



Ministry of Housing,
Communities &
Local Government

Catherine Frances
Director General, Local Government,
Strategy & Analysis
**Ministry of Housing, Communities
& Local Government**
2 Marsham Street
London SW1P 4DF

Andrew Flockhart

30 June 2021

Dear Andrew,

I am writing to thank you for agreeing to lead the governance element of an external assurance review at Peterborough City Council. This is a condition of the Council's capitalisation direction in relation to the financial year 2020/21. The review's findings and any recommendations will inform a final decision on any capitalisation agreed for 2021/22 and any specific legal conditions that may be attached to that support. 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 assurance review will provide a comprehensive assessment of Peterborough's financial position and the strength of its wider governance arrangements. It is intended to provide the Secretary of State with assurance on the Council's ability to deliver a plan for financial sustainability without further recourse to Government for additional support. We also expect that a plan to take forward any recommendations will be agreed with the Council prior to any capitalisation direction being granted. In the event of a failure by the Council to demonstrate sufficient progress, or should any other relevant evidence come to light, the Secretary of State will consider whether it is appropriate to use the Best Value powers available to him.

As you are aware, the Chartered Institute of Public Finance and Accountancy (CIPFA) have been commissioned to undertake the financial part of this assurance review. They will scrutinise Peterborough's financial pressures and the Council's ability to manage them outside the use of additional borrowing. This work will run concurrently and will inform your own assessment of the strength of the Council's wider governance arrangements. We expect you to work collaboratively and to report at the same time as CIPFA. We have agreed that both elements of the assurance review will be completed by mid August.

We expect your review to include an assessment of whether the Council has the right governance procedures in place; and whether the Council has the capability and capacity to make any necessary transformation. We also expect the report to make recommendations. We will publish your final report in due course on gov.uk.

We have agreed a range of themes for the governance review. These reflect the guidance we published in June 2020, drawing from lessons learnt about organisational culture and governance from recent intervention areas. The themes for your review also align with Best Value principles:

- *Governance* e.g. sense of strategic vision and direction, adequate structure and internal processes; key senior posts filled with permanent appointments;
- *Culture and leadership*, e.g. positive and open relationships between councillors and officers, and openness to challenge;
- *Financial governance*, e.g. the extent to which poor financial management has been caused by weak decision making, scrutiny of financial decisions and governance arrangements including for commercial investments;

- *Services*, e.g. whether governance weaknesses have impacted upon the effectiveness and/or efficiency of service delivery; and
- *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 agreed that your work will be predominantly carried out by meeting key individuals both within and outside the Council. The review should assess options for reorganisation to address the key question of future sustainability, and to consider alternative mechanisms for delivery.

You will want to note that I have agreed with the Chief Executive that you should have access to any document or information, whether by hard copy or electronically, relating to Peterborough 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.

My team will provide support in collating background information and provide secretariat support if you would find this helpful. We will also provide press support to help manage any press interest in your review. Because of the independent nature of this review, we will not provide IT.

My team is available to discuss your role and how you intend to proceed in more detail. If you have any questions, please feel free to 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 Peterborough City Council.

Yours,

CATHERINE FRANCES