises the progress made so far and will monitor the way in which cultural change is introduced and embedded across the organisation. Training and development of the workforce, where appropriate, must also follow.

Service Provision and Delivery

Attention is given in the Recovery Plan to delivering quality, sustainable and cost-effective services to meet the Council's statutory responsibilities within the resources available. Whilst savings exercises to date have sought to protect priorities, the focus has been short term and there remains a concern regarding whether there has been a concerted attempt to improve the efficiency and effectiveness of service delivery in the context of "best value". Short termism will not suffice if the Council is to achieve financial sustainability in the medium to long term. As noted under 'Finance' above, effective service review and design is also key to achieving a sustainable MTFP and the need to put in place practical planning guidelines for all service managers applies here equally. The leadership is aware of this and is seeking to put in place that necessary planning framework alongside the completion of its new Strategic Plan.

An illustration of the Council's Strategic intent is the reduction of approximately 500 in the workforce of the Authority. The delivery of the Recovery Plan is underpinned by a performance management framework which seeks to track progress against a defined timeline. This focus on performance is important in that any early indications of failure to achieve deadlines set may be symptomatic of a wider problem. The metrics in place do identify key indicators of how output can be measured but the Board would wish to see a process where the performance management is more sensitive to variations which can then be acted upon immediately. There is already evidence that the Recovery Plan will need to be changed in the light of recent experience and, while such flexibility in approach may be necessary, the underlying thrust and purpose of the Plan must be preserved.

Communication

Cultural change will, of course, require a carefully designed internal communications plan to complement the training and support provided for the Council's workforce. Initially, information has been supplied to all staff about the outcome of the Caller Review, the role of the Improvement and Assurance Board and the Recovery Plan that is in place. Engagement with this messaging and resultant feedback has been low, in large part below 50%, although the impact of Covid in preventing 'face to face' contact must be recognised here. This is an area which clearly requires improvement and the Board will look to the Council to increase this level of engagement significantly.

With regard to external communications, the Board awaits the plan for engaging with citizens, stakeholders, partners and the media. It is understood that the Council would wish to conclude its thinking on what it seeks to achieve and how it is to be implemented before putting such information in the public domain. However, the Board is eager to see this engagement commence soon if the public is going to be in a position to be consulted and, therefore, able to comment on changes proposed in the plan.

Conclusion

The first report highlighted a number of key concerns about the delivery of the Recovery Plan. In the past three months Nottingham City Council has made good progress in a number of areas referred to in that previous report. The Board, however, sees a number of other areas which require early attention. This report accepts progress in approving the annual budget, finalising a new top management structure and laying the foundation for a significant shift in the culture of the organisation. It also acknowledges advances in strategic thinking, some progress on governance and first steps to addressing the commercial/company challenges. What is now needed is the completion of an appropriate Strategic Plan with coherent Council wide medium term business/service

planning guidelines covering sustainable service options. This should be complemented by a robust performance management process to track delivery effectively. The medium term financial planning process over the three/four year period must be completed expeditiously alongside a credible asset disposal programme. A continuing shift in culture and fully established governance arrangements must also be reflected in the Council's Constitution. The Council is seeking to address these issues within its Recovery Plan.



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NOTTINGHAM CITY COUNCIL – IMPROVEMENT AND ASSURANCE BOARD

I am writing in response to your second report, received on 8 May, updating me on the Improvement and Assurance Board's assessment of Nottingham City Council's progress since February. I would like to extend my thanks to you and your fellow Board members for producing a well-balanced and helpful report.

Your report recognises the progress the Council has made in implementing their Recovery Plan and addressing the issues previously identified. I am encouraged by the commitment of the executive team and the Council leadership to delivering the Plan. I fully agree with your assessment that we now need to see an increase in pace and delivery by the Council over the next quarter. This is especially so given the Council's stated intent to complete their Medium Term Financial Plan for 2022 and beyond by September. Progress against the Council's voluntary debt reduction programme, a credible and deliverable asset disposal programme, and continuing culture change, embedded in the Council's Constitution, will be essential to success. Progress in these areas will inform my decisions on our involvement with the Council and on its financial arrangements, and my final decision later in the year on any additional capitalisation support. In particular, given the clear recommendation in the non-statutory review on the need to limit the Council's borrowing, if there is any indication that the voluntary plan on debt is not delivering the required change I will need to strongly consider the need for statutory action to limit the Council's debt.

I am keen that the Board's ongoing work to monitor and scrutinise the Council's progress provides the challenge and assurance to help inform my decisions later in the year. I will be seeking reassurance in your next report that the Council has developed a credible strategy for long term transformation. Similarly, I will look for evidence that all Council staff are engaging with the improvement programme and the need for whole Council transformation. I would be grateful if the Board could continue to work with my officials to support these goals.

The Board's role in supporting and challenging the Council as it seeks to make progress continues to be of vital importance. I am pleased to read of the cooperation and support that you have received from the Council. Any faltering in this area would be of considerable concern and could lead to a reconsideration as to whether a more statutory approach might be appropriate to secure the improvements that are necessary.

I am most grateful to you for your continuing work with the Council and look forward to receiving your next report in August.

RT HON ROBERT JENRICK MP