

Date of issue: Friday, 17 March 2023

MEETING	OVERVIEW & SCRUTINY COMMITTEE (Councillors Gahir (Chair), Matloob (Vice-Chair), Akbar, Bal, Basra, P. Bedi, Kaur, M. Malik and S. Malik)
DATE AND TIME:	WEDNESDAY, 22ND MARCH, 2023 AT 6.30 PM
VENUE:	COUNCIL CHAMBER - OBSERVATORY HOUSE, 25 WINDSOR ROAD, SL1 2EL
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	NICHOLAS PONTONE 07749 709868

SUPPLEMENTARY PAPERS

The following Papers have been added to the agenda for the above meeting:-

* Item 5 was not available for publication with the rest of the agenda.

PART 1

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
5.	Best Value Intervention - Commissioners' Second Report and Government Response		All
	<ul style="list-style-type: none"> • Commissioners' Second Report • Ministerial Response to Commissioners' Second Report • Letter to Chief Executive • Written Statement by Lee Rowley MP 	1 – 8 9 – 10 11 – 12 13 – 18	

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Slough Borough Council Best Value Commissioners

To: Lee Rowley MP, Parliamentary-Under Secretary of State for Local Government and Building Safety

Via email.

22 December 2022

Dear Minister,

Best Value Intervention – Slough Borough Council

Second Report

1. Commissioners wrote to your predecessor, Kemi Badenoch MP, on 9 June 2022, setting out our first formal report, six months after Directions were imposed on Slough Borough Council (SBC) on 1 December 2021. This letter details our second formal report reflecting the position after 12 months.
2. Commissioners highlighted in our first report that, SBC as a whole, did not understand the implications of the Directions and the changes that were required for the whole organisation, both political and officer, to recover from the position they had led the Council into. Despite some outstanding efforts from hardworking and committed individuals, SBC has yet to make progress in promoting and embedding the cultural change required for compliance and success. Most recent officer appointees, together with some of the existing permanent staff, want to make a difference but there is not yet a critical mass committed to improvement. There is a real sense that many in leadership roles do not see leading and modelling corporate improvement as their overriding responsibility but only as something that they have to do to be allowed to do business as it was usually done. In some instances, the approach has been more negative than this and this is commented on later in this report.
3. In our first report, Commissioners highlighted that the outline Improvement and Recovery Plan needed to be supplemented, within the following three months, by a much more detailed set of documents covering every aspect of the Direction requirements. Each of these needed to be approved by Commissioners as part of the first stage of compliance. In the majority of Direction areas, officer work was undertaken to fulfil this requirement, but no apparent thought was given to the approval and reporting processes required until recent weeks. Only the finance recovery plan has been regularly reported to Cabinet. In some areas, notably procurement, IT, use of data, DSG revenue budget and financial regularity there has been significant progress which is to be commended. However, some of this progress was unreported until the year end.
4. The way in which the Commissioners' first report and the Minister's response was handled when it was received by SBC, encapsulates attitudes and approaches. It would reasonably be expected that these documents would be reported with some detailed consideration. Overview and Scrutiny would have had a role in reviewing

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the detail and could have been asked to establish why Commissioners had been granted additional powers and what should be considered to allow SBC to take back these powers. No such reference to Overview and Scrutiny, or indeed, any other forum, took place. SBC has not undertaken any investigation or prepared any action plan to address the concerns which led to the additional Direction being imposed. Only now are the reports to the Improvement and Recovery Board put on the agenda for Cabinet and Scrutiny and SBC advises that it intends to commence regular reporting on the progress of recovery.

5. Effective scrutiny is crucial to enable any council to fulfil its best value duty. SBC commissioned the Centre for Governance and Scrutiny to undertake a review and their draft report was received within the first six months. However, officers tasked with taking this forward did not report it to a member forum nor involve the Chair and Deputy Chair of the Committee until very recently. The plan now being reported is a good plan, but it could have been better if elected members were involved in its development rather than being presented with a document as a fait accompli. To fulfil the goals of the proposals will require a significant shift in the involvement of every councillor who participates and will require their wholehearted commitment which will be hard to achieve from here.

