

Audit Committee – 24th February 2023

Title of paper:	Together for Nottingham Plan – Themes 1 and 8 <ul style="list-style-type: none"> • Theme 1: Medium Term Financial Strategy (MTFS) • Theme 8: Council Plan 	
Director(s)/ Corporate Director(s):	<ul style="list-style-type: none"> • Ross Brown (Theme 1) • Debbie Middleton (Theme 1) • Mel Barrett (Theme 8) • Ita O'Donovan (Theme 8) 	Wards affected: All
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Other colleagues who have provided input:	James Schrodell – Policy and Performance Manager James Rhodes – Head of Analysis and Insight	
Does this report contain any information that is exempt from publication?		
No.		
Recommendation(s):		
1.	To note the process undertaken in constructing the MTFP for 2023/24 to 2026/27	
2.	To note the progress made on the Council's new Performance Management Framework (PMF) to date and improvements in performance reporting across the Council	
3.	To note the progress on developing the new Strategic Council Plan and alignment with the MTFP through Divisional Business Planning	

1. Reasons for recommendations

- 1.1 To assure Audit Committee of plans for improving the reporting and management of the Council's finances and performance across the City Council.

2. Background

- 2.1 The Council's Recovery and Improvement Plan, the Together for Nottingham Plan, was first published in 2021, with a refresh required within the first three months of the statutory intervention set out in the 'Statement of Requirements' received by the Council on 2nd September 2022. The Together for Nottingham Plan was refreshed in October 2022, building on the original Plan by adding an update on the position at the end of year one.
- 2.2 One of the priorities within the Together for Nottingham Plan was the creation of a new Performance Management Framework, joining up the Strategic Council Plan with Service Plans and linking this to the Medium Term Financial Plan. This report gives an overview of the progress of Theme 1, Medium Term Financial Strategy (MTFS), and Theme 8, Council Plan, as the two are closely linked. The Council Plan is aligned with Divisional and Service Plans, which are fully costed and aligned to the Medium Term Financial Plan (MTFP), ensuring that activity in the Council Plan is kept within the

Council's budget. This approach to integrated planning and interconnectivity is demonstrated below:

