

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.