Financial Position

6. When SBC's budget was set in March 2022, the net reserves position at 31 March 2023 was originally estimated to be c.£307m in deficit, and DLUHC indicated a 'minded to' approval for this sum to be subject to a capitalisation direction (CD) of which £84.055m related to 2022/23.
7. SBC therefore approved the General Fund revenue budget for 2022/23 of £191m based on delivery of in-year savings totalling £19.958m and utilisation for revenue purposes of the 2022/23 element of the capitalisation direction mentioned above.
8. Shortly after the budget was set, Slough Children First announced that they were unable to deliver their agreed savings of £5.44m, which had been approved by their Board. This and other savings which have proved to be undeliverable in the year have resulted in a forecast overspend against the services budgets of £7.322m (forecast as at period six). This has been balanced through an improvement in the collection fund position, the application of settlement monies received, and lower than expected revenue borrowing costs together with other SBC savings. This has also meant there is now a reduction in the expected use of capitalisation in 2022/23 to £58.8m.
9. The borrowing costs referred to above have reduced because of the asset disposal programme which has moved at pace, following Commissioner intervention. The original target for capital receipts set in the budget was £25m and the programme for disposal looked to only start marketing sites in the latter part of the year. To date, the programme has generated £172.5m in capital receipts, and £205m is anticipated by the end of the current year. The current programme suggests that

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£115m is expected to be delivered next year followed by a further £135m over the following three years. If achieved, the delivery of this programme will have a profound impact on the financial recovery programme. Overall, council general fund debt has fallen from c.£760m (GRF & HRA) in 2021, to £503m now. On the basis above, it is forecast to fall to £225m by 2027/28. This means the burden of debt costs falling on the revenue budget is likely to halve from a high of 16% in 2021/22 to c.8% by 2028/29 – in cash terms, a saving of c.£16m.

10. Clearly, as with all estimates, this is subject to change and will be kept under review during the year.
11. The 2023/24 budget includes a savings requirement of £20m as set out in the MTFS, and an additional £2.4m as a cushion against the pressures of the current economic climate.
12. To date, some £22m has been identified with further work underway to identify the remaining £400k. Delivery plans are being compiled and assessed for delivery risk to ensure the savings can be delivered.
13. Whilst this is positive, there are significant challenges ahead:
 - The economic outlook is gloomy – the country is likely to go into recession or be very close to it and to experience significant inflationary pressure for some time. There are signs that this is having an impact on demand for services, in particular within the care sector. This is exacerbated by some difficulties nationally in recruitment within the public sector, and these problems are increased locally by the reputational hit that the Council has taken in the light of its much-publicised financial concerns.
 - A recent review of the children’s services business plan undertaken by Mutual Ventures at the request of DfE has suggested that there is an annual shortfall in the budget in the order of £5m - £7m. Although this is based on significant increases in demand going forward, given the demography of Slough, this is probably not unreasonable.
 - There is no doubt that significant capital receipts have been achieved in the current year – largely due to one site, which is commented on later in this letter. The outlook is far less rosy – the remaining assets to be disposed of are likely to be less attractive to the market and as a result more susceptible to reducing prices. The economic outlook at national level is further cause for concern in terms of asset values.
14. In looking at the financial situation over the medium term, the capitalisation model is built on a set of assumptions which might change following analysis of the recently announced settlement figures:
 - Scenario A - council tax set at the referendum cap levels as announced by the Chancellor of the Exchequer in the Autumn Statement.

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- Scenario B - council tax set at 9.99% for 2023/24 and 2024/25, requiring the Secretary of State approval.

15. The summary position of these is as follows:

SCENARIO A	TOTAL £'000	Pre-23/24 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Net Deficit (CD total)	380,189	262,113	37,775	26,547	20,758	18,463	11,796	2,737		
Annual Saving need	(113,035)		(22,400)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(12,548)	(8,087)

SCENARIO B	TOTAL £'000	Pre-23/24 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Net Deficit (CD total)	355,452	262,113	34,575	20,647	15,658	14,163	8,296			
Annual Saving need	(104,135)		(22,400)	(12,900)	(12,900)	(12,900)	(12,900)	(12,937)	(9,411)	(7,787)

16. Scenario A presents a total CD requirement of £380m up to 2028/29 combined with annual savings of £14m on an annual budget base of circa £107m, over five years before it slowly reduces. SBC has an approved budget of c.£168m but this includes the capitalisation direction. The true base is the lower figure.

17. Scenario B reflects the increased resources available through a council tax increase of 9.99% for 2023/24 and 2024/25 which would require the Secretary of State's approval. This model shows £25m less CD requirement and it being required for one year less (up to 2027/28) and a slightly reduced savings target of £12.9m for five years before it then slowly reduces. If SBC decided to seek approval for a council tax increase without a referendum, Commissioners would provide advice at that time.

