
Nottingham City Council Commissioners

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21 March 2025

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

Ref: Report 2

Dear Secretary of State,

We write to give our second report on progress at Nottingham City Council.

We are pleased that the constructive and cooperative working interaction with the Council that we referred to in our last letter has continued. We have had no occasion to formally use our powers and have instead developed mechanisms and relationships whereby our contribution is sought at the earliest opportunity in respect of issues and is efficiently structured into programmes of improvement activity. This enables us to assist Members and officers most effectively in their development and delivery of the Council's policies and plans.

In the face of the challenges that were identified when the intervention was put in place, and in line with our subsequent advice, the Leader, Deputy Leader, and Executive newly appointed in the middle of last year have set in motion an Improvement Plan for the Council. Responsibility for delivering this Plan rests with the newly appointed Chief Executive and the Corporate Leadership Team plus the Monitoring Officer, together with a group of Service Directors. Many of these are new appointments including five of the six Corporate Directors.

Inevitably, this significant 'churn' in senior leadership and management will take some time to reach full effectiveness, but as a whole this new leadership cohort is facing up to the challenges that the Council must tackle in full acceptance of the reality of the Council's difficulties and with a declared resolve to overcome them.

Improvement Plan

At the time of our last report, the Council's Improvement Plan had just been adopted. This Plan comprehensively addresses the issues that the intervention had identified and addresses these under three broad aims, through which the authority intends to become: -

1. A Council that delivers for Nottingham with clear direction and purpose:
2. A Council that is financially sustainable: and
3. A Council that is well-run with effective people, processes, and systems.

The governance arrangements to take the Plan forward and drive change are in place and are sound. The Commissioners lead the Improvement Board, Finance Board and Transformation Board with the Executive and senior officers all contributing to and supporting the delivery of the Plan. The Plan also features extensively in the day-to-day work of the Executive and of the

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Corporate Leadership Team and we work closely with these bodies, formally and informally, in shaping the Council's development.

We will group our comments on the progress of the intervention against these three aims.

1. A Council that delivers for Nottingham with clear direction and purpose:

A Council Strategic Plan for the next four years has been produced and adopted. The Plan sets out the challenges facing the authority and incorporates the priorities of the intervention in a focused set of actions which we are comfortable is appropriately ambitious but deliverable. This Plan represents a significant departure from previous such documents, and it will be supplemented by individual Service Plans that fully reflect these priorities (a 'golden thread') in setting objectives for the respective services and linking these to the Medium-Term Financial Plan, the Workforce Strategy and to the performance objectives set for individuals. Work on these service plans and the performance targets is underway.

There is recognition that in setting out what the Council will do and how it will be done, there is scope for greater clarity upon what the Council will not do. For example, the hitherto extensive network of Council-operated Community Centres is being transformed into a set of community-run facilities wherever their existence is economically feasible, and all of these will run without Council subsidy. Four libraries are in a similar process of been transferred to become operated by community organisations.

Mechanisms to benchmark delivery against comparator organisations, and to capture the input of stakeholders have been incorporated in much of this activity.

These are fundamental elements of the effective operation of any Council. While some are under development or at an early stage of deployment, the Plan comprehensively accounts for the full range of improvement activity. This demonstrates sound progress on organisation and planning, with the next challenge being to implement all elements of the Plan. Inevitably this will require much change in practice and process and will challenge established Member understandings and the work of staff at all levels of the Council. It will not all go to plan, and the Council will need to demonstrate the ability to recover from setbacks and find alternative delivery mechanisms as necessary over the coming months.

2. A Council that is financially sustainable

When we arrived at the Council in February 2024, it was clear that the budget build for 2024/25 had been difficult, with the s114 notice in November 2023 having dictated the strategy which was framed around a 'Duties and Powers' approach. Relationships between Members and officers were perhaps inevitably tense.

In the ensuing months, it became evident that the savings included in the budget were not accompanied by appropriate delivery plans and in some cases could not be delivered, with the demand pressures in Adults Social Care, the Children's Service and Homeless services in particular becoming very difficult to contain within the approved budget.