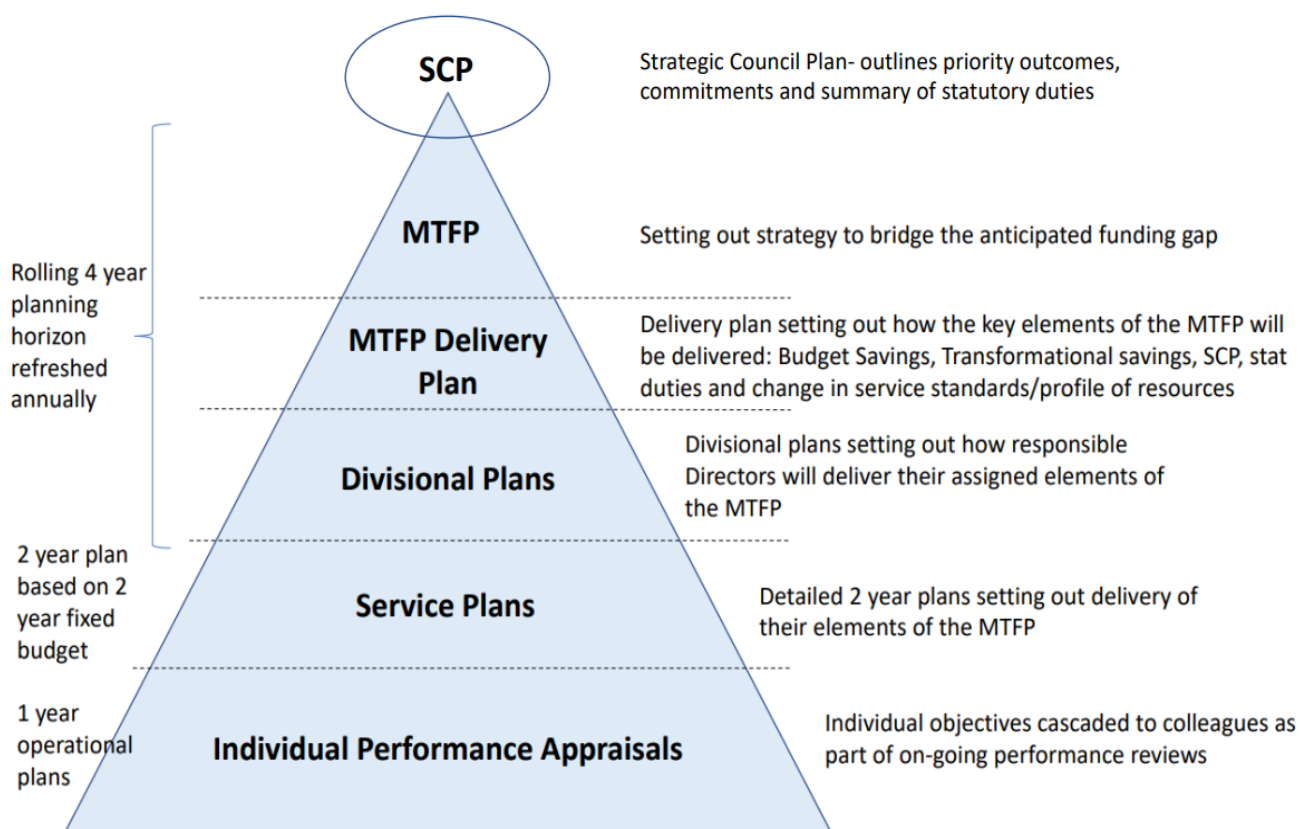


Diagram 1: Interconnectivity of Service and Divisional Plans, MTFP and SCP

Theme 1 – MTFP

- 2.3 The key objectives in the Together for Nottingham Plan in Theme 1 are:
- 2.3.1 A balanced budget and a sustainable MTFP for the four-year period.
 - 2.3.2 Reduced reliance on commercialisation to fund core services, ensure that core services are affordable in the longer term and removing fluctuating dividend income from core funding.
 - 2.3.3 Provide greater budget oversight and accountability, promoting CIPFA financial management standards, with Members and officers sighted and jointly accountable.
- 2.4 The key activities of this work stream are:
- 2.4.1 A balanced budget and a sustainable MTFP for the four-year period.
 - 2.4.2 Reduced reliance on commercialisation to fund core services, ensure that core services are affordable in the longer term and removing fluctuating dividend income from core funding.
 - 2.4.3 Provide greater budget oversight and accountability, promoting CIPFA financial management standards, with Members and officers sighted and jointly accountable.
3. **Changes and improvements – Medium Term Financial Plan**

- 3.1 The City Council is required to set a balanced budget for 2023/24 before 11th March 2023.
- 3.2 The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services, and decisions on implementation of policies developed outside the Council.

Process in developing the Medium Term Financial Plan (MTFP)

- 3.3 Work on the latest MTFP process commenced in June 2022 with discussions held with the Corporate Leadership Team (CLT) and Executive Panel to agree the approach. The aims of the process agreed in June 2022 included:
 - Clearly defined ownership of process at various stages between CLT and Executive/Portfolio Holders
 - Early agreement of the key dates
 - Early agreement of strategic priorities/ direction to provide a framework within which sufficient options can be developed so that the suitability of potential alternatives can be evaluated
 - Clear decision-making through:
 - constitutional governance structures
 - maintaining an audit trail of all decisions
 - transparency of all assumptions and figures
 - prompt circulation of agreed actions to appropriate colleagues
 - Focus on robust challenge on:
 - Growth bids
 - Fees & Charges and Commercial Income
 - Transformation assumptions
 - Provide IAB reassurance that the refreshed MTFP continues to provide a coherent strategic financial framework for maintaining robust long-term sustainability
- 3.4 Below details the political governance agreed for the MTFP process:
 - Executive Panel working with Labour Group to provide key oversight of the various budget activities and agree decisions for inclusion in refreshed MTFP
 - Regular Executive Panel sessions throughout the MTFP process
 - Finance Leadership meets fortnightly

Key activities underpinning the MTFP process

- 3.5 The strategy for the current MTFP was to focus on key themes to ensure the MTFP covered the major drivers for change and to reflect the impact of the emerging 'cost of living' crisis and the impact this would have on the MTFP. The key activities were grouped as:
 - **Transformation Programme** will become the main process for identifying and developing Outline Business Cases for potential future savings
 - **Business as usual** savings
 - Critical review of **Growth** will be undertaken before any inclusion in MTFP
 - Review of **Fees & Charges and Commercial Income**
 - **Reserves** – critical to the robustness of the MTFP