18. The savings requirement in either model is ambitious – particularly when it is included over a number of consecutive years. It is unlikely that children's services will be able to contribute significantly to this given the challenges in this area. Indeed, the Mutual Ventures report suggests that it is unlikely to deliver savings, even if it delivers the proposed new model of care, for some seven years. Given this, the £13m - £14m target is likely to be needed to be delivered against the other services budgets. An on-going savings target against this reduced level is challenging.

19. This means the Authority is very susceptible to any further shocks to the system, either nationally or locally.

20. The finance team at SBC, almost entirely well-seasoned interim appointments, have done an excellent job in not only setting out a clear finance strategy for the medium term, but also putting in place the finance improvement programme covering, financial procedures and processes, internal audit, procurement, and IT, as well as the correction and updating of multi-year accounts in difficult circumstances. Over the next few months, the top tiers will leave SBC and it will be necessary to ensure that there is no loss of knowledge and capacity. It is pleasing to record that recent interviews have identified an excellent candidate to be appointed as a permanent S.151 postholder, who can then help appoint two deputy posts.

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External Audit of Earlier Years

21. Following a significant piece of work by the current interim finance team, papers were submitted to Grant Thornton, SBC's external auditors, for the 2018/19 financial year. This is the first year that they have held the audit appointment, the previous auditors, BDO, having lost their appointment through the PSA process. During the BDO years, they had reported on the difficulty of obtaining good documentation but had provided an unqualified opinion.
22. Commissioners had hoped to be able to report on the first Grant Thornton audit in this letter but understand that the issues identified have delayed completion and an opinion is not expected until January which is expected to result in further critical recommendations, and which will have an impact on subsequent years' opinions. Commissioners have been informally told that there are significant issues with the 2018/19 audit due to an absence of records from that year. This same issue is likely to impact the 2019/20 and 2020/21 accounts too. Commissioners have identified some significant concerns about some procurement and asset acquisition practices in the past and the decision making around this which is being drawn to the auditors' attention. A further set of formal recommendations could be the outcome which will require detailed action plans to implement in the coming year and further damage SBC's credibility and reputation.
23. It is therefore likely that Commissioners will want to report to you again in March 2023 to take account of these issues.
24. The current local authority audit regime means that where an audit is delayed, as is the case for SBC 2018/19, any failures or concerns which occur after this date do not come to the attention of the auditors until much later. Given the audit is an important part of the assurance framework, this weakness in the regime is a serious issue. Commissioners therefore urge Ministers to take urgent action to implement the recommendations contained in the Redmond review.

Akzo Nobel

25. By far the biggest contributor to the capital receipts achieved in the current financial year, referred to above, is the disposal of the former Akzo Nobel site. Commissioners have insisted that the background to every original purchase is set out in all disposal reports. This is because it better ensures that there is proper investigation of any potential encumbrances to the sale, and they are dealt with by officers at the outset rather than being discovered during the sale process which could risk delay or termination.
26. SBC acquired this site in 2021 with an expressed plan to develop the site for a mix of commercial and residential development. The Cabinet report in January 2021, which approved the purchase, detailed prospective economic benefits in the public paper but the financial implications were only reported in the confidential part of the agenda. Examination of these papers provides no support for the information

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contained to be exempt and the project was not properly costed. The only costs identified were the acquisition costs, £38m, costs of remediating the site to address contamination issues, £1.3m, together with a vague estimate of over £200m to develop the site.

27. There was no detailed estimate of the total project costs in the confidential papers. Elsewhere in another confidential annex, development costs were reported as £217m. Thus, SBC was intending to commit over £250m to this project. There was no assessment of risk so that for example, the purchase price was predicated on securing Homes England funding, which, if not available would have resulted in increased costs of £2.4m as Stamp Duty Land Tax would be payable. This has now been paid as part of the disposal process.
28. Most importantly, there was no detailed assessment of how the project would be funded. Instead, the confidential report stated that the project would be funded through a combination of existing HRA capital budgets and the funding agreed for Strategic Acquisitions in the General Fund. It was stated that this would be reflected in the Treasury Management Strategy 2021/22 and the Capital Strategy 2021-2025 which were due to be reported to Cabinet one month later in February 2021.
29. In the event, neither of these reports included the Akzo Nobel purchase nor how the development was to be funded. In other words, SBC agreed to purchase a site and potentially embark on a project which would have committed the Council to a further £250m expenditure without any proper report about how it would be paid for. Had SBC committed to this project, borrowing would have risen to over £1bn and there would be no way back to financial stability. Five months later, the newly appointed S.151 officer issued a S.114 notice starting the process which resulted in intervention.
30. What this acquisition highlights is the failure of the three Statutory Officers, Head of Paid Service, S.151 Officer and Monitoring officer, then in post to fulfil the roles that legislation envisages they should play and the Cabinet Member responsible for Finance not taking political responsibility for the overall funding of a project that was bound to have a major impact on the budget they were presenting to Council soon after.
31. The scale of this failure is such that it brings into question the way in which local government as a whole ensures it appoints suitable individuals to fulfil these vital roles legislated for the protection of the integrity of each authority. This goes far beyond any existing professional qualification and in Commissioners' view needs to be reviewed at the highest level which is why the example is detailed in this letter.
32. It is entirely fortuitous that the site is located over key fibre optic cables and prospective purchasers having already secured access to the necessary power

