



Society of District Treasurers

Lessons from Public Interest Reports and other interventions – Part II

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March 17 2022



Timeline of reports

Part I



- Best value inspection report – Northamptonshire County Council March 2018
- Public Interest Report Nottingham City Council August 2020
- Public Interest Report L.B. Croydon October 2020
- S114 Notice L.B. Croydon November 2020 and subsequent notice
- Public Interest Report Northampton Borough Council January 2021
- Best Value Inspection Liverpool City Council March 2021

Key quotes from Part I

“There has been collective corporate blindness to both the seriousness of the financial position and the urgency with which actions needed to be taken.”
London Borough of Croydon

“Overall, the governance arrangements were overshadowed by the Council’s determination that the Company should be a success, and this led to institutional blindness within the Council as whole to the escalating risks involved, which were ultimately very significant risks to public money.”
Nottingham City Council

“There was inadequate due diligence undertaken by the Director of Finance/Section 151 Officer, including an inadequate assessment of whether the work would generate assets capable of being refinanced by NTFC in order to repay the loans to the Council and of the financial viability of NTFC”
Northampton Borough Council

Timeline of reports – Part II



- Statutory Recommendations -Copeland BC February 2021 and March 2022
- Public Interest Report – York Council April 2021
- Statutory Recommendations – Slough Borough Council May 2021 and July 2021
- Statutory Recommendations – Thanet District Council October 2021
- S114 Notice – Nottingham City Council December 2021
- Statutory Recommendations – Sandwell Borough Council December 2021
- Public Interest Report – L.B. Croydon January 2022
- Public Interest Report – Pembrokeshire County Council January 2022
- Public Interest Report – Blaenau Gwent County Borough Council February 2022
- Statutory Recommendations follow up - Brecon Beacons Park Authority March 2022

Key themes



Some of the key themes from the latest set of reports are:

1

Failure to understand and manage the risks associated with external companies

2

Failure to address and resolve relationship difficulties between senior officers and members

3

Finance function failures

4

Cultural and governance failures

1. Failure to understand and manage the risks associated with external companies

- a lack of understanding of roles and responsibilities
- Lack of business case and effective monitoring
- a lack of skills around commercial decision making
- an optimism bias that does not reflect the true position or performance of a company
- a lack of scrutiny over investment or loan decisions to companies
- a lack of strategic rationale surrounding the creation of companies
- a reluctance to listen to challenges
- inadequate financial governance and monitoring of group entities.



2. Failure to address and resolve relationship difficulties between senior officers and members



- Deteriorating senior officer and senior member relationships seen over a number of years, with a significant amount of time being spent responding to internal allegations and complaints.
- Resultant failures to identify and mitigate conflicts of interest in investigating and ruling upon whistleblowing, grievance and disciplinary processes
- Unlawful or ill-advised payments to former Chief Execs following long standing relationship breakdowns
- Failure to involve elected members in good time or to provide them with adequate information to form a considered view on relationship issues

3. Finance function failures

- Late accounts produced over many years, without sufficient robust working papers
- Poor finance capacity and skills
- Poor oversight over levels of borrowing and levels of reserves
- Failure to set a prudent minimum revenue provision
- Governance failures where these issues were not challenged. Some audit committees failed to challenge and failed to take action on long standing issues



4. Cultural and governance failures

- A lack of effective political and/or corporate leadership
- An overreliance on interim statutory officers and acting up arrangements
- A complete failure to accept the outcomes of external reviews and a culture of denial
- Confusion of roles and delegations
- A culture of secrecy, overuse of confidential reports
- Inadequate internal processes
- A failure of leadership
- Poor and inappropriate councillor conduct and also insufficient information provided to members



4. Cultural and governance failings continued

- Conflict and distrust among and between councillors and senior officers
- The absence of effective scrutiny, including inadequate protections for whistle-blowers
- A lack of awareness and acceptance of the need for improvement
- A lack of appreciation of the Nolan principles and the requirements of the Member Code of Conduct



What is needed to address failings?



- ✓ Cultivate an open and transparent culture
- ✓ The views of statutory officers must be given appropriate regard
- ✓ Review and ensure delegations are appropriate and properly used
- ✓ Ensure staff can raise concerns/whistleblow, ensure this is encouraged and ensure this is independently investigated – formal channels needed for both S151 and Monitoring Officers
- ✓ Embed an active review of all complaints and a zero tolerance approach to inappropriate behaviours
- ✓ Take appropriate and timely action when budget overspends are identified, or when it's clear savings cannot be delivered

What is needed to address failings?



- ✓ Ensure members listen to challenge and take action to tackle long standing issues- treat external review seriously
- ✓ Provide sound formal training in external companies and update this regularly, for both members and officers
- ✓ For members, especially audit committee chairs, consider handover arrangements and ensure all issues of which you are aware are formally handed over.
- ✓ Treat internal audit and external audit as critical friends – not as suppliers whose fees you need to beat down

A few choice quotes

“The breakdown in relationships between senior officers and senior members is central to the governance issues identified ... with a significant amount of time being spent responding to internal allegations and complaints. This has impacted on the Council's ability to focus on service improvement.”

Sandwell Value for Money Governance Review

“In obtaining external legal advice and not fully considering or implementing that advice, it is our view that the Council failed to ensure it was acting lawfully. The absence of records documenting the rationale for decisions in relation to a significant project is a failure to keep the records required”

Croydon Public Interest Report (2022)

A few choice quotes

“There is no evidence that the Council has properly understood the risks involved in running down reserves. The Council has failed to put adequate arrangements in place over a number of years to ensure robust financial management.”

Slough Statutory Recommendations

“Senior Officers’ behaviour was found to fall below the standard expected on a number of occasions. Follow up action taken was not sufficiently robust or consistent with action taken against other Senior Officers”

Thanet Statutory Recommendations

“Weaknesses led to serious governance failings. There was no budget monitoring in place. Members did not receive accurate and timely financial information on which to base informed decisions.”

Copeland Statutory Recommendations

A few choice quotes

- The Council failed to establish or operate adequate or effective governance arrangements to manage its relationship