- 3.6 Throughout the process there were two key documents for new savings, new growth and previous MTFP decisions. These being and ‘R1’ and ‘R2’ documents.
- 3.7 The ‘R1’ document summarised at a high level the item with key financial and headline descriptions, this document is similar to what has been used in previous MTFP processes.
- 3.8 To improve the robustness of the process and enable effective challenge, an ‘R2’ form was introduced. This form required Corporate Directors, supported by Finance Business Partners, to provide further details of each item being proposed for both savings and growth items and to sign off on the deliverability and associated financial implications of each proposal. The requirements include:
- Detailed description of the proposal
 - Financial and HR contextual information
 - Description of the existing service
 - Projected revenue impact
 - Potential capital investment required
 - Impact upon service delivery of the proposal
 - Key risks and dependencies
 - Estimated delivery timeline and profiled savings / income
 - Risk management considerations
 - Initial assessment of need for an Equality Impact Assessment
- 3.9 The ‘R2’ forms will act as a critical document in 2023/24 to enable effective monitoring and tracking of savings.
- 3.10 The waterfall chart below was included within the December 2022 Executive Board MTFP update and broadly illustrates the cost drivers for the 2023/24 gap alongside funding assumptions and budget proposals on income and savings to close the budget gap.

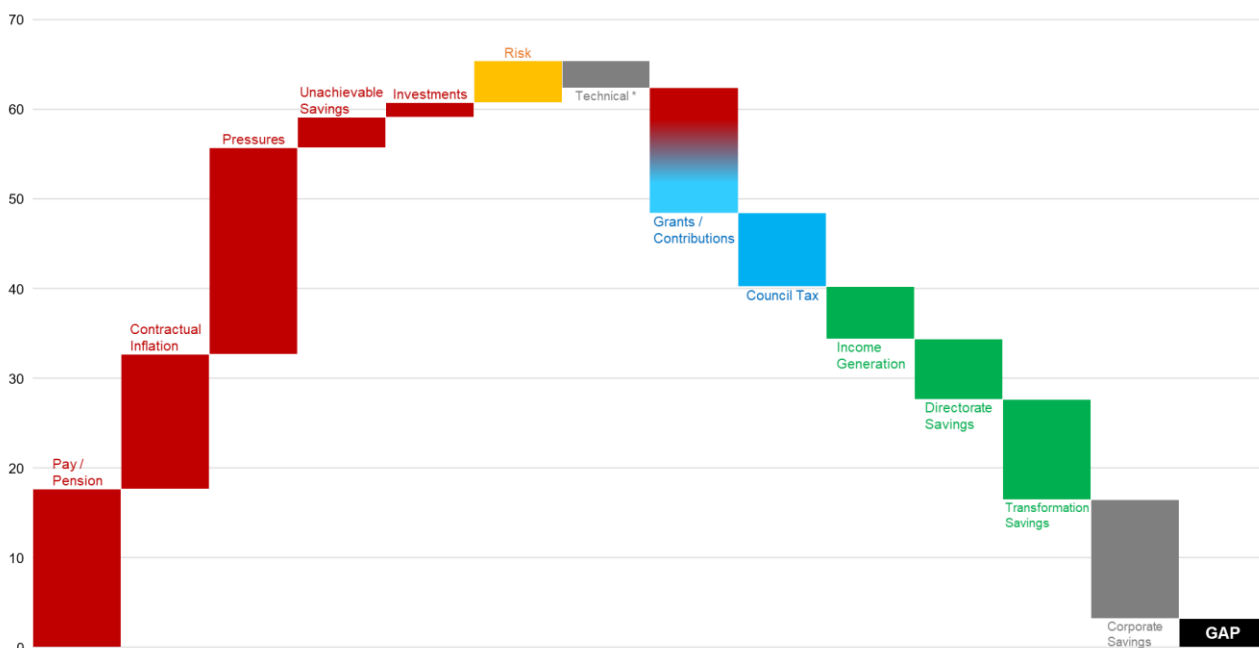


Diagram one: ‘Waterfall chart’ with cost drivers for 2023/24 gap

3.11 The pie chart below illustrates the 2023/24 new proposals by directorate as presented within the December 2022 Executive Board MTFP update.