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supplies generated the values that has led to the budget improvement reported earlier. The acquisition of this site and others will no doubt be subject to specific mention by the external auditors when they come to review the relevant years but in SBC's case, that will be some years after the event. The starting point must be to appoint responsible officers who fulfil their obligations.

Slough Children First

33. Commissioners continue to work in close cooperation with the DfE's Commissioner, Paul Moffat. To make the necessary improvements, a permanent Director of Children's Services is essential, and Commissioners have ensured that our use of the recruitment Direction is informed by advice from Mr Moffat.

34. The potential financial investment suggested by the company is extremely difficult to accommodate within the budget envelope referred to earlier. Given the failure to deliver on its business plan savings on the current year, SCF will need to demonstrate that its programme and financial management ensures that all funds are used to best effect. The changing cast of interim leaders makes this difficult. Part of the improvement will come about by ensuring this company, together with all the other companies operated by SBC and not closed following the review envisaged by the Direction, reports to a member committee where SBC's Directors can be held to account and each company is subject to challenge on its performance. The need for this forum has been known for some time. It is disappointing that SBC finds it hard to move at pace to establish one.

Overall

35. Progress has been very slow and only in the last couple of months has SBC started to recognise what needs to be done in total. The December Improvement and Recovery Board was the first time that a comprehensive set of action plans linked to every Direction apart from recruitment was presented and considered. This demonstrated where individual elements of the response to the intervention were being worked on and showed it was possible for individuals to make some progress. Those involved in those areas deserve commendation for their efforts. However, it also demonstrated that each of these initiatives do not yet take place as part of a contribution to an overall vision of where SBC is going and how it will operate in the future. This is particularly disappointing as Full Council agreed a report prepared by Commissioner Jones acting as their Head of Paid Service which provided the necessary framework to be developed. As a consequence, SBC is many months behind where it should be by now. SBC needs to recognise that driving through the required culture change which ensures openness, transparency, honesty, and effective delivery is the starting point for recovery and that this thread needs to run through every element of every action plan. Too often it is possible to point to events that demonstrate that this is not so. It will take a considerable change in both attitude and performance to demonstrate that embedded progress is being made. Too many individuals in leadership roles do not accept that this means that individually and collectively, they need to behave, act, and encourage the organisation to face up to the required changes and that

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that this needs to be done at a much faster pace than heretofore. In addition, senior leadership at both political and officer level needs to focus much more on performance management to ensure they can see the improvements coming through and to challenge the well-worn excuses for failure.

36. What the analysis above demonstrates, in numerical terms, is that SBC will require continued financial support until at least 2028, far beyond the current envisaged end of the Direction regime. More importantly, SBC has not yet commenced any evaluation of the options required to show how it can function and at what level given the resources it will have available and the savings it has to make over the next five years. There is no longer term planning yet being contemplated, only a promise that this would commence in March next year. The numbers indicate that SBC will need to be some 15-20% smaller than current budgets provide, even after the improvement generated by asset sales. One major asset sale, significant though it was in reducing the overall indebtedness, is not sufficient in itself to give confidence for the future.

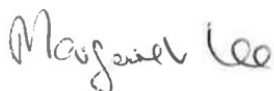
37. At this stage, it is impossible for Commissioners to conclude that SBC will be a viable unitary authority at the end of the current or a potentially extended Direction period. Commissioners and Ministers will need to consider alternative scenarios. In the meantime, Commissioners will keep progress under close review and will not hesitate to utilise any or all of the powers that the Directions provide, as necessary to ensure progress and improved governance.

