
Nottingham City Council Commissioners

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29 August 2025

Rt. Hon. Angela Rayner MP
Deputy Prime Minister
2 Marsham Street
London SW1P 4DF

Ref: Report 3

Dear Secretary of State,

In our letter in March 2025 we reported the improvements being made across the Authority and observed that maintaining this positive direction and implementing the full suite of reforms would be necessary in the coming year if progress was to be maintained. We concluded with the observation that *'sustainability is a realistic outcome in the medium-term if these challenges are met.'*

We are pleased to report that improvement continues to be made in most respects. Accordingly, this letter addresses only those issues which we believe to be of substance and remain outstanding. It does not endeavour to present a comprehensive picture of all of the progress made which we will address in our intended final letter in December.

The Council's leadership is delivering the Improvement Plan which is focused on strategic direction, financial sustainability, and operational effectiveness. Governance arrangements supporting the Plan are sound, with Commissioners actively contributing to key implementation Boards and working closely with the Executive and senior officers. As the Council embeds these changes, its approach is becoming more sophisticated, and early signs of a shift toward building-in the methodology of continuous improvement are emerging, particularly in relation to systems and processes, but with more to do to become a truly learning organisation and to change as a result of that learning. There have been improvements in monitoring, performance management and follow-up, alongside strengthened Internal Audit processes and a growing awareness of risk across the Council. These developments reflect a more structured and proactive approach to service planning and performance, and we will want to see this mature so that it continues to influence decision making and activity in the coming months.

The difficulties that the Council has experienced and which precipitated the intervention evolved over a prolonged period of time. Some behaviours, particularly in the interactions between Members and officers, were not those which are found in successful Councils, and a constrained operating culture had developed which the Council fully recognises must change.

Such change is indeed taking place across the organisation, and to good effect, but in respect of the most senior leadership our last letter specifically referred to the continuing need to build *'understanding, trust and coherence amongst the new cohort'* of political and managerial leaders. We drew specific attention to the requirement for *'more consistent collegiate behaviours over the coming months to demonstrate that mature working relationships are being established between leadership and officers'*. This remains an area of work in progress, and consistency in this has not yet been realised.

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We also previously observed that *'the Council will need to demonstrate the ability to recover from setbacks... demonstrating resilience, managing risk well and taking corrective action quickly where required and learning without blame'*. Risk management is indeed improving, and the need for corrective action in respect of emergent failure is now more speedily identified and applied.

Recovery in the operation of any large organisation that has become dysfunctional takes place fitfully, as people adapt to the change. This Council still makes mistakes, and it will not suddenly cease doing so. Rather, these will lessen in scale and impact as the Council steadily rebuilds itself around sound operating principles. Political impatience at progressing this, and the frustration displayed when things go wrong, still too often leads to a tendency to apportion blame, and for that blame to be disproportionately applied. This in turn is too often characterised by intemperate and sometimes ill-tempered engagement. This breeds a wariness amongst officers over presenting difficult news or reporting upon failures - an unhealthy characteristic which, if it persists, will put recovery at risk.

It is important to engender a learning culture drawing upon mistakes as opportunities to continuously improve. We will assess progress on this basis not only through a reduction in the scale of things that go wrong but in ensuring that when they do, the organisation handles it well.

In our last letter, we also reflected on the build of the 2024/25 budget, which had been set against a very difficult year during which a s114 Notice had been served. The final outturn for the year was a net underspend of £33m against the total funding envelope which included some £41m of EFS, or some £8m overspend against a budget excluding ESF.

Whilst in many ways this is positive, there are some concerning points – most noticeably: -

- this position wasn't forecast during the year and only became visible in the last couple of months,
- it was achieved in spite of some significant issues with the delivery of savings programmes – most noticeably in Adult Social Care, and
- this shortfall was offset by some very significant 'savings' in the employee budget line. In reality, these savings were due to full budgeting for the establishment posts with very little held back in terms of inevitable vacancies. Budgeting in this way provides a useful cushion to overspends or under-delivery of savings, but the actual level of savings delivery is being masked by the use of the excess employee budgets to mitigate any shortfall.

In building the 2025/26 budget, the Council developed a transformation programme to identify savings and process improvements. Savings amounting to £39m were included in the budget, comprising some service specific programmes and some cross cutting projects. In our last letter, we noted that the authority has not always delivered savings at this level before and it therefore represented a risk to the budget.

Early reporting in the current financial year through both the Finance and Resources Board and the Transformation Board have identified some issues with the deliverability of these plans, most notably with Adult Social Care, Children's Services and the cross cutting projects.

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Of the £39m savings included in the budget, some £10m of savings are identified either at risk or not deliverable although in some cases it may be possible to deliver savings over a longer timeframe than originally planned.

Once again, this non-delivery of programmed transformation doesn't appear to be negatively affecting the bottom line of the Council's finances in the short term – the position at P3 is of an underspend of some £3m against a budget which includes some £20m of EFS. This level of performance is once again being sustained through significant underspends on the employee line.

This situation creates some behavioural issues – notably, the non-delivery of savings doesn't cause a crisis in financial management due to this 'cushion', and so there is a danger that there is less emphasis placed on the delivery of transformation and continuous improvement.