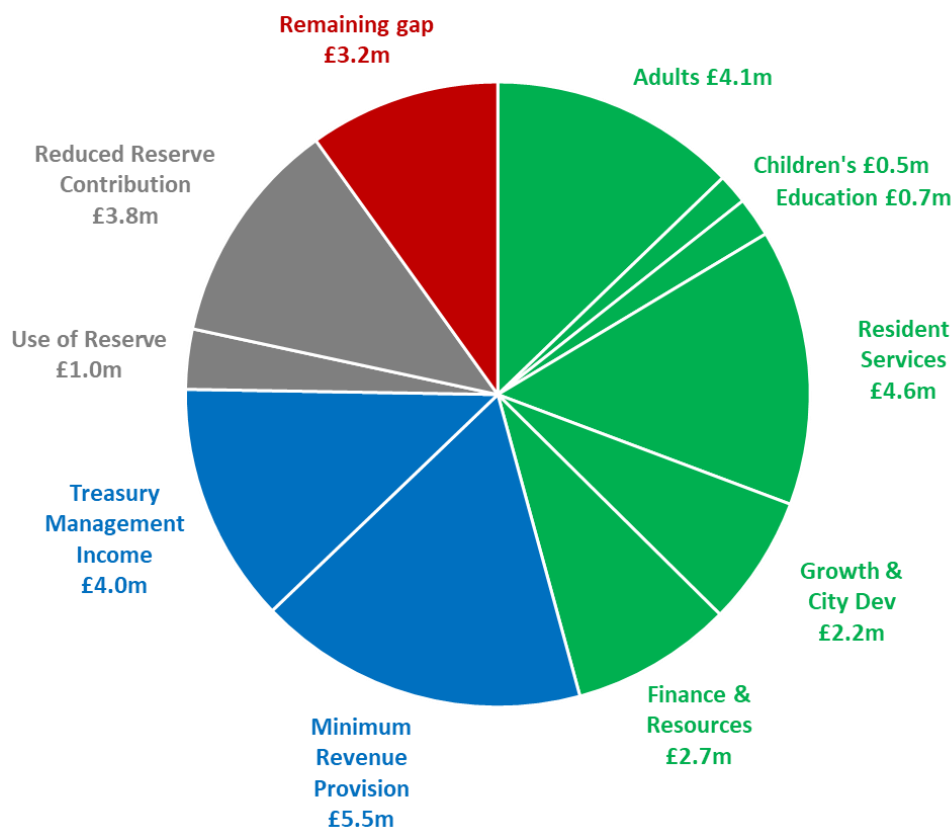


Diagram two: pie chart with 2023/24 new proposals by directorate

3.12 Growth items including increased demand, the ‘cost of living’ crisis, high inflation and high energy costs all contributed significantly to the MTFP budget gap. Therefore, in September 2022 a series of officer growth challenge sessions were completed to ensure robustness. Following these sessions, growth figures have been refined where necessary to reflect the latest information.

3.13 The MTFP is built on a number of assumptions, all with varying degrees of certainty. Throughout the MTFP process, colleagues have been using professional networks to ensure robustness of estimates and assumptions on the areas of least certainty.

Pipeline of proposals and Chief Executive Challenge sessions

3.14 Following confirmation of the substantial budget gap, driven primarily by exceptional levels of inflation and demand for statutory services, which exceeded earlier estimates and the capacity of the Transformation Programme to deliver sufficient accelerated savings, the budget process was adapted to enable officers and the Executive Members to work closely on a weekly cycle in order to close the budget gap and present a balanced MTFP. In September 2022 a pipeline of potential themes of savings was developed and a weekly process developed to ensure a structured work plan of savings could be developed. This process included weekly submissions of the R1 form, supported by R2 documents and an executive summary. The outcomes of these updates resulted in a weekly report to CLT and Executive Panel detailing the latest proposals and updated budget gap position.

3.15 In addition, the Chief Executive challenged officers to consider what could be delivered within 85% of their base budget resources. Directorates were invited to an officer session to discuss the outcomes from this exercise; supporting these sessions was Sean Nolan, the Finance Lead on the Improvement and Assurance Board. Savings proposals agreed during these sessions were then taken forward as part of the weekly updates on the budget gap to CLT and Executive Panel.

Executive Board MTFP updates

3.16 In December 2022, Executive Board was presented with an update to the MTFP - at the time of writing that report, the Provisional Finance settlement for Local Government had not yet been announced. The report included a budget gap for 2023/24 of **£3.2 million**.