38. As always, we are happy to answer any questions or clarifications that you and your officials would require.

Yours sincerely,



Max Caller CBE
Lead Commissioner



Margaret Lee
Finance Commissioner



Gavin Jones
Commissioner



Department for Levelling Up,
Housing & Communities

Gavin Jones
Via email

Lee Rowley MP
*Parliamentary Under-Secretary of State for
Local Government and Building Safety*

**Department for Levelling Up, Housing and
Communities**
Fry Building
2 Marsham Street
London
SW1P 4DF

16 March 2023

Thank you for your report of 22 December 2022 on the progress of the intervention at Slough Borough Council. I am grateful for your continued work and the diligence and professionalism you have shown.

In my statement to the Parliament today I acknowledged the recent retirement of Max Caller CBE as Lead Commissioner, and the resignation of Margaret Lee as Finance Commissioner. I am grateful to both Max and Margaret for their instrumental work in Slough. I would also like to thank you for your continued work in Slough, especially given your parallel efforts supporting the ongoing intervention in Thurrock Council. Your report makes for concerning reading. It is clear there has been an unacceptable lack of urgency and focus by the Council to resolve the situation it has placed itself in. This must change. An authority does not arrive at this position without significant cultural issues, so I am troubled to hear there are individuals and leaders within the Council who do not recognise the need for cultural change. I expect the Council's leadership to recognise this and act accordingly to deliver the transformation Slough needs. I am encouraged to hear that since the submission of your report, Commissioners and the Council have worked together to bolster the senior leadership team and I am confident that there is now stronger senior leadership in place in the Council, following the appointment of Stephen Brown as Chief Executive on 26 October 2022, to manage this transitional period. It is vital necessary improvements continue to occur at pace.

Given the scale of the challenges and the pace of progress, I would like to see a metric-based assessment from the Commissioner Team and the Council which includes i) progress against the Directions, ii) long term financial planning and iii) progress on the development of the new operating model and necessary cultural change within the Council. I encourage you to use the full extent of your powers to support the Council to develop robust solutions to these significant challenges and to keep both myself and the department informed of progress.

I take your statement about the viability of the Council as a serious reflection of the circumstances that the authority finds itself in. It is vital residents have an effective and functioning council, and it is important that you continue your work to make Slough a viable authority. With Max's retirement, Margaret's resignation, and the intervention in its second year there is an opportunity to consider the skills and experience required to meet the challenges of the intervention. I will confirm appointments to the Commissioner team in the coming weeks.

I would also like to thank you for your recent letter detailing Grant Thornton's audit of the Council's 2018/19 accounts. Their 'disclaimer of opinion' is disappointing and the

reasons behind it very concerning. I would be grateful for a further update when you have discussed the situation with Chartered Institute of Management Accountants and the auditors who completed the 2017/18 accounts. In the meantime, I will await the formal request from the Council seeking their final capitalisation direction in respect of 2018/19.

Yours sincerely,

**LEE ROWLEY MP
PARLIAMENTARY UNDER-SECRETARY OF STATE FOR LOCAL GOVERNMENT
AND BUILDING SAFETY**



Department for Levelling Up,
Housing & Communities

Stephen Brown
Chief Executive and Head of Paid Service
Slough Borough Council

Max Soule
*Deputy Director, Local Government
Stewardship*

**Department for Levelling Up,
Housing and Communities**
2 Marsham Street
London SW1P 4DF

By email only

16 March 2023

Dear Stephen,

SLOUGH BOROUGH COUNCIL – COMMISSIONERS SECOND REPORT

I am writing to inform you that the Best Value Commissioners wrote to Minister Lee Rowley on 22 December 2022 with their second report on the progress of the intervention in Slough, as required by the Directions issued to the Council on 1 December 2021.

The Commissioners report sets out the significant challenges still to be tackled in Slough, and it is concerning that the pace of change remains insufficient. This is reflected in the Minister's written ministerial statement on local government and his response to Commissioners. The ongoing issues with scrutiny, an absence of ownership of the improvement journey within the Council and that the Commissioners do not consider the Council to have yet achieved the critical mass of good officers required to drive change forward, alongside the absence of long-term planning, are of note. Despite this, the diligent work of some of Slough's officers is what may make a recovery possible. A key focus for the Council in the coming months will be the development and implementation of the new operating model for the Council and the work on cultural change, which is integral to ensuring improvement. I urge you to work to ensure that these vital workstreams are progressed.

While Commissioners are clear that there have been some positive changes in the Council's financial situation with reduced borrowing costs due to the asset disposal programme, the Commissioners note that the Council's financial position remains fragile. The report details the recent successful sale of the Azko Nobel Site but notes that the Commissioners consider the original purchase of this site to represent a significant failure by the then Head of Paid Service, Section 151 and Monitoring Officer. They also note that, had the Council committed to the project, its borrowing would have risen to over £1bn, leaving no route back to financial stability.

