

Nottingham City Council Executive Board

Minutes of the meeting held in the Ground Floor Committee Room, Loxley House, Station Street, Nottingham, NG2 3NG on Tuesday 16 November 2021 from 2:00pm to 2:39pm

Membership

Present

Councillor David Mellen (Chair)
Councillor Cheryl Barnard
Councillor Eunice Campbell-Clark
Councillor Rosemary Healy
Councillor Neghat Khan
Councillor Sam Webster
Councillor Adele Williams
Councillor Linda Woodings

Absent

Councillor Rebecca Langton
Councillor Sally Longford

Colleagues, partners and others in attendance:

Councillor Kevin Clarke
Councillor Andrew Rule

Mel Barrett	- Chief Executive
Wayne Bexton	- Director of Carbon Reduction, Energy and Sustainability
Clive Heaphy	- Interim Corporate Director for Finance and Resources
Frank Jordan	- Corporate Director for Resident Services
Adrian Mann	- Governance Officer
Sajeeda Rose	- Corporate Director for Growth and City Development
Catherine Underwood	- Corporate Director for People

Call-in

Unless stated otherwise, all decisions made by the Executive Board are subject to call-in. The last date for call-in is **Friday 26 November 2021**. Decisions cannot be implemented until the next working day following this date.

66 Apologies for Absence

Councillor Rebecca Langton	-	personal reasons
Councillor Sally Longford	-	unwell
Malcolm Townroe	-	Director of Legal and Governance

67 Declarations of Interests

None.

68 Minutes

The Board confirmed the minutes of the meeting held on 19 October 2021 as a correct record and they were signed by the Chair.

69 Medium Term Financial Plan 2022/23 to 2025/26

The Chair of the Board agreed that this item, although not on the original agenda, could be considered as a matter of urgency so that a public consultation on the Medium Term Financial Plan (MTFP) can commence on 16 November 2021. This will enable a longer consultation period and allow feedback from the consultation process to be incorporated into the updated MTFP report that will be presented to the Executive Board at its meeting on 22 February 2022.

This decision is not subject to call-in because the Chair of the Overview and Scrutiny Committee agreed that the decision is reasonable in all circumstances and should be treated as a matter of urgency so that the public consultation can commence immediately, to enable as long a consultation period on the MTFP proposals as possible.

The Portfolio Holder for Finance and Resources presented a report on the current progress in developing the Council's Medium Term Financial Plan for 2022/23 to 2025/26. The following points were discussed:

- (a) at its coming meeting in March, the full Council is legally required to establish a balanced budget for the next municipal year. The Council's income must match its expenditure, and it may not operate on the basis of a deficit budget. Ultimately, Nottingham receives net funding of £252 million, which is generated from Council Tax, business rates, Government grants, social care precepts and other fees and charges. However, there is still uncertainty regarding the final figures for some of the national funding elements, which will be confirmed by central Government by December. The costs incurred by the Council as a direct consequence of responding to the Coronavirus pandemic have not yet been reimbursed via central funding, and so remain challenges in the budget;
- (b) as part of the budget development process, a full public consultation will now be launched on the current proposals, to take place over the next eight weeks. The proposed budget does set out areas for efficiencies and reductions to be made, and this will affect some services. The current MTFP sets out the challenges faced by the Council in detail, and the public consultation will enable it to hear the views of all people who live and work in the city. Difficult decisions for ensuring financial stability are required, so this engagement process is vital. Everything possible will be done to explain the reasons behind the budget position and resulting proposals to Nottingham residents, and to address their concerns;
- (c) Government funding has decreased significantly since 2013 and local authorities have needed to mitigate against this reduction through raising Council Tax. However, the revenue generation that this creates is relatively low for poorer areas like Nottingham, where many residential properties are in Council Tax Bands A and B. Other local authorities across the country are experiencing similar funding gaps, with those serving the poorest areas seeing the largest reductions in Government funding;
- (d) while the Council's capacity for income remains relatively flat, the costs of providing services are rising. Additional pressures of £14.1 million are expected in

2022/23, arising from Children's and Adult Services, primarily. There is a funding crisis in social care nationally, with increasing numbers of children requiring interventions and their associated care packages growing in cost. The Council has a duty to ensure that these services are delivered properly to the most vulnerable people, but more Government investment in local public services is needed to maintain the full network of provision that is required;