3.17 Equality Impact Assessments, where required, are available to view on the Nottingham Insight internet page and were made available following Executive Board approval on 20th December 2022 to coincide with the launch of public consultation.

3.18 In February 2023, Executive Board will be presented within an updated MTFP report which will include updated settlement funding figures and will present a balanced budget for 2023/24 ahead of Full Council on 6th March 2023 to approve the budget.

MTFP/Budget Consultation

3.19 Public consultation was launched on 20th December 2022 and closed on 25th January 2023. The consultation methodology included an on-line survey, inviting respondents to review the developing MTFP and budget proposals, and a range of targeted and general on-line and in-person engagement events with staff, faith and community, and voluntary sector organisations, partners, businesses and residents. Written submissions were also provided from Overview and Scrutiny Committees. The findings and recommendations from the consultation were considered at Executive Panel on 2nd February and fed into the final budget presented to Executive Board on 21st February.

MTFP Delivery Plan

3.20 The MTFP Delivery Plan sets out how the key components of the MTFP and Strategic Council Plan will be delivered including any budget savings and transformation projects. The MTFP Delivery Plan is based on the Divisional Plans, which in turn are the basis of the Service Plans and individual performance appraisals of colleagues, providing a clear connection from the high-level objectives of the Council to individual officers (Diagram 1, above). Delivery is managed through integrated performance management arrangements at the divisional level via monthly performance clinics that bring together finance, risk and performance metrics (see section 5 for more details).

4. Theme 8 – Council Plan

4.1 The key objectives in the Together for Nottingham Plan in Theme 8 are:

- The refreshed Strategic Council Plan (SCP) sets out the operating context for the Council, the high-level needs in the city and our vision for Nottingham, clearly articulating our role in delivering on that – a new Strategic Council Plan will be agreed in March 2023 and includes all of the elements detailed.

- The new policy framework and refreshed Strategic Council Plan 2021-23 includes all of the Council's activities to ensure that our whole organisation's performance is visible and managed through the governance and accountability frameworks – this is also in place; activities from each division are included in the new SCP and we have re-commenced regular reporting to Overview and Scrutiny Committee, as well as our annual reports to Audit Committee.
- We have established high-level outcomes, with a series of detailed measures under each outcome, so that service activity/outputs are clear, and services are accountable for their contribution to our overall strategic goals – every division has a set of Critical Indicators, which are included in Divisional Plans and Service Plans, and feed into the priorities within the new SCP.
- We will enable performance management at all levels through a “golden thread” that runs from the overall strategic aims and objectives at the top of the organisation, and the outcomes of the refreshed Council Plan, down to service plans and individual colleague appraisal objectives – since the last iteration of this Plan was published, we have established and embedded a “golden thread” that runs from the overall strategic aims and Theme Eight: Council Plan ‘Together for Nottingham’ objectives at the top of the organisation, and the outcomes of the refreshed Council Plan, down to Divisional and Service Plans and individual colleague appraisal objectives. This will ensure that operational performance and risk has a line of sight to the overall reporting of performance, as well as further embedding a culture of clear accountability for the delivery of activities in the Plan.
- A strong link is being established between financial performance, corporate risk, and our workforce and corporate health via our Divisional Performance Clinics. In this way the Performance Management Framework (PMF) can enable us to look at performance in association with financial, risk and workforce plans – we will develop this further during 2023/24 with a more integrated approach to review and challenge of finance performance and risk, bringing output from Departmental Leadership Team meetings, Budget Review and Oversight Groups (BROGs) and performance clinics together in a more streamlined way.
- We will be clear to citizens, businesses and stakeholders about what our priorities are and where our resources are directed – we have held budget consultation events with citizens, businesses and other stakeholders.
- We will continue to explain the governance and accountability mechanisms to ensure the delivery of the Plan and to enable citizens to hold us to account – we have recommenced regular Overview and Scrutiny Committee sessions and continue to report annually to Audit Committee. Additionally, we have been exploring making regular performance reports available to the public so that they are kept better informed about the work the Council is doing.