Commissioners also note that the challenge of delivering the savings required by the Improvement Plan, which is exacerbated by the situation with Slough Children First, who may require an increase in funding.

Commissioners' comments about Slough's viability as a unitary authority are a serious reflection of the circumstances that the authority finds itself in. Ministers have been

clear that it is vital that Slough residents have an effective and functioning Council, and that work continues to make Slough a viable authority.

As you are aware, on 1 March Max Caller CBE retired as Lead Commissioner. Max has provided an invaluable contribution to the work at Slough, particularly in providing leadership and guidance around the improvement work. You will also be aware that Margaret Lee provided her resignation on 12 March. In her time in Slough Margaret was instrumental in taking key steps to tackling the major financial challenges of the Council. The Minister is confident that there is now a stronger senior leadership team in place within the Council to navigate this transitional period, alongside Gavin Jones. The work of the intervention will continue, but with it moving into its second year, Ministers will now consider what skills and experience are required with the Commissioner team to meet the challenges of the intervention and will confirm appointments in the coming weeks.

Your Authority remains under intervention for children's social care functions, under section 497(A) and (4B) of the Education Act 1996. It is important that statutory services for vulnerable children and families continue to be delivered to an acceptable standard, with the aim of achieving an Ofsted rating of 'Good'. The Department for Education's Children's Services Commissioner and officials will continue to liaise with you, through established arrangements, on improvements to children's social care functions.

Separate to DfE's intervention for children's social care functions, your Authority will remain monitored with regards to its Special Education Needs and Disability (SEND) statutory services. Following the visit from Ofsted and Care Quality Commission, your authority produced a Written Statement of Action which is now being implemented, as inspectors identified significant concerns in relation to failure to meet the duties under the Children and Families Act 2014. DfE will monitor progress and provide support and challenge through a SEND adviser, and the Children's Services Commissioner. The Children's Services Commissioner will work collaboratively with DLUHC's Best Value Commissioners to make sure that vital services continue to be delivered effectively and efficiently in line with the Authority's statutory duties. The Children's Services Commissioner will continue to support the Slough Children First company and Slough Borough Council in their important work to continue to improve children's services.

I am copying this letter to the Authority's Section 151 Officer, Monitoring Officer, and the Commissioners.

Yours Sincerely,

Max Soule
Deputy Director, Local Government Stewardship

Statement made by Lee Rowley, Minister for Local Government and Building Safety - 16 March 2023

Local councils play an essential role every day. They deliver core services, including to the most vulnerable citizens, they help shape our communities, and support local democracy. Where councils do not meet the high standards that we set for local government, it is right that government intervenes in order to protect the interests of residents.

Today I am updating the House on the intervention arrangements at three councils of concern to the Department for Levelling Up, Housing and Communities. These are Thurrock Council, the London Borough of Croydon, and Slough Borough Council.

Thurrock Council

On 24 January 2023, I informed the House that the Secretary of State for Levelling Up, Housing, and Communities and I were minded to expand the ongoing intervention in Thurrock Council. Over recent months, the new leadership at Thurrock Council have worked cooperatively and collaboratively with the Commissioner, Essex County Council, to start the long journey back. In addition, our proposals were to appoint an independent Managing Director Commissioner to work alongside Thurrock's existing Commissioner, Essex County Council, to provide Commissioners with further powers over governance and staffing, and to direct Thurrock Council to take additional actions to support their improvement.

I made this announcement after receiving two reports from Essex County Council in December last year: the Commissioner's first report, and an update letter on the Best Value Inspection. Both documents laid bare the scale and complexity of the financial challenges facing Thurrock Council and noted significant concerns regarding a lack of robust governance and leadership capacity at the Council.

I invited representations on our proposal from Thurrock Council, and from members of the public, which I have now received and considered.

Since that announcement, the Secretary of State and I have also received a Best Value Inspection report on Thurrock Council, from Essex County Council in their role as Best Value Inspector, which I will publish in due course following a further representations process whereby any particular individuals criticised are given an opportunity to read and respond to those relevant parts of the report before it is published.

Having carefully considered the Best Value Inspection report, and the representations I have received about the intervention, I am satisfied that Thurrock Council is continuing to fail to comply with its Best Value Duty. I am today announcing a formal expansion to the intervention in Thurrock Council to implement the changes we proposed on 24 January 2023.

