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Rt. Hon. Angela Rayner MP
Secretary of State Housing, Communities and Local Government
2 Marsham Street
London SW1P 4DF

Ref: Report 1

Dear Secretary of State,

We write to provide our first report on the directions made under the Local Government Act 1999 and given to the Council on 24th March 2026. This is the first update since the transition from Commissioners with decision making powers to Envoys with oversight. As Envoys we started our roles in March (Sharon Kemp, Lead Ministerial Envoy) and July (Sir Stephen Houghton CBE, Political Envoy).

On receiving the directions in March, the Council acted with pace to establish a Continuous Improvement Committee and update and expand their continuous improvement plan to embed and enhance the progress made and focus on outcomes through specific priority service improvement areas. The first meeting was held on 4th June where the Continuous Improvement Plan was presented and agreed. The Plan has priority service improvement areas – adult social care, children's social care, city vision, customer services, housing and local government re-organisation, and nine cross cutting improvement programmes covering an engaged, effective and empowered workforce; corporate landlord and asset sales; council companies and traded services; delivery, performance, planning and impact; financial sustainability and management; governance, scrutiny and decision making; improving enabling processes and systems; procurement transformation; and risk management and internal audit.

The composition of the Committee complies with that identified within the directions with the Leader of the Council as Chair, two Opposition Councillors, Ministerial Envoys, and the external expertise of the independent chairs of the Adults and Children's Improvement Boards.

The Committee is scheduled to meet twice a year with the next meeting on 26th November 2026 and in the intervening period there is a monthly internal board that oversees progress which we as Envoys and the Independent Chairs attend.

The Council's Continuous Improvement Plan covers a wider range of issues than are detailed within the directions, which is positive in terms of the Council approach to improvement across all areas. However, for the purposes of this progress update information is detailed against the specific directions:

- **To embed improvements in delivering financial stability across the Authority.**

It was forecast in the Council's Quarter 3 monitoring report that the Council would have a net underspend of £22.4m assuming the use of Exceptional Financial Support. In the Financial Out Turn Report to the Executive on 21st July 2026, it was reported that there had been a £41.2m underspend. This included £20.8m of budgeted EFS which was not required and, therefore, the net outturn position for the General Fund was £20.4m. The report notes this was primarily attributable to grant maximisation, vacancy management, discounts secured through early repayment of debt, reduced external placement costs within Children's Services and increased income from services and treasury investments. There was also a significant increase in the settlement the Council received.

Whilst much progress has been made on improving the financial data and financial controls such a large variance from Quarter 3 undermines confidence in the accuracy of the financial reporting.

There has also been a recent issue identified with the Dedicated Schools Grant which has seen the projections move from a £3.1m deficit to £24.2m with a worst-case scenario of £31.3m. Action was taken quickly to escalate the issue once known to managers and the Council has sought sector advice and support to aid their investigation into the cause of the issue and recovery actions. The Council is also undertaking a review across wider services to proactively identify whether there are any risks regarding this happening elsewhere. The Council demonstrated a sound approach to addressing the problem through immediate action once known to Managers and the securing of sector support.

Given the significant variance reported at year end and the issues identified within the Dedicated School Grant, the Council needs to continue to prioritise improving the accuracy of financial information. We have encouraged the Council to consider its confidence in the budget position given the recent challenges and how this affects their risk appetite.

A report to Council on 14th September 2026 sought and gained approval to allocate £20.4m of the underspend from 2025/26 on one off fixed term revenue projects in support of the aims of the Council Plan.

It is not forecast that such an underspend will be repeated this year with the latest budget monitoring report to the Executive on 22nd September showing a projected £0.3m overspend.

The permanent achievement of workforce savings agreed as part of the 25/26 budget has progressed, and it is important that this is completed this financial year so that staffing structures and budgets are aligned.

The Finance Service have continued to make progress in the implementation of their service specific improvement plan with recruitment to key posts, and activity continues to modernise the service and act in line with good practice. Ongoing training and

development is being rolled out and will need to be continued, particularly in light of the circumstances described above.

There is significant activity underway to develop proposals for the 2026/2027 budget and we will be looking for evidence during the next few months that compliance with Best Value duties is firmly embedded in the development of the future budget and medium-term financial plan.

There is a much-improved relationship with External Audit with regular meetings by the Chief Executive and Section 151 Officer with the external audit partner. The Audit Committee is receiving regular reports from officers and the External Audit partner. Work is underway on the 2025/2026 audit, and this is anticipated to be completed by the end of November 2026. There will be a phased approach to returning to full assurance given the scale of the work to be undertaken, this will see the next couple of years continuing to receive disclaimed audit opinions. A detailed programme of the work to be undertaken to return to full assurance is being developed by the External Audit and will be shared with the Council during October.

