



Department for Levelling Up,
Housing & Communities

Sir Tony Redmond
Chair
Nottingham City Council Improvement
and Assurance Board

Kemi Badenoch MP

*Minister of State for Equalities and Levelling
Up Communities*

***Department for Levelling up, Housing and
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7 March 2022

Dear Sir Tony,

I am writing in response to your fourth report, received on 21 November, which provided an update on the Improvement and Assurance Board's assessment of Nottingham City Council's progress in implementing their three-year Recovery Plan. I am also grateful for your rapid assessment of the historic unlawful expenditure relating to the Council's Housing Revenue Account (HRA) that you submitted on 16 December.

It is clear the Council continues to face many challenges as it seeks to address its past failings. The historic unlawful HRA expenditure that came to light last December which resulted in the Council issuing statutory notices highlights these difficulties. Whilst I note your assessment that the Council are taking the necessary steps to rectify the situation, and that this issue relates to historic accounting practices, it is still of great concern. My expectation is that the review of governance arrangements and historic financial transactions between the Council and Nottingham City Homes will be completed expediently and that the Board continues to monitor this issue closely.

The Board have consistently highlighted that a robust Medium Term Financial Strategy is vital for the Council's Recovery Plan to be successful. I agree with your assessment, and it is disappointing that this has not yet been achieved. My expectation is that a comprehensive Medium Term Financial Strategy, which addresses the forecast budget deficit and the misallocation of HRA funds, will be produced for approval by full Council on 7 March. The Council should continue to work constructively with the Board to ensure progress does not stall. A failure to do so would be of extreme concern and could lead to a reconsideration of whether a statutory approach might be more suitable to ensure that the Council operates on a sustainable financial footing moving forward.

My officials have also informed me that the Council now expect that they do not require any capitalisation for 2021/22, and can deliver a balanced budget for 22/23 without further support. While I welcome this progress, it is critical that the Council's approach is backed by robust plans that are delivered. I understand the Board is working closely with the Council to make sure this approach is the right one, and the steps proposed by the Council are sustainable and do not pose risk to its financial fragility. I will

continue to look to the assessments provided by the Board for assurance that targets are being met and the Council's approach is working.

I would like to thank you and the Board for your sustained efforts over the last year and I look forward to receiving your next assessment of progress in due course.

Yours Sincerely,

A handwritten signature in black ink, reading 'Kemi Badenoch'. The signature is fluid and cursive, with the first name 'Kemi' and the surname 'Badenoch' clearly distinguishable.

KEMI BADENOCH MP
Minister of State for Equalities
and Levelling Up Communities