To begin, we will appoint Dr Dave Smith to be a Managing Director Commissioner. He is a highly experienced former local authority Chief Executive who has held senior executive positions within Local Government for the past fifteen years,

including Chief Executive of South Yorkshire Mayoral Combined Authority, and Chief Executive of Sunderland City Council. He will work closely with the existing Commissioner, Essex County Council, to support Thurrock Council in its improvement journey. He will be responsible for the day-to-day operations of the Council and will provide strategic direction and leadership, until such time as a permanent appointment to the post of chief executive can be made. As I noted in my January announcement, I intend for this appointment to strengthen the intervention model and to increase the Council's capacity to deliver vital improvements.

The Secretary of State will also use his powers under the Local Government Act 1999 to update and expand his Directions to Thurrock Council and its Commissioners.

In addition to the finance powers they already hold, the new Directions will permit the Commissioners to exercise further powers over:

- All functions associated with the governance, scrutiny and transparency of strategic decision making by the Authority to ensure compliance with the Best Value Duty. This will include oversight of an audit of the Council's governance.
- All functions associated with the Council's operating model and redesign of council services to achieve value for money and financial sustainability.
- The appointment, suspension and dismissal of statutory officers, including powers to determine the process for making these appointments and dismissals, and to define a new officer structure for senior positions at the Council.
- The development, oversight and operation of an effective performance management framework for senior positions.

The new Directions will also instruct the Council to take specific actions to support their improvement. These will incorporate the existing instructions to the Council issued back in September, but they will go further, and instruct Thurrock Council to undertake the following new actions to the satisfaction of Commissioners:

- To prepare, produce and implement an enhanced Improvement and Recovery Plan, which builds on their existing Improvement Plan. This will include new elements to cover:

- o An action plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.

- o A plan to ensure that the Authority has personnel with sufficient skills, capabilities and capacity to deliver the Improvement and Recovery Plan, within a robust officer structure.

- o An action plan to strengthen the Authority's governance function, to secure improvements in transparency and formal decision making. This should include measures to improve the Authority's scrutiny function, including the taking and recording of formal decisions.

o Arrangements to secure the proper resourcing and functioning of the system of internal controls, including risk management and internal audit.

- To undertake any action that Commissioners may reasonably require to avoid, so far as practicable, incidents of poor governance that would, in the Commissioners' reasonable opinion, give rise to the risk of the Authority failing to comply with its Best Value Duty.
- To take steps to ensure that the role of Accountable Body to the Thames Freeport is exercised to the satisfaction of the Commissioners. This should also be reflected in the Improvement and Recovery Plan.

As part of this next phase of intervention, Essex County Council will continue to act as a Commissioner and I look forward to their report in June. As part of the January announcement, I indicated my intent to formalise the role of the Leader of Essex County Council in this intervention. I can confirm that I will today issue an updated Explanatory Memorandum, to accompany the new Directions.

I am hopeful that the expansion to the intervention that I am announcing today will help the Council to address the concerns set out in the Commissioner's first report and the Best Value Inspection update letter, and to continue its work to improve the way in which the Council is run. There will be an opportunity for further reflection on Thurrock Council when I publish the Best Value Inspection report.

The London Borough of Croydon

Regarding the London Borough of Croydon, the Council has been subject to two Public Interest Reports by external auditors relating to poor financial decision making and associated governance failings (October 2020) and failures in financial control and poor governance arrangements relating to the refurbishment of Fairfield Halls (January 2022). Croydon has issued three Section 114 Notices since 2020, the latest being in November 2022 following the conclusion that it cannot balance its budget in 2023/24 and beyond.

The former Secretary of State appointed an independent Improvement and Assurance Panel in February 2021, chaired by Tony McArdle OBE and made up of independent experts, to offer the Council advice, expertise and challenge as it sought to address failings related to poor financial control and governance. The Panel has provided regular assurance reports to the Secretary of State on the Council's progress throughout this time, with their latest report being submitted in November 2022.

Whilst the Council has struggled to resolve serious governance and financial issues for several years, I want to place on record that the Secretary of State and I recognise the positive steps taken by the Council, with oversight from the Improvement and Assurance Panel, to lay the foundations for its recovery and ensure that legacy issues are being addressed. In May 2022, Croydon changed its model of governance with the election of a Mayor, Jason Perry, and a new Council. The Secretary of State acknowledges the Panel's assessment in their latest report that the Mayor has been working constructively with them and is prepared to "take firm decisions" to return the Council to a sustainable financial footing. The Panel

have also commented that within the Council there is “much evidence of managers and staff grasping the scale of the problem and doing their best to fix it.”