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The current projection indicates an underlying overspend on adults' social care in particular, although the authority has taken action during the year to identify mitigation savings to ensure the overall position is contained within the budget envelope. As at period 10, the position indicates a projected net underspend of some £7m which increases to £11m underspend if the £4m contingency remains unutilised at the year end.

At the start of the year, the financial monitoring reports were only produced once every couple of months which was not ideal given the financial situation. However, in the latter half, the new S151 Officer increased the frequency to monthly with a greater level of detail being included in the reports. End of month processes have also been improved. All of these improvements have led to a greater level of confidence, and although not yet a perfect process, this improvement is to be welcomed.

Alongside this work, the 2025/26 budget has been built. The process at the start was very slow with the main emphasis being on a continuation of the Duties and Powers work from the previous year. In the light of this, Commissioners engaged external specialist support in the development of a portfolio of transformation projects. This process was accompanied by the establishment of a comprehensive Programme Management Office function, and a forensic review of previous assumptions and growth requirements. As a result, it has been possible to set a budget with a reduced requirement of Extraordinary Financial Support (EFS) of up to £25m in 2025/26 (compared to £41m in 2024/25) and a forecast requirement of £10m in 2026/27.

In setting the new year budget with the EFS element, the authority considered how it would fund this having regard for the need for a sustainable budget. The authority has a debt reduction policy which effectively sets priorities for the use of capital receipts. Prior to the need for EFS to balance the budget, capital receipts were applied to reduce debt. With the inclusion of EFS in the budget, capital receipts are now applied first to the funding of this and any balance is then applied to reducing debt. There is tight control over the asset disposal programme to ensure there are sufficient sums available to minimise the impact of EFS on the revenue account and so contribute to the authority becoming fully sustainable. It is worth noting that under the debt reduction policy, external debt has reduced by £44.6m over the 12 months and it is forecast will fall by a further £100m by the end of the MTFP period. Debt costs currently consume some 13.6% of the revenue budget and this will therefore fall to 10% should the £100m reduction be delivered.

Whilst the production of the 2025/26 budget has been a more thorough and engaging process than previous years, it is not without its risks – the budget includes some £38m of savings. This is a significant amount and far exceeds levels of savings delivered in the past. In recognition of this, the budget has incorporated an increased contingency of £14m to mitigate the risk of non-delivery.

Work has already started on the 2026/27 budget with a lessons-learned exercise underway to identify areas for improvement. This is a positive step and is welcomed by all.

The authority has also undertaken significant work on its published accounts and during the year published 5 sets of annual accounts from 2019/20 - 2023/24. However, given the delay in

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publishing these accounts, the lack of appropriate records and the turnover of staff, these accounts have been disclaimed and have been subject to the 'backstop' regime. In addition, the external auditors have highlighted some serious issues that are likely to have been in place during the period covered by the accounts, and although some of these issues were previously reported in 2022/23, the authority did not take appropriate action at that stage to improve the controls at that time. The auditor's findings have now been incorporated into the Finance Improvement Plan which forms part of the overall Improvement Plan and are therefore now subject to the monthly monitoring regime put in place to give confidence on delivery.

Plans are in place to ensure the 2024/25 accounts are completed on a timely basis.

Other areas requiring improvement include risk management and the Internal Audit function. Internal Audit is largely ignored, its reports and recommendations have not been acted on for some time, resulting in a questionable internal control environment. Risk management is in its infancy, although some areas are better than others. These two areas, when they will work well can contribute positively to outcomes for residents and local businesses and in the delivery of best value.

The Council now recognises these weaknesses and is actively working on the necessary improvements. The recent appointment of an interim Head of Internal Audit and Risk and several internal auditors will speed up this work and enable the authority to move ahead with greater confidence in its assurance processes.

3. A Council that is well-run with effective people, processes, and systems.

We have already referred to significant senior level changes in the organisation. Political leadership has demonstrated a clarity of direction and determination of purpose to maintain that direction. That will continue to be a challenge since there is much change being undertaken and the increasing demands for services being experienced nationally are acknowledged and are evident locally. The new senior managers at the Council are mostly officers who have not filled these positions elsewhere and so are learning – often about Nottingham, often about the role they are occupying.

