

Third Quarterly Report

Introduction

The Board's first two quarterly reports paid particular attention to the building blocks the Council was putting in place to effect a robust recovery plan and process following the Caller report and its recommendations.

There was acknowledgement in both of those submissions that the Council was tasked with a requirement to establish a strategy which would provide stability, in financial and service terms, in the medium to longer term. This was a significant and substantial challenge which demanded a fundamental rethink about how Council operated. Given the competing pressures of Covid and the scale of the transformation being considered, the Board took a balanced and considered view of what was achievable in the first six month period.

There is no doubt that progress has been made on a number of fronts but the Board is now looking critically at the pace of change, with the expectation that the planning processes will be accelerated considerably in the coming months. This report points to particular pressure points which must see further action as a matter of urgency. The Council has reached a key stage in its recovery and we have highlighted the areas which warrant attention whilst recognising the progress that Nottingham has made in a number of areas.

Key areas for consideration

The Board has paid particular attention to the Council's planning and implementation processes to underpin the following key areas of activity:

- a) strategic and service planning and the MTFP
- b) organisation and culture
- c) The Council constitution and governance
- d) commercial and company review
- e) financial resilience
- f) communication and engagement.

Each of these has been examined in depth at the same time having regard to the challenges the Council continues to face, in the current environment, in delivering quality and cost-effective services to its citizens.

Strategic and Service Planning and the MTFP

The Board has challenged the Authority to produce a costed service plan to support the Council Plan

which can then be set against resources available over the period 2022/25. The Council has identified 21 pledges which have been removed from the Plan on the grounds of affordability and changed circumstances. In addition, there is now a new service planning template which focuses on deliverability. 63 service plans are now being evaluated to identify any proposals not currently financed. The intention is to produce a revised Council Plan for consideration by Full Council in September 2021.

These initiatives are being supported by a service renewal and redesign process to support the medium term financial plan (MTFP) 2022/25. A revised MTFP timeline has been developed and considered by the Council leadership, members and officers in June. The intention is for the Council to agree a four year medium term financial plan in November 2021 followed by an eight week public consultation period. It is important to note that this replaces the original aim to agree the MTFP in October 2021, then allowing a 12 week public consultation period. The Council is aware of the need to address, urgently, the requirement to close the estimated funding gaps of £27 million in 2022/23 rising to £33 million in 2024/2025. These are in addition to a projected revenue budget deficit of £12m in 2021/22. The Board has stressed that such budget shortfalls must be addressed as a matter of urgency if a credible and realistic financial plan is to emerge over the forecast period. The transformation programme, currently in its early stages of development, is seen by the Council as an important ingredient in achieving cost-effective service provision but its impact has yet to be evaluated.

In summary, the Council understands that it is vital that the Council service and financial plans observe its significant financial parameters over the next four years and are completed within the timescale set. The Board is very concerned the timeline of the MTFP approval is very tight and leaves no scope for variation/error if required. It is essential that Full Council approves a completed MTFP at its meeting of 7 March 2022 and must not revert to what would be only an annual budget process for 2022/23.

Organisation and Cultural Change

The Board reported in the last quarter that the concept of transformation, incorporating cultural change, had yet to be addressed by the Council. A Director, responsible for transformation, is now in post. Fundamental changes in attitudes, behaviours and ways of working are now being addressed. The Board has previously acknowledged the dedication and loyalty of the workforce in fulfilling its role but such is the seriousness of the situation facing the Council, transformational change is essential. Staff surveys have indicated a strong people orientated culture but performance management was highlighted as an area for improvement. This is being addressed through strengthened performance review processes, better communication across the authority and building leadership capacity and capability. The LGA have recently facilitated a bespoke session on the Protocol for Councillor and Officer Relations to Executive councillors to further imbed good practice.

The Board is encouraged by these developments but looks for further evidence of the cultural changes to be embedded and seen to be evident in Council's overall performance. Equally, the Board will look to see how organisational/cultural change is reflected in the transformation plan.