Historic issues have continued to be unearthed at Croydon and their potential impact on the Council and the progress they have made to date cannot be underestimated, particularly given their precarious financial position. Croydon is currently unable to achieve financial sustainability on its own accord and has requested an unprecedented level of support from Government as a result of these historic issues.

On balance, the Secretary of State agrees with the Panel’s latest assessment, that the acknowledged and welcome work of the new leadership has made good progress, however he has concluded, including as a result of the historic problems and the extent of improvement necessary, that the Council is not meeting its Best Value Duty.

The Secretary of State is minded to implement the intervention package set out below and in line with procedures laid down in the Local Government Act 1999 to assist the existing extensive effort to go even quicker. Officials in the department have, as a result, written to the Council seeking representations on the proposed intervention package.

The proposed package is centred on the Council continuing to make the necessary improvements to the satisfaction of the Improvement and Assurance Panel. The Panel will be backed by Directions issued to the Council requiring them to follow the instructions of the Panel if they are not satisfied with the progress being made. The Panel will report to the Secretary of State every six months.

It is important that the Council leads their recovery but that it does not lose momentum in making the necessary improvements. As part of the representations period, Ministers will reflect on membership of the Panel to ensure the arrangements are fit for purpose to support the Council moving forward.

We are inviting representations from the Council on the Secretary of State’s proposals by 30 March. We want to provide the opportunity for members and officers of the Council, and any other interested parties, especially the residents of Croydon, to make their views on the Secretary of State’s proposals known. Should the Secretary of State decide to intervene along the lines described here, he will make the necessary statutory directions under the 1999 Act. I will update the House in due course.

Slough Borough Council

I would also like to take this opportunity to provide an update on the intervention at Slough Borough Council. On 22 December 2022 I received a copy of the Commissioners’ second report on the progress of the intervention. The report has made for stark reading. Commissioners describe there being ‘...a real sense that many in leadership roles do not see leading and modelling corporate improvement as their overriding responsibility but only as something they have to do...’ This is wholly unacceptable. The well-publicised failures of Slough have stemmed from a poor culture of checks and balances, as well as inadequate leadership. The Council

and its leadership must accept this and embrace the need to change. The results of these past failures have devastated the Council and made its financial position unsustainable. Within their report Commissioners have gone so far as to query the viability of Slough as a unitary authority. For Slough to remain in its current form there will need to be a fundamental shift in the attitude and behaviour of the Council and its leadership. The role of Commissioners will be of paramount importance and their focus in the coming months will be on a new operating model for the authority.

Our intervention now needs to move from its discovery phase to one of requiring the Council to do the hard work of transformation. The Council must step up. Equally, we will put in place a Commissioner team who will move the Council through the next stage of this journey. Max Caller CBE, Lead Commissioner for the intervention, wrote to the Secretary of State on 1 March to tender his resignation and stated his intention to retire from public life. The Secretary of State has accepted Mr Caller's decision and I would like to thank him not only for the work he has undertaken as part of the intervention, but also for his many contributions to the local government sector. In addition, Margaret Lee, Finance Commissioner, also wrote to the Secretary of State on 12 March to tender her resignation for personal reasons. The Secretary of State has accepted Ms. Lee's resignation with immediate effect and I would like to thank her for her excellent work in Slough and Croydon and wish her well for the future. We will make an announcement on the revised commissioner team in due course and we will make appointments with the experience and skillset to ensure the Council progresses, alongside the enhanced senior officer team now in place at the Council.

The intervention at Slough remains challenging. I strongly urge the leadership in Slough to consider the findings of Commissioners' report and reflect on what more they could be doing to not only meet the requirements of the statutory Directions, but to drive forward necessary changes. Things must change.

Conclusion

I want to acknowledge the work of the dedicated staff who deliver the business-as-usual services of the councils included in today's announcement, many of whom have strived to deliver those services over recent years despite the financial, leadership and governance challenges faced by their respective authorities. They will play a vital role in each council's recovery. I have deposited in the House library copies of those reports I have referred to that are also being published on gov.uk today.

We are also today publishing on gov.uk the second report from the Sandwell Commissioners, which the House may wish to note. The Commissioners report that they have seen some progress at the Council in the past six months, though there is still a lot of significant work to be done – with a particular focus on the customer journey and culture.

Last week I also published the third report from the Liverpool Commissioners. The report is cautiously optimistic about the Council's progress. It is clear, however, that the Council faces significant change in the months ahead with a transition in officer and political leadership plus the implementation of a significant transformation

programme. The continuation of the intervention in Liverpool will be vital to support the Council through this period of change.