While this lacks maturity, there is an energy and enthusiasm to all of it, and a ready acceptance of the need for the Council's leadership to be shaped around a set of values and design principles for the organisation that draws upon successful application elsewhere. We have been keen to inculcate the close understanding and creative tension that are the hallmarks of a successful Member/officer relationship. In furtherance of this this we have, with the helpful assistance of the Local Government Association, run two events for the Executive together with the Chief Officer Team, each over 24hrs, with external Member and officer input and which have proved very valuable in building understanding, trust, and coherence amongst the new cohort.

There remains scope for further embedding this approach and the personal development plans for Executive Members and Chief Officers will continue to reflect this. Commissioners expect to see more consistent collegiate behaviours over the coming months to demonstrate that mature working relationships are being established between leadership and officers. Inevitably, there is

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a lot of pressure on leading Members and officers, and with changes still being made and having to be accommodated, there will be value in maintaining external support and guidance from experienced peers, coaches, and mentors. While some of this is in place, it is an area that would merit expansion.

Greater experience in undertaking delegated responsibilities is underpinned by updated protocols and streamlined processes. This will have to improve further with time and experience, but there is evidence that delivery of decisions in some respects has become speedier and more effective. This is not universal, however, and will require leadership development at all levels of the organisation to develop and embed. Similarly, the skills of producing business plans and in presenting these to Members is improving, as is Members consideration of these, but the processes remain patchy and will also require further support.

A formal Workforce Plan exists in draft form, including a number of initiatives that are already under development, including targeted training and support, the identification of a pipeline of capable leaders and the construction of a performance management system to monitor and manage delivery against all of these objectives. Tangible improvements in service delivery and stakeholder perception, evidenced by year-on-year improvement and benchmarking with others will be essential to the success of this activity. For that to happen the Council will need to be disciplined in regularly reviewing all of this activity and responding speedily and effectively to any programme that goes off course. For a long time, staff in principal services areas have been able to believe that their practices and processes are adequate when it is clear from some outcomes and from financial performance that they are not. Enthusing the workforce to adopt changed practices and processes that make them more efficient while retaining their professional integrity is a challenge that is underway, but which will necessarily take time.

The Council's hybrid working policy is due for review and it is important that this takes place during the next 6 months.

There is much that can be learnt from other Councils in all of these areas, and which will assist in short cutting the path to making progress. Some thinking has been done to establish a systematic way to capture and share learning from others, but this has yet to be implemented.

The importance of individual performance assessments is understood by the Council, but much work will need to take place to fully embed this value in the current operation.

Progress is being made towards the development of a transformation programme, due for completion by 31st March 2025. The Council has taken a strategic approach to the creation of the programme with 'Future Council' operating principles identifying how the Council will work, and the generation of ideas using existing good practice from across the sector, external support, benchmarking data, metrics and unit costs. From this activity, proposals have been generated which have played a key aspect of budget formulation and of the Council Plan recently agreed. Many of these proposals, particularly in children's and adults' services anticipate reduced costs with improved outcomes. There is also a set of cross cutting transformation proposals which

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underpin the Council's operating model in which there are identified significant savings, and which will by their nature be more complex to deliver.

The identification of a senior lead and of internal resources to co-ordinate the development of this Council-wide approach to transformation has been beneficial and has enabled the facilitation of deep dives into key areas of proposed change, requiring services to work together across the Council in sharing expertise and co-ordinating activity. The Council is demonstrating its commitment to learn from others through utilising good practice from across the sector in development of the transformation programme.

Some of the delivery plans for the transformation programme are still in development, some being nearer to completion than others, with considerable variability in detail and quality and with the Council's self-set deadline for completion fast approaching. It is therefore important that the Council carries on the positive work undertaken so far and completes and quality assures the delivery plans at pace. These delivery plans must address the previous key weaknesses of connecting activity, financial data, and outcomes along with the proactive management of risks.

Over the coming months the Council must be prepared to drive the delivery of the large and complex transformation programme. This will mean demonstrating resilience, managing risk well and taking corrective action quickly where required and learning without blame. Managing such a large-scale programme over the next twelve months and the following years will require constant engagement with stakeholders and communities to ensure ownership of the proposed changes and to minimise resistance to change. Further work to engage the workforce will need to be prioritised particularly in the areas of the largest changes, so that officers are supported in the delivery of transformation.