- (e) the decisions in identifying the proposed savings in Children's Integrated Services have been very difficult. Expenses are increasing, with the costs for children in care reaching an all-time high during the pandemic, while Government funding provision goes down. The majority of expenditure must be on the statutory services which, unfortunately, means that it has been necessary to make cuts within other provision, such as to family and youth work, children's centres and affordable childcare. The Council has worked hard to ensure funding for non-statutory, early intervention services – as these enable case to be addressed before they require more costly statutory services, and so reduce costs overall. However, the Council is required to prioritise the funding of statutory services, for which demand continues to increase, particularly if early intervention provision decreases;
- (f) nevertheless, investment is being made in transformation for Children's Integrated Services and in improving the methods of delivery, to seek to maximise the opportunities for young people and provide as much effective support as possible, within the financial constraints. However, there are significant problems within the wider sector for children in care and greater security of funding is required for social services at the national level;
- (g) there are particular pressures on the Council's provision of support for people who are homeless or at risk of becoming homeless. The Council has worked hard to reduce the number of families being housed in bed and breakfast hotel provision, and to ensure that everyone has access to suitable and permanent accommodation. Unfortunately, funding is not available to local authorities for measures beyond addressing rough sleeping, which is only one part of the overall homelessness issue;
- (h) costs are increasing for addressing homelessness and many of the budget pressures are outside of the Council's control. There is a shortage of affordable housing and it is particularly difficult to forecast the future required housing provision for families at risk of homelessness, many of whom are evicted from their private rented accommodation. Increasing taxation and National Insurance contributions, coupled with cost increases and wage stagnation, is putting more people at risk. The Council is seeking to prevent homelessness as much as possible using the limited resources that it has, and the Housing Aid team is working extremely hard in a difficult context;
- (i) there is a funding gap in the current budget and work is underway to close this. The Council is part way through carrying out a substantial transformation process, and steps are being taken to achieve reductions in in-year overspend;
- (j) the Board thanked officers for their resilience in delivering Council services during this very challenging period, and with the upcoming budgets to become yet

tighter. The Council will set a legal budget for the upcoming year and beyond, though the situation created by rising costs is extremely challenging.

Resolved:

- (1) to endorse the draft public consultation proposals as set out in Appendix 1 to the report and to commence the formal public consultation on those proposals;**
- (2) to note the progress in the development of the budget for 2022/23 and the Medium Term Financial Plan for 2022/23 to 2025/26;**
- (3) to approve that, where any staffing reductions result from measures taken to address the budget gap outlined in the report, reductions are supported through a voluntary redundancy approach and that redundancy compensation is in accordance with the Council's agreed Discretionary Compensation Regulations Policy provisions for voluntary redundancies;**
- (4) to note the progress to date and the principles of the Transformation Programme;**
- (5) to note the key issues affecting the budget assumptions for the Housing Revenue Account for 2022/23;**
- (6) to note the mid-year review of the Capital Programme, including compliance with the Voluntary Debt Reduction Policy;**
- (7) to note that further work is underway to identify ways in which a balanced budget can be achieved, and that this will form part of the report to the Executive Board at its meeting on 22 February 2022.**

- Reasons for the decision

This report seeks endorsement of the Council's first phase of its draft budget and MTFP proposals for 2022/23 to 2025/26, to enable a public consultation period to take place from 16 November 2021 to 10 January 2022. The responses to the consultation will be reviewed and any proposed changes to the MTFP will be considered by the Executive Board at its meeting on 22 February 2022.

- Other options considered

A range of different options have been considered throughout the budget process, including various levels of Council Tax, investment and cost reductions. This is a complex process with many iterations and possibilities, so the report presents the overall set of current draft proposals that, together, seek to balance levels of investment, income, cost reductions and an appropriate level of Council Tax.

70 Treasury Management 2021/22 Half-Yearly Update

This item does not contain any decisions that are eligible for call-in.

The Portfolio Holder for Finance and Resources presented a report on the details of the treasury management actions and performance from 1 April 2021 to 30 September 2021. The following points were discussed:

- (a) the report sets out the half-year position of the Council's cash, investments and debt. A debt reduction policy is in place, and the Council's external loan debt is falling more quickly than anticipated, originally.

The Board noted the report.

71 Conversion of Current Temporary Homecare Team to Permanent Staffing

The Portfolio Holder for Adults and Health presented a report on collaborative working with the Nottingham and Nottinghamshire Integrated Care System (ICS) to plan proactively for increasing demand for homecare support and the reduced capacity in social care frontline roles. The following points were discussed:

- (a) a full system approach has been taken to protect critical homecare services as part of joint working with the NHS to build resilience in the social care system. The NHS Nottingham and Nottinghamshire Clinical Commissioning Group is providing funding to the Council to establish the Temporary Emergency Support Team (TEST) roles permanently, which created on a temporary basis during the Coronavirus pandemic to support homecare provision;
- (b) currently, there is a crisis within social care across the country, but there is no national strategy to address the significant workforce issues. As such, local partnership working is vital for protecting capacity in homecare provision, and establishing the TEST permanently will enable important skills to be held within the workforce and protect service delivery. Collaborative work is underway with partners to support new people coming into the sector and to develop career progression pathways;
- (c) everything possible must be done to bring in the funding that the social care sector needs, but greater investment is required at the national level to better support the whole adult social care system, as there is now a steadily aging population with more complex needs over longer periods of time.

Resolved:

- (1) to note the positive collaborative approaches being developed through health and care system partnerships and the subsequent positive outcomes for Nottingham citizens as a result of an increased shared understanding of health and care system priorities and operating contexts;**
- (2) to approve the receipt of £1,326,000 from the Nottingham and Nottinghamshire Clinical Commissioning Group, and the associated expenditure, in relation to the homecare service staffing arrangements as outlined in the report;**

(3) to agree to convert the current 47.67 full-time equivalent Temporary Emergency Support Team posts to permanent.