However, it is important to note that whilst the finances are not currently threatened, particularly given the level of consolidated General Fund reserves, which stand at some £60m following a review by the S151 Officer, this does not necessarily mean that the budget is sustainable for the medium and longer term, nor that the Council is delivering value for money. Benchmarking would also support this view. The transformation programme sets out some projects that need to deliver fundamental service change, representing not only lower cost but also better outcomes for citizens and businesses. As the Council develops its ambitions for the City for the medium to longer term, it will need to find sums for investment, and to further improve services – it is therefore essential that value for money is achieved.

The position regarding lack of delivery of savings programmes is not a new one, nor is it one that the Council is unaware of. Looking forward to the 2026/27 budget, work started very early in the new year. A 'lessons learned' exercise was undertaken to build on some good practice that was introduced last year, and it is pleasing that we are now seeing a second round of the star chamber meetings to develop plans to reduce spend and improve services. It is important that in starting this process early and identifying opportunities over the summer the authority spends some time working up robust delivery plans that will provide greater confidence in delivery – these must be ready by the time the budget is submitted to full Council, so as to enable delivery to begin immediately thereafter. It is also important that there is greater transparency of the delivery of savings which is separate from mitigations being used to offset any negative budget impact. At the moment, the mitigations are netted off against each other which obscures the extent of actual savings against the plans. As the transformation process develops further, the Council should also consider developing performance measures against each programme to provide greater transparency on service improvement – thereby proof of value for money.

Risk Management and Internal Audit also featured in our last letter. Over the last few months, the Council has invested considerable time and energy in reviewing these areas.

The corporate risk register is reviewed regularly at the Corporate Leadership Team and departmental registers are now in place. A new Risk Strategy has been developed and approved, and a training programme is underway. Most report templates now include a specific heading for Risk Management, thereby requiring the author to identify risks and set out mitigations. Further work is needed on identifying mitigations and ensuring these are put in place and monitored to ensure effectiveness. This part of the process is still in its infancy, and the Council needs to consider further how to use its risk register to shape its transformation programme and service redesign.

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A thorough review has been undertaken of the considerable number of Internal Audit recommendations – this list is now down to under 30, from a high of over 100 although some of these remaining have been outstanding for some time. There is regular reporting on the status of reports and recommendations thus enabling appropriate action to be taken should that be necessary. The Internal Audit programme for the current year is well underway and reports are being produced. It is noticeable that services are identifying areas where they would value Internal Audit work, suggesting an improvement in relationships and an understanding of the role Internal Audit can play in improving services.

The work undertaken on Internal Audit is effectively stabilising the service. As with risk management, further thought could be put into how the Council can gain assurance of its transformation work through the engagement of Internal Audit to ensure controls are not being weakened, particularly in relation to changes such as service redesign.

Better use of these two functions (Internal Audit and Risk Management) will reduce overall risks to the authority and so enable it to be more ambitious and provide even greater benefit to residents and businesses.

Earlier reference has been made to the Transformation Plan in driving improvements. The plan is underpinned by a set of organisational design principles which are being used to redesign services. A 'target operating model' has also been developed which sets out how the Council will structure its resources to deliver for citizens. This includes the expected tiers of management, spans of control and management responsibilities at different tiers. This approach is being rolled out across the organisation after a period of delay.

There is investment in resources to support Senior Leaders to drive change and transformation. There is now an internal team supplemented by additional external resources where required. Whilst political and managerial leadership have prioritised resources and been proactive, there is not always timely activity within services to drive activity and change at pace. We have seen greater curiosity demonstrated by the Council looking outwards to gain a better awareness of the 'art of the possible'. We now want to see that information used more effectively to drive the transformation programme.

It is encouraging to see the piloting of different organisational development approaches across various parts of the Council which after evaluation could be developed into a corporate approach.

Much of the focus to date has been on developing delivery plans to implement the changes agreed as part of budget setting. There is variability in the quality of delivery plans, and this needs to be addressed for the Council to be confident in its ability to improve outcomes and achieve savings. This is recognised by the Council and we will want to see significant improvement in this area.

There has been consideration of the more significant change and transformation that is still required to be planned, particularly in adults and children's services. The Council is aware of the need to further develop these services and whilst these have been under consideration for some time there is now a need to move at pace to deliver better outcomes. This needs to be key focus over the coming months with assumptions being challenged through the production of robust delivery plans.

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It will be important that the Council demonstrates its ability to deliver on the current planned changes (and associated budget savings) in year and builds on the learning from this to develop a strategic and longer-term approach to service improvement.

In summary, the Council continues to make steady progress in delivering its Improvement Plan with growing sophistication and some early signs of a shift toward continuous improvement thinking. They are also engaging effectively with partners in relation to Local Government Reorganisation.

We have to date operated on the basis that the Council should be able to work autonomously, with Commissioners providing support as required and only stepping in where necessary. We envisage this way of working will continue and therefore we will not need to formally utilise our powers under the directions.

As elements of leadership and governance mature, the Commissioner team will now reflect on what any future support could look like — recognising that while some areas are demonstrating maturity, others still require intensive oversight to ensure sustained progress. These reflections will be developed over the coming months, with a view to concluding recommendations by December.

Yours Sincerely

Tony McArdle
Margaret Lee
Sharon Kemp