The Council constitution and governance

There has been significant progress in the updating of the Council's Constitution with the revised constitution to be considered by the Council in September 2021, which includes changes to the Executive scheme of delegation proposed by the Leader of the Council.

A principal area of concern highlighted by the Board in previous quarterly reports related to clarity of accountability and decision-making. This related, in particular, to the respective roles of members as portfolio holders and officers operating through the scheme of delegation. The new governance arrangements seek to address this and training on the new Constitution is to take place in August 2021. However, the Board will look to see how the protocol for managing member/officer interface in decision-making works in practice. The council has also received support from the Centre for Governance and Scrutiny in the updating of the Constitution. The Board has commented, previously, on the need to ensure that member/officer interface in decision making works in practice, and ensures that in undertaking their respective roles members and officers possess the relevant skills, experience and competence in decision-making and this must be seen to be addressed by the Council with appropriate training and support. Such training is in place for councillors who are also company directors. As a separate issue, Overview and Scrutiny Committee terms of reference have been increased to provide oversight of key performance areas.

Commercial and company review

The Council, supported by CIPFA, has undertaken a review of a number of its Companies following the demise of RHE. Commercial confidentiality precludes detailed reference to individual companies but discussions continue relating to the three such companies and the Council plans to address the remaining six in due course. The Companies' workstream has now been extended to incorporate all the Council's commercial activity, carried out by arms' length companies or in-house, directly provided by the Council. Recovery work has been progressing but little has happened on other workstreams. The Board would look for this programme of review to be expedited as soon as it is possible.

The Board has previously referred to the Council's risk policy in respect of commercialisation and companies. The fundamental role that the Authority performs in making such decisions must not be understated and it is noted that further work on the risk framework relating to companies is being undertaken by the Head of Internal Audit. It is also noted that this has been strengthened around the Council and companies including greater reporting on company activity. Steps are being taken to address the shortcoming in the governance of the Council's companies, including the establishment of a shareholder unit and board effectiveness review.

The Institute of Directors recently delivered in depth training over 2 days on the 'role of the Director and the Board' to 25 Councillors and officers.

Financial resilience

A critical factor in determining the success of Nottingham City Council's recovery plan is its financial resilience. The Board has already commented on planning and budgeting processes and timelines but it

remains concerned about the Council's overall financial situation. Setting aside the Council's earmarked reserves, its general fund reserves are relatively low set against the overall spend/turnover of the authority. The Council is aware that such fund balances should not, as a general rule, finance annual revenue spending and the current capitalisation facility is temporary. In this context the overspend projected in 2021/22 is concerning. Major challenges remain here.

With regard to capital resources the Board previously pointed to the asset disposal programme that was less than clear. There has been good progress in providing a realistic assessment of capital receipts in support of the capital programme. However, the Council must monitor carefully its borrowing requirement in order to stay within the 'voluntary cap'.

Communication and engagement

The Board seeks assurance that the Council's transformation and recovery plan is communicated effectively both internally and externally.

Engagement with the workforce has increased with blogs by the Chief Executive, monthly team briefings, cascading of messaging through different levels of the organisation. Responses and feedback from staff have increased but there is scope for this to be extended. External communication continues and the Leader, Deputy Leader and the Chief Executive have led two virtual consultation sessions with staff and the public with further engagement with stakeholders planned in August. Engagement with stakeholders and the general public will benefit from having sight of the Council's draft Strategic plan which is now in the public domain.

Conclusion

Since the last quarterly report the Council has made progress in a number of areas. The Council's Constitution is at an advanced stage of development, the strategic and service plans are nearing completion, transformation and cultural change are being progressed and internal and external communication have improved.

The Board is pleased with this progress but wishes again to stress the importance of pace of change. There is little room for manoeuvre in the MTFP timeline; governance and culture must be progressed quickly as they provide the key to changes in the ways of working for both members and officers; the company portfolio must be addressed as a matter of urgency; and the basis of financial resilience should be understood and respected by all who work for, or who are associated with the Council.

Nottingham City Council Improvement and Assurance Board