4.2 The key activities of this work stream are:

- Continue to develop the Performance Management Framework to ensure it remains relevant and reflects current priorities and statutory duties.
- Embed new reporting processes to ensure the effective corporate management of performance.
- Develop a refreshed Strategic Council Plan for 2023 onwards that includes:
 - The vision and operating context of the Council.
 - New commitments to be added post-election and the Plan to be reconciled with the MTFP.
 - Reflection of key statutory responsibilities/activity and strategic projects (organised around key outcomes).

- Details of the transformation activities to put the Council onto a sustainable footing.
 - Details of the governance and accountability framework.
 - A statement about our current financial position and how it impacts the above.
 - Ensuring all key policy and strategic plans are current or are being refreshed.
 - Creating clear guidance on producing policies and strategies.
 - Defining policy, strategy, and action plans to better embed the Councillor/Officer Protocol and set out what strategic documents sit within the policy framework.
 - Maintaining the City Council's strategic document repository and ensuring it remains up to date.
- 4.3 Formerly, quarterly corporate performance reporting to the Corporate Leadership Team (CLT) and the Executive focussed on commitments taken from the previous Council Plan, and performance management was not coordinated by the centre, but instead owned by each individual directorate. This approach lacked consistency and did not help embed a performance management culture. In response, and as part of our improvement journey, we have made the process of performance reporting more uniform, to ensure each directorate and division has the same opportunity to scrutinise their data, enabling appropriate check and challenge from colleagues.
- 4.4 The Corporate Policy and Performance Team now coordinates reporting on both the SCP measures and additional key metrics outside of the Strategic Council Plan. The metrics being reported on have been proposed by Directors and Heads of Service to include a mix of statutory duties and strategic indicators that give the best overview of their key responsibilities, priorities and 'business as usual' work. This is intended to better inform the Council's leadership of performance across key service areas.

5. Changes and improvements – Council Plan and corporate performance assurance mechanisms

Performance Management

- 5.1 The context in which the Council operates has drastically changed since 2019, which led to the refreshed Strategic Council Plan (SCP) for 2021-2023. The refreshed SCP, as noted in Theme 8 of the Together for Nottingham Plan, includes:
- The implementation of monthly performance clinics.
 - A robust policy framework.
 - A clear vision for the City and Council and the priority outcomes.
- The three points noted above outline the performance management approach implemented throughout the Council since the last iteration of the SCP was published.
- 5.2 Nottingham City Council has successfully developed a new Performance Management Framework (PMF), with the following overarching aims:
- To improve the culture of performance reporting in Nottingham City Council.
 - To ensure performance is reported on and discussed regularly and accurately.
 - To change the culture of performance reporting so that it is seen as an asset which engenders accountability and can track progress towards meeting targets.
- 5.3 The Performance Management Framework (PMF) is a live document which can be revised, amended and edited at any point. This is necessary to ensure the PMF

continues to include relevant indicators to reflect changing strategies, priorities and statutory duties. In addition to the metrics, the PMF also incorporates the commitments within the Strategic Council Plan in order to ensure accountability of delivery. Diagram 2, below, offers a breakdown of the components of the PMF, the frequency of reporting and where they are reported.

5.4 The PMF is comprised of the following:

- Critical Indicators – a small subset of strategic indicators collated within divisions, which provides the Council’s senior leadership with a focussed, manageable overview of performance. Performance against these Critical Indicators is reported to the Corporate Leadership Team and the Executive on a quarterly basis by exception (particular focus is given to those indicators RAG rated ‘red’ or ‘amber’), with indicators consistently rated ‘green’ also reviewed.
- Amended Strategic Council Plan (SCP) commitments – these are the revised commitments from the Executive.
- SCP outcome measures – these are metrics we have committed to measure to assess if the 11 high level outcomes in the current Strategic Council Plan are being achieved.

