



Ministry of Housing,
Communities &
Local Government

Rt Hon Robert Jenrick MP

*Secretary of State for Housing, Communities and
Local Government*

**Ministry of Housing, Communities and Local
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17 December 2020

Max Caller, CBE

Dear Max

NOTTINGHAM CITY COUNCIL – RAPID NON-STATUTORY REVIEW

I am writing in response to your recent submission of a rapid, non-statutory review of Nottingham City Council. I would like to thank you and your team – Julie Parker and Phil Brookes – for producing a comprehensive analysis in such a short space of time.

Your report paints a picture of a Council facing significant challenges:

- The Council's financial strategy and commercial investment decisions over the past four years have resulted in a significant budget gap and low levels of reserves.
- The Council failed to understand the roles and responsibilities associated with managing their companies and, as a result, incurred significant liabilities.
- The Council's new leadership team is committed to addressing these issues, but significant organisational changes will be needed to make this happen.

You recommended the Council takes a number of steps to address these issues. These can be summarised as:

- The Council should produce a three-year recovery plan to restore their financial position by January 2021, including a plan for assessing the Council's group of companies within the first year to determine their future status. An Improvement Board should be established to oversee the recovery plan. Progress reports should be submitted to MHCLG at least quarterly;

- The Council should establish a simplified decision-making process to support implementation of the recovery plan and ensure it is delivered at pace;
- The Council's borrowing capacity should be limited, and then reviewed on an annual basis. This could be a condition of any future financial support from the Department; and
- The Council should review their constitution to ensure the roles and responsibilities of members, officers, non-executive directors and shareholder representatives on Council-owned company boards are clearly defined.

You have also recommended that my department publish sector guidance on council-owned companies. I have asked my officials to consider this further as part of our wider Capital Strategy and will make an announcement in due course.

Having carefully considered your report, I am minded to agree that, on balance, Nottingham City Council should be able to respond to their challenges and take the steps you have recommended. This reflects the Leader and Chief Executive's commitment to change and the fact that the necessary budget management work is now underway. However, it is clear that the Council will require significant and ongoing support.

As a first step, I agree with your recommendation that the Council should submit a three-year recovery plan by the end of January. This is a short timeframe to produce a substantial piece of work and so I would welcome any support and advice that you and your team can provide to the Council over the coming weeks on this issue.

In view of the scale of the challenges outlined in your report, I will need ongoing assurance that Nottingham is working at pace to deliver a recovery. I intend to appoint sector experts to provide advice and support to the Council over the longer term, including on delivery of the recommendations which relate to governance and company ownership issues. I will announce the membership and Terms of Reference for a Nottingham Improvement and Assurance Board, which will provide regular quarterly reports to me, in due course. I have asked my officials to ensure that the Improvement and Assurance Board is established within weeks.

I also note your assessment of Nottingham's financial pressures, and that the Council will need additional support from Government in order to balance their budgets. I will consider this request and options for assurance (which could include your recommendation

to impose a borrowing cap), once the Council confirms the amount of support they will require.

I agree with your assessment that Nottingham's recovery will be 'a difficult and lengthy period' for the Council. They will need to maintain focus and pace to deliver the scale of change that is needed to turn the Council around. Therefore, in the event of a failure by the Council to demonstrate progress, particularly in the formulation and delivery of their recovery plan, I will consider whether it is appropriate to use the Best Value powers available to me, including the appointment of Commissioners.

I am copying this letter to Cllr David Mellen, Leader of Nottingham City Council, Nottingham City MPs and the Chair of the Local Government Association.

RT HON ROBERT JENRICK MP