- Reasons for the decision

The recommendation to permanently establish the temporary homecare service is to mitigate the pressures from current increased demand and reduced capacity in homecare capacity. Establishing the TEST posts as permanent will improve the prospects of successful recruitment and retention, leading to more efficient and effective service delivery. Not making the posts permanent and leaving gaps in the team's rotas as people leave means that the service is less efficient and a lower proportion of contact time can be delivered.

- Other options considered

To redeploy other Council staff: during the pandemic, the service was able to increase its staffing through the re-deployment of other Council staff. However, this is no longer a viable option, as these staff have now had to return to their substantive posts.

To commissioning staff externally: there is an agreement with partners to further increase capacity by commissioning increased external services through a block contract arrangement. Consideration has been given to the potential to also commission the needed homecare resource from the independent sector. However, this option is not considered to be viable, due to the existing challenges in workforce recruitment and retention.

72 EnviroEnergy Limited - Transfer of Business to Nottingham City Council

The Portfolio Holder for Strategic Regeneration and Communications presented a report on the proposed transfer of EnviroEnergy Limited's assets and liabilities relating to the district heating system to the Council, to enable the operation of district heating provision as an in-house service. The following points were discussed:

- (a) the district heating system was taken over by the Council in 2001, as the operator of last resort, after the departure of the previous operator. The system supplies the St Anne's and Sneinton areas of the city, and it is a key contributor to the Council's targets for the provision of efficient heating. Following the Council's Non-Statutory Review, it was agreed that bringing the district heating provision in-house will achieve better value for money, without impact to customers;
- (b) the district heating system is managed currently by a separate company, EnviroEnergy, which is operating at a surplus. It is proposed to transfer the district heating service from EnviroEnergy to the Council from 1 December 2021, with the company to then be closed in a solvent way for March 2022. The Council is able to legally operate all functions carried out by EnviroEnergy, and the company's staff are employed by the Council already. Measures will be put in place over the next twelve to eighteen months to ensure that all of the procurement processes brought over from EnviroEnergy are compliant with the Council's required structures.

Resolved:

- (1) to approve the transfer of all property, rights and liabilities in the EnviroEnergy Limited business to Nottingham City Council, as it is now confirmed that the following conditions can be met: (i) the district heating service can be operated by the Council within the constraints of its Medium Term Financial Plan; (ii) the Council is able to legally operate the service; and (iii) following the transfer of its assets and liabilities to the Council, EnviroEnergy can be liquidated whilst solvent;**
- (2) to note the novation of the specific contracts identified in Exempt Appendix 2 to the report, as allowed within the UK Public Contract Regulations 2015;**
- (3) to approve the award of the specific contracts identified in Exempt Appendix 2 to the report, which are necessary for the continuation of the service but cannot be novated, and to note that the appropriate exemptions from procurement procedures have been granted for their direct award.**

- Reasons for the decision

EnviroEnergy was taken over by the Council in 2001 as operator of last resort following the departure of Dalkia, which previously operated the system under a joint ownership arrangement with the Council. A report to the Executive Board of 22 June 2021 identified that there are structures for the provision of district heating that will achieve better value for money without impact to customers, and the Board agreed that the service should be brought in-house.

- Other options considered

To do nothing and continue with a separate legal entity for both district heating and the sale of electricity to customers via the private wire network: adverse VAT impacts across the Council would be inevitable and financial pressures on a separate legal entity (which is, in essence, a core function of the Council) will occur. As such, this option is not considered viable.

To carry out a partial transfer of district heating activities to the Council, leaving the private wire network in the separate legal entity: this would alleviate the majority of the short-term VAT impact, however, it fragments the business and may therefore impact on the ability to gain future investment from central Government. It is not considered justifiable to maintain a separate legal entity and the associated costs (including additional year-end accounting costs, year-end audit costs, duplicated systems and ways of working), so this option is rejected.

73 Exclusion of the Public

The Board resolved to exclude the public from the meeting during consideration of the remaining items in accordance with Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, Paragraphs 3 and 5, on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

**74 EnviroEnergy Limited - Transfer of Business to Nottingham City Council
- Exempt Appendices**

The Portfolio Holder for Strategic Regeneration and Communications presented the exempt appendices to the report on the proposed transfer of EnviroEnergy Limited's assets and liabilities relating to the district heating system to the Council, to enable the operation of district heating provision as an in-house service.

The Board noted the exempt appendices to the report.

75 Continuity of Waste and Steam Supply for the Operation of the District Heating Scheme

The Portfolio Holder for Strategic Regeneration and Communications presented a report on the strategic review of the District Heating and Waste Disposal Scheme, to determine the most financially and environmentally sustainable long-term option for its future.

Resolved to approve the recommendations as set out in the exempt report.

- Reasons for the decision

As set out in the exempt report.

- Other options considered

As set out in the exempt report.