We are keen to support the Council's Scrutiny function in its purpose to provide constructive challenge in achieving better outcomes for residents. From meetings with Councillors and officers it is evident that there is a willingness and commitment to engage in the development of the Scrutiny function so that it can build on its important role in reviewing policies, services, and budget and in making recommendations for improvement. Key actions for implementation are subject to discussion, with plans to be delivered over the next twelve months covering issues such as the number and focus of reviews and increasing the visibility and impact of recommendations.

We previously reflected the need for more visible governance. Webcasting of Council and committee meetings has not yet been introduced despite our early insistence, which is disappointing. This should now be in operation in May.

We are greatly concerned over the Council's IT infrastructure and systems. We have required a review of this area due to mounting concerns and despite reassurances, and this has revealed some serious and systemic weaknesses that have not been exposed to early and transparent management or resolution.

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These weaknesses are being urgently addressed and are under new management arrangements but will require some investment to complete.

Local Government Reorganisation (LGR)

In fulfilling your wish that we become involved in the development of proposals, we have established working relationships with all of the Nottinghamshire Councils and assured them of the manner in which we intend to work with them over the summer and autumn in producing proposals by 28 November. In respect of the initial response that is being made to you, we are satisfied that the shortlist that has been developed represents a realistic summary of the practical options on the basis of current knowledge and measurement against the criteria you have set – albeit without coalescence on a favoured proposal. There will need to be further development and examination of these proposals in order to establish feasibility and relative value and we look forward to working with the Nottinghamshire authorities in order to do so in the months ahead. We are cognisant of the pressure on the Council in pursuing an ambitious improvement agenda while fully participating in LGR development. The Council will have to determine how it deploys the resource to sustain its improvement while driving the analytical work required to draw up full plans for LGR which ensure the interests Nottingham are effectively served in the development of the final proposal.

Conclusion

The Council continues to operate beyond its means and is dependent upon EFS. It has, however, adopted clear direction in instituting a wide range of reforms, some of which are bearing fruit but all of which will need to become embedded in order to deliver full benefit. It is encouraging that the EFS requirement for the coming year is £25m, down from £41m for the current year. Delivering to plan will see an EFS ask for 2026/27 reduce to £10m.

Over the past year, there has been much positive progress on developing plans, strategies, and programmes for improvement such as the Council Plan, Medium Term Financial Plan, and Improvement Plan along with securing and organising the necessary capacity to deliver. Over the coming year, the authority will need to move into the implementation phase and for these plans to have the required impact. The authority has not always delivered savings and change well in the past, so this will need appropriate attention to ensure success along with evidence of the increasing maturity of the political executive, the senior leadership team becoming fully effective, increased workforce engagement in change and a much-improved internal control environment and management of risk.

Transformation of major service areas to reflect practice and process that is effective amongst the best in the sector nationally is critical to this success and is planned for. Maintaining this positive direction and the full suite of reforms will be necessary in the coming year if progress is to be maintained. This will all take place with the backdrop of Local Government Re-organisation and the Council will need to rise to the challenge of maintaining focus on improving at pace whilst working effectively with neighbouring authorities and Government to create and establish future arrangements.

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We have confidence that this will happen, and that the Council will continue to work with us so as to sustain that confidence. Most importantly in effecting a sustainable recovery, governance is improving, and leadership is being given to bring about change.

We made the observation in our last report that *‘sustainability is a realistic outcome in the medium-term if (these) challenges are met.’* That remains our view, and we look forward to working with the Council over the coming year in furtherance of it. A key issue in that will be the Council’s budget-setting for 2026-27. Presently, this is due to take place a few days after the intervention is due to finish. You may wish to give consideration as to how you will have the assurance that you will want on a budget that, as things stand, will still require a degree of EFS support when it is set. We will have more certainty on expectations and on the timeline when we write our next update in the autumn.

Yours sincerely,

Tony McArdle

Margaret Lee

Sharon Kemp