

## Appendix 1

**From:** Alex Powell

**Sent:** 08 January 2018 08:22

**To:** [REDACTED]

**Cc:** [REDACTED]

**Subject:** Official Sensitive: Inspection appointment letter

Dear Max,

Please find below draft letter of appointment to conduct a Best Value Inspection of Northamptonshire County Council. It will be for you to determine how you conduct this independent inspection, however the appointment letter gives a feel of what the SofS would like you to focus on and address in your report.

I have also copied below the letter the wording of the WMS, the current plan is that this will be made at about 6pm on Tuesday evening. I will contact the council before the WMS is made and formally write to inform them of the SofS's decision.

We are due to meet tomorrow to discuss this in detail, however if you have any questions ahead of the discussion with the SofS today, then please let me know.

Best wishes,

A

Alex Powell

Deputy Director, Local Government Stewardship

Local Government Policy Directorate

Department for Communities and Local Government

[REDACTED]

### Appointment Letter: Lead Inspector

Dear Max

#### Appointment under section 10 of the Local Government Act 1999

For sometime there have been concerns about financial management and governance at Northamptonshire County Council. [In recent months a number of reports have been brought to the Secretary of State's attention, which have caused him to question whether the authority is failing to comply with its best value duty]. On the basis of the evidence available to him the Secretary of State has decided to proceed with a best value inspection to better understand the situation in Northamptonshire.

I am writing to inform you that the Secretary of State, in exercise of his powers under section 10 of the Local Government Act 1999, as amended by the Local Audit and Accountability Act 2014 (the 1999 Act), hereby appoints you as the person to carry out an inspection of the compliance of Northamptonshire County Council with the requirements of Part 1 of the 1999 Act in relation to the authority's governance functions, particularly the authority's functions under section 151 of the Local Government Act 1972.

In making this appointment and the directions set out below, the Secretary of State has had regard to the external auditor's (KPMG) "adverse" value for money opinion in relation to the 2015/16 and 2016/17 accounts, publically available budget documents, and the September

2017 Local Government Association peer review into the council's financial planning and management.

The Secretary of State also, in exercise of his powers under section 10(4)(b) of the 1999 Act, gives you the following directions in relation to your undertaking the inspection.

First, in undertaking the inspection in relation to the authority's functions specified above, and without prejudice to the scope of this inspection, you are directed to consider, in the exercise of those specified functions, whether the authority:

- has the right culture, governance and processes in place to make [robust] decisions on resource allocation and to plan and manage its finances effectively,
- provides clear, useful and sufficiently detailed information to councillors to inform their decision making,
- allows for adequate scrutiny by councillors,
- has strong processes in place to manage services within the budget constraints – within the council's finance department and also within service areas,
- has and shares appropriately the right data to support spending decisions and to support the management of services,
- is organised and structured appropriately to ensure value for money in delivery of its functions.

Second, you are directed to report the findings of the inspection to the Secretary of State by 16<sup>th</sup> March 2018, or such later date as you may agree with the Secretary of State. The Secretary of State may, following receipt of your report or otherwise, issue further directions to you.

Section 12 of the Local Government Act 1999 provides that the authority to be inspected must pay the Inspector's reasonable fees for carrying out the inspection.

As to practicalities of your appointment as inspector, we will provide you with an appropriate administrative team to support you in your role as inspector, and any assistant inspectors whom the Secretary of State may appoint at your request. A note setting out arrangements for your remuneration and any expenses which will be met by Northamptonshire is attached.

**DRAFT WMS**

## **COMMUNITIES AND LOCAL GOVERNMENT**

### **Northamptonshire County Council**

#### **The Secretary of State for Communities and Local Government (Mr Sajid Javid):**

For sometime there have been concerns about financial management and governance at Northamptonshire County Council, and in recent months a number of reports have been published, which have led me to question whether the authority is failing to comply with its best value duty. Particular reports include the external auditor's (KPMG) "adverse" value for money opinion in relation to the 2015/16 and 2016/17 accounts, publically available budget documents, and the September 2017 Local Government Association peer review into the council's financial planning and management.

Having carefully considered the evidence available to me, I have today decided to exercise the powers granted to me by Parliament under the Local Government Act 1999 to appoint an inspector to carry out an inspection to better understand the authority's compliance with its best value duty. The matters to be covered initially by the inspection will in particular relate to the authority's corporate governance and financial management systems.

I have asked the inspector to report findings to me by 16 March 2018, or such later date as the inspector agrees with me.

[This decision is not taken lightly. I hope it sends a strong signal that robust processes are in place to investigate allegations of failures in financial management and governance in local government.]

I hope hon. Members will appreciate that we cannot be drawn into more detail while investigations are ongoing. Once the inspection is complete, I will carefully consider the inspection report. If it shows that the council is in breach of its best value duty I will then consider whether or not to exercise my powers of intervention under section 15 of the 1999 Act.