• **To embed improvements in the proper functioning of the Authority's scrutiny and decision-making processes.**

The Council's Scrutiny function underwent structural changes in 2023/2024 with the creation of five new Committees and an updated structure was implemented for the 2025/2026 municipal year to align to the eleven priority areas within the Council Plan namely Children's and Adults, Corporate, Health, Homes, Economy and Infrastructure, People, Communities and Environment. The Committees are politically balanced, meet regularly and have clear work programmes. The Overview and Scrutiny annual report was presented to Council in July and provided an overview of the Committees work over the last twelve months.

Early this year the Committees engaged in a self-assessment process to identify what was working well and areas for development. Following on from training carried out in May, consideration is currently being given to carrying out a skills audit of scrutiny chairs and committee members to identify any further training or development requests.

The Council's performance dashboard continues to be reviewed by the Scrutiny Management Group to inform work programming and key lines of enquiry. here is ongoing work with regard to responses to scrutiny recommendations with areas of good practice being explored and opportunities to strengthen arrangements being considered.

It is positive to note that the Council's Continuous Improvement Plan approved in June was scrutinised by the Corporate Scrutiny Committee prior to its submission to the Continuous Improvement Board.

There has been specific training for senior officers focusing on writing decision reports that are clear and contain relevant information to enable Councillors to make considered decisions. This training was well received and in response to high demand,

additional follow-up sessions are being scheduled for individual service areas which is a positive endorsement of the approach.

There have been new arrangements implemented for officers to aid the production of the Forward Plan and the timely receipt of high-quality reports which appear to be bedding in. The three statutory officers have worked well together in developing these arrangements and ensuring proportionate quality assurance.

Training for Councillors has been undertaken with training held for members of the Licensing Committee, Planning Committee and Regulatory and Appeals Committee. Training on Annual Governance Statements was also provided for Audit Committee members in advance of the meeting at which the Committee was due to consider the annual governance statement.

• To embed improvements in risk management and internal audit arrangements

Previous reports by Commissioners noted the progress the Council had made in improving risk management and internal audit and it is positive to see the continued commitment to progressing and embedding improvements in these areas.

Risk Management continues to mature with the Council performing strongly against their objective to achieve circa 95% on-time risk updates and the establishment of effective mitigations. This is a positive indicator of the process being embedded with the next steps in demonstrating a maturing system focusing on demonstrating the quality and effectiveness of risk management, including whether mitigations are reducing risk exposure, appropriate escalation takes place and risk information consistently informing decision making.

Risk updates on the Corporate Risk Register and Directorate Risk Register are regularly monitored with risk owners, and reports taken to Corporate Leadership Team (CLT). New risks are considered and risks closed, with significant work on the mitigations and direction of travel to ensure that risks do not remain static and mitigations are in place to reduce these risks.

A risk management training programme has been developed, and the first set of training has been agreed with Audit Committee Members for the 21st of September which focused on their roles and responsibilities. Further training for senior management including Corporate Leadership Team, Directors, Heads of Service, Middle Management and Risk Champions are in progress with dates being agreed from September 2026. This will ensure a consistent and embedded approach to risk capability and professional development.

An E-Learning risk management induction package for new staff has been developed and is in the process of being rolled out.

The internal audit function continues to develop, and effective ways of working are starting to be embedded into the day-to-day operation of the Council. There is a clear work programme which is risk based and responsive with regular reports to the Council's Corporate Management Team and Leadership. The work programme is kept under review to reflect emerging risks, changes in the Council's risk profile and

evolving assurance needs. The timely implementation of Internal Audit recommendations by managers is currently at 63% with 15 outstanding recommendations that are being tracked. There is a robust system of reporting to senior management ensuring that areas of continued exposure are visible and receive management attention.

There is evidence of early engagement with Internal Audit, with the audit plan now covering several areas of policy development such as whistleblowing, modern slavery, and the Card Payment Policy refresh. This enables earlier independent advice and challenge whilst management retain responsibility for the design and implementation of policies and controls thereby protecting Internal Audits independence.

There is appropriate oversight by the Audit Committee and the appointment of an independent member to the Audit Committee in early 2026 has further strengthened these arrangements, enhancing the Committee's independence and bringing increased rigour and challenge to its scrutiny and oversight functions.

There has been significant progress on risk, audit and the control framework which is recognised and welcomed. The challenge for the Council now is to ensure the consistent application of policies, frameworks and controls and demonstrate they are operating consistently and effectively across all areas of the organisation.

