



Ministry of Housing,  
Communities &  
Local Government

**Catherine Frances**  
Director General, Local Government,  
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**Ministry of Housing, Communities  
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2 Marsham Street  
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Max Caller CBE

26 October 2020

Dear Max,

I am writing to thank you for agreeing to lead a rapid, non-statutory review at Nottingham City Council. This letter formally appoints you on behalf of the Secretary of State and confirms the terms of reference that we have agreed for your work.

The purpose of this review is to provide assurance to the Secretary of State on the governance and commercial and investment issues identified in the recent [Public Interest Report](#). I would like to acknowledge Nottingham's willingness to engage openly with the Department on these issues over recent months and their apparent recognition of the need to improve governance and financial management, alongside the challenges they face currently in terms of protecting their communities from Covid 19.

#### *Terms of reference*

We have agreed that your review will focus on the following themes, reflecting the lessons we have learnt and published about organisational culture and governance from recent interventions. These are aligned with the Best Value duty:

- *Governance*, e.g. sense of strategic vision and direction, adequate internal processes; key senior posts filled with appropriate permanent appointments;
- *Culture and leadership*, e.g. positive and open relationships between councillors/officers and officer/officer; openness to challenge;
- *Financial stability*, e.g. ability to stick to budget plans; clear plans for closing identified budget gaps;
- *Services*, e.g. reports from inspectorates/regulators/ombudsman;
- *Capacity and/or capability to improve*, e.g. acknowledging problems and engaging with sector support; evidence that attempts at improvement (possibly with sector support) have been effective.

We have also identified specific questions that we would like you to explore in relation to the Council's financial sustainability and their management of commercial risk:

- What level of confidence can the Department have in the Council's assessment of its financial position, particularly its estimate of their budget gap, for 2020/21 and 2021/22?
- What level of confidence can the Department have on the Council's plan to mitigate pressures; including the delivery of necessary savings, the existing resources that can be deployed, and their ability to afford borrowing?

- What is your view of the Council's assessment of future financial risks and adequacy of their plan (or ability to plan) to manage those risks?
- What is your view of the Council's approach to mitigating their budget gap under different scenarios for how much financial support is provided?
- What level of confidence can the Department have on the Council's assessment of wholly owned companies, including the viability of companies to continue without any additional Council funding or loans?
- How robust are any forward-looking commercial strategies/plans and their longer-term approach to borrowing and investment?
- Does the Council's oversight and management of commercial and investment risk feel adequate or fit for purpose?

I have agreed with the Chief Executive that you should have access to any information, whether by hard copy or electronically, relating to Nottingham which appears to you to be necessary for the purposes of your work at the Council. This includes documents that may be considered confidential from a public perspective.

We have agreed that you will submit your report to the Secretary of State by late November. This will set out recommendations for next steps, including possible further action by the Department. If appropriate, your recommendations will underpin a package of targeted support lasting up to two years. The latter should be supported by a robust improvement plan owned by the Council, which will help Nottingham City Council address the concerns you have identified and ensure they are meeting their Best Value duty.

#### *Practicalities*

As you are aware, Julie Parker has been appointed to work with you to focus on the financial aspects of the review. You will also be supported by a private sector consultant, Phil Brookes, in respect of the Council's commercial operation.

My team will provide secretariat support for your work, as well as press support to help manage any media interest. Because of the independent nature of this review, we will not provide IT and you will want to work with your secretariat to keep separate records of your work.

If you have any questions, please do get in touch at any time. Max Soule, Deputy Director for Local Government Stewardship, will be the lead official in my team for your work.

I am copying this letter to the Leader and Chief Executive of Nottingham City Council. It will also be published on gov.uk

Yours,

**CATHERINE FRANCES**