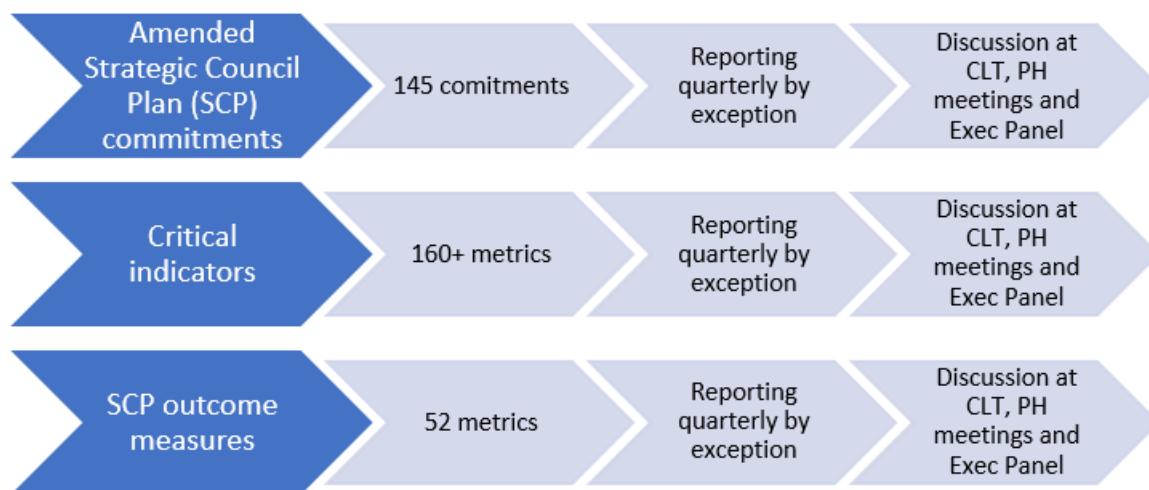


Diagram three: Components of the Performance Management Framework

5.5 The Critical Indicators are included in Divisional Plans. These Divisional Plans set out each division’s priorities and ‘business as usual’ activity, ensuring the work is deliverable within the financial envelope as set out in the Medium Term Financial Plan (MTFP). The inclusion of Critical Indicators in the plans helps guarantee the indicators accurately reflect the work of each division and means they are recognised as an important business planning tool.

5.6 Monthly performance clinics are held with Directors and their Heads of Service in each division within the Council with a specific focus on Divisional Plans. These performance clinics have facilitated a more consistent and focused approach to performance management. They comprise of a three-month rolling schedule, with the following standard agendas:

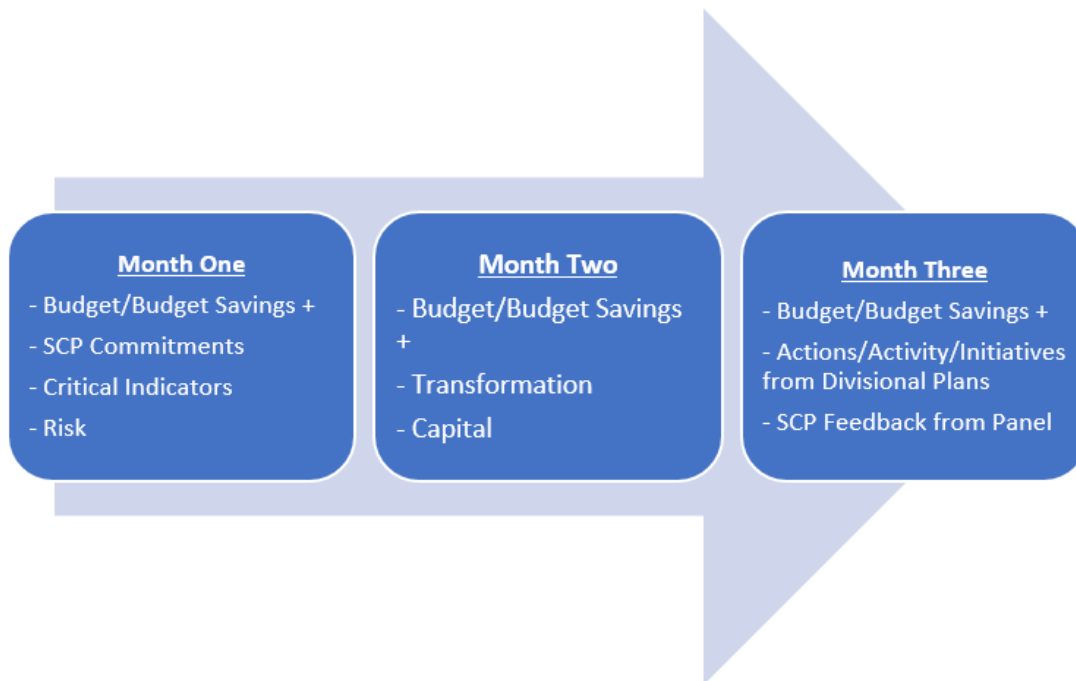


Diagram four: Monthly divisional performance clinic timetables

- 5.7 The clinics have standardised the performance management process but provided some flexibility so that each clinic can be tailored to the needs of the service area whilst ensuring every division considers all areas of performance on a regular basis. This approach has harnessed good practice and has the capacity to improve areas that need more support.
- 5.8 Officers have renewed their focus on quality assurance as a tool to improve performance, especially through SCP and Critical Indicator reports, whether the updates are required monthly, quarterly or annually. This quality assurance process ensures there are no gaps in reporting, and that data is accurate and kept up-to-date so performance can be managed to a high standard.
- 5.9 Reporting is captured through the Council's online performance management system, Pentana, linking into other sources of data where available. Reports include a RAG (red, amber, green) rating for each indicator, alongside contextual narrative. Discussions have been had to evaluate the effectiveness of Pentana and what other performance software options are available. The East Midlands Performance Network was consulted on the reporting packages they use, and we continue to explore options. The development of dashboards to allow regular, easy review of indicators and the ability to filter by directorate, division and portfolio is still in progress.
- 5.10 On a quarterly basis, after the SCP commitments and Critical Indicators have been discussed at the performance clinics, they are shared with all four Directorate Leadership Teams (DLT) for discussion. Following this, the commitments and indicators are taken to Corporate Leadership Team (CLT) to update them and allow an opportunity for them to explore and query any emerging issues that may need intervention. Portfolio Holders then have individual performance meetings where Corporate Directors and other officers brief them, allowing elected Members to gain a more thorough understanding of performance in their portfolio. Finally, performance is discussed at Executive Panel, with Portfolio Holders presenting their information and other attendees able to ask queries or provide appropriate challenge.

- 5.11 Although most divisions have only had around six clinics so far, they are proving useful in flagging up issues for further exploration, including amendments required to performance reporting, or budget queries which need resolving. Having performance discussions at a divisional level before they go to DLTs allows more time for review and an opportunity to explore the reasons for performance and any mitigating actions which may be required. Actions from the clinics, which are coordinated by the Corporate Policy and Performance team, are captured to ensure they are acted upon. Any common themes and concerns are also noted and fed up to CLT to flag any wider issues which teams may be experiencing.
- 5.12 At the performance clinics, DLTs and CLT, performance is co-reported with risk. This enables officers to understand how the performance of their Critical Indicators impacts on what is in the divisional and corporate risk registers. After CLT, the Principal Risk Specialist and Senior Policy and Performance Officer review any Critical Indicators that are RAG rated red or amber to check if they are already reflected in the risk registers or if they are to be added as an additional risk.

Policy Framework/Library

- 5.13 We have also developed a new Policy Library, which contains all of the Council's key policies, strategies and plans, and which was shared with all four Directorate Leadership Teams prior to publication. The Library is available on the intranet so that colleagues can refer to existing documents when developing new policies, ensuring they complement each other and do not duplicate or contradict other work. Details are included of the ownership of each policy, along with expiry dates to ensure they are reviewed and refreshed in a timely manner.
- 5.14 The Council continues to convene its Policy Network, which sees representatives from across the Council come together to review policies when they need to be revised, or to help develop new ones. The group, coordinated by the Corporate Policy and Performance Team, is comprised of policy experts with sufficient seniority to be sighted on most work happening in their service areas or divisions who are able to adequately represent their part of the Council.

Development of the new Strategic Council Plan (SCP)

- 5.15 The current SCP will expire at the end of March 2023. A new SCP has been developed, populated by key statutory duties, committed projects and strategic indicators taken from the activities and priorities contained within the Divisional Plans, thus ensuring the SCP is fully costed. A final draft of the new SCP will be taken to Executive Board on 21st February 2023 and to Full Council on 6th March. It will be refreshed following the local election, due to take place on 4th May 2023, with further reconciliation within the constraints of the MTFP to ensure deliverability is maintained. The new SCP will run from 2023/24 to 2026/27.

6. Background papers other than published works or those disclosing exempt or confidential information

- 6.1 None.

7. Published documents referred to in compiling this report

- 7.1 Nottingham City Council Plan 2019-2023
- 7.2 Nottingham City Council Strategic Council Plan 2021-2023
- 7.3 Nottingham City Council Recovery and Improvement Plan 2021-2024
- 7.4 Together for Nottingham Recovery and Improvement Plan Refresh 2022