As noted in previous reports of Commissioners there has been significant improvement in the oversight and risk management of Council owned companies. There is a programme in place to ensure that Council owned companies operate to best practice standards and that there is appropriate risk management. Much work has been undertaken to develop best practice operating guidance, train non- executive directors and improve oversight. The Council has a much clearer view of risks and issues and has a clear plan of actions, drawing in external expertise where required. This is an intensive piece work where robust and constructive support and challenge is being evidenced with further work on options, risk mitigations, and a programme of closures in train. The requirement for continued prioritisation and oversight is accepted and embraced by Leadership along with a recognition of the complexity and continued capacity to manage and mitigate risks.

• **To continue to act to embed continuous improvement in all service areas, transforming front-line functions and the organisation's culture.**

There continues to be much work underway to drive improvement across front-line functions. This progress report focuses on the three areas where there has been inadequacy and/or a need to improve.

The Council have been driving improvement in housing since taking the housing landlord function in house in 2023. In January 2025, the Council received a C3 rating for its housing services from the Housing regulator. The Council accepted the judgement and continued to implement its improvement plan at pace and in June 2026 it was pleasing to see the judgement from the Housing Regulator was improved to C2. The Council have made clear their ambition over time to be rated as C1 and are

proactively working towards this goal. There is much learning for the Council in the pace and positive impact of the leadership and implementation of these improvements.

Adult Social Care was inspected by the Care Quality Commission during December 2025 with the judgment published in June 2026. This rated the Council's Adult Social Care Service as Requires Improvement. A Section 50 notification was made to the Secretary of State of Health and Social Care by the Care Quality Commission. This is made when they assess that a local authority is failing to discharge any of its functions under Part 1 of the 2014 Care Act to an acceptable standard. Whilst an overall rating of Requires Improvement was applied, a score of 1 was given to the "Safe pathways, systems and transitions" and to "Governance, management and sustainability" effecting the notice.

The Care Quality Commission report noted the instability of senior leadership at the time of the inspection particularly that of the Corporate Director of Adult Social Care and the need to provide stability and direction. The interim Corporate Director who joined the Council weeks before the inspection has now brought much needed stability to the service along with interim director capacity and a strategic partner was engaged to expand expertise and capacity to support the Management Team. In the short-term permanent recruitment to the Director roles will be undertaken, whilst recruitment to a permanent Corporate Director will take place in the medium term at an appropriate point.

The Council accepted the judgement from the Care Quality Commission (CQC) and made clear their commitment to driving improvement with the Leader, Cabinet Member and Chief Executive working constructively with the Service to address the findings from the inspection.

The Council recruited an independent expert to take the Chair of the Adults Improvement Board who brings considerable experience and is providing effective and robust support and challenge. Action was taken at pace by the Service to update their existing improvement plan and actions to include the recommendations from the CQC inspection. The Adults Improvement Board is receiving regular reports on the progress of the actions across the breadth of Service's Improvement Plan along with deep dives into key areas such as safe transitions. The delivery plan is set in the context of a refreshed Adult Social Care Strategy with a set of clear outcomes and measures enabling progress to be evaluated. The commitment to user engagement and coproduction which has underpinned the refresh of the Adult Social Care Strategy is positive.

As the delivery of the plan becomes embedded, the Adults Improvement Board will be placing more attention on the impact that the activity is having on improving outcomes for citizens. It is appropriate that the initial focus has been on the actions to build strong service foundations and capabilities to address the CQC findings as the necessary pre-requisites to improve outcomes.

An Improvement Advisor has been appointed by the Department of Health and Social Care (DHSC) following the section 50 notification. This non-statutory measure is in line with the approach that the DHSC has taken with the ten other Councils in which the CQC has identified a Care Act failure to date. There has been constructive engagement with the Improvement Advisor on both the updated Adult Social Care Improvement Plan and joining the Adults Improvement Board to align oversight of performance reporting.

A critical part of the change required is a new target operating model with appropriate pathways, ways of working and resources to enable improved care and support with a greater focus on prevention, early intervention, and strengths-based practice. The implementation of this model after significant delay is scheduled from the Autumn and needs to happen to improve outcomes for people and provide clarity to staff on their roles. The development of the new target operating model has not stopped important improvements that can be delivered in advance of it, with the creation of a quality assurance function and improvements in commissioning plans good examples.

There is a commitment in principle for financial investment in priority areas contained within the Service's Improvement Plan. Funding is to be drawn down through business cases which are due to be submitted for approval from the Section 151 Officer in the immediacy. Securing the funding to address the priorities quickly is imperative along with consideration to the necessary resources to deliver the improvement plan in future years as part of the budget process.

Children and Young People Services have developed their new target operating model and this moved to implementation at the beginning of September. This has not been without challenge however these changes are required to meet the national reforms set out by Government, prepare for the SEND reforms, and ensure staff have the skills required for a successful Children Services function.

The Leader, Cabinet Member, Chief Executive and the Corporate Director for Children have demonstrated their commitment to change and are actively working with Trade Unions and staff on the implementation of the new arrangements. There is ongoing work to support staff in the new ways of working required by the national reforms, and it is important that the implementation occurs in a timely way. As with any meaningful change, there will be a period of instability before the new ways of working are embedded which adds impetus to timely implementation of changes and a continued focus on outcomes children and young people.

To this end, there is a good quality assurance framework in place with regular audits and performance review happening which influences learning and support.

The recruitment of an Independent Chair for the Council's internal Children's Improvement Board has been very positive. They bring significant skills and experience and have led constructive support and challenge which has seen an

updated children's early help and social care improvement plan and an improvement plan developed to increase educational outcomes. The expertise of the Independent Chair has been welcomed and is being used effectively, such as participation within discussions regarding future year's budget requirements and securing sector led support to investigate and develop recovery actions for the Dedicated Schools Grant High Needs Block.

As mentioned earlier in this progress update, Children and Education Services acted quickly when the recording issues were identified within the Dedicated Schools Grant High Needs Block. The issues were escalated and sector led support was mobilised. This approach demonstrates a timely approach to identifying and resolving a significant challenge.

This section focuses on activities across the workforce to further develop a culture of learning and continuous improvement through the delivery of the strategic workforce strategy. The workforce strategy includes a range of performance metrics which are reported to Directorate and Corporate Management Teams and Leadership every quarter. The strategy covers key issues across recruitment, retention, succession planning, and recognition and reward.

The recent focus of activity has been support for the staff networks across the organisation, long service awards which have received much positive feedback and the development of leadership and management development initiatives which will roll out from October.

The Council's values and behaviours were refreshed in November 2025, with case studies produced to bring them to life within specific council service areas. Embedding the value and behaviours since their refresh has seen them underpin recognition week (December 2025), a staff recognition event and manager conference (January 2026), updated corporate objectives used in performance reviews (April 2026) and will provide a framework for a refreshed staff development offer that will launch in October 2026 following further management forums. A staff survey is due in March 2027 which will be important in understanding progress towards a culture of learning and improvement. We would encourage the Council to continue to develop the learning and development programme that focuses on embedding values and behaviours.

Whilst there is much activity across the workforce as described above, the impact of this will be negated unless the issues detailed in the next section of this letter regarding member-officer relationships are addressed.

• To continue to embed all improvements across the Authority and sustain a culture of continuous improvement and positive member-officer relationships.

In previous letters, Commissioners referred to the continuing need to build consistent collegiate behaviours, and this being recognised and accepted by Leadership. Commissioners referred to the efforts being made to do so, particularly the handling of things well when they do not work as they should and not reverting to a blame

culture. It was previously noted that whilst this was improving it was fragile. It is regrettable to report that member-officer relationships at a senior level have subsequently deteriorated and there is an urgent need to restore co-operation and trust alongside civil, professional, and respectful working relationships.

There have been a number of joint policy days between the Executive and the Corporate Management Team which have focused on progress towards priorities, but these events have not included joint work on establishing shared values and ways of working. This has been a missed opportunity.

This urgent need to restore co-operation and trust alongside civil, professional, and respectful working relationships at a senior level is accepted by Leadership and the Chief Executive. The next joint session is planned for 22nd October, and a commitment has been made to utilise sector support through the Local Government Association to address the situation through a further three sessions, focusing on working effectively together. This activity needs to happen at pace and will need to be part of a longer-term commitment to cultural concerns.

Without a fundamental reset in behaviours, embedding improvements across the Authority and sustaining a culture of continuous improvement is at risk, which is fundamental to the Council demonstrating compliance with its Best Value duties.

c. **To continue to work with other councils in the Nottinghamshire area for unitary local government and on implementing any such proposal later agreed upon, seeking the advice of Ministerial Envoys as required.**

Ministerial Envoys have been engaged and kept regularly updated on the progress of local government re-organisation in Nottinghamshire by the Council. The Council took seriously the expectations within the guidance with appropriate planning and activity being undertaken. This activity is currently paused in light of the national review.

Conclusion

This progress updates details positive progress against the majority of directions, with some key achievements such as embedding improvements in scrutiny and decision making and risk management and external audit. There is also clear progress towards transforming front line services with the improved regulatory rating within housing, and the organisation and delivery of changes within Adults and Children's Social Care. However, this progress will be at risk until co-operation and trust alongside civil and professional working relationships are in place. The Council must prioritise the sector led support through the Local Government Association as it states it will to quickly restore appropriate professional working behaviours and work towards a culture of continuous improvement.

Yours sincerely,

Sharon Kemp
Sir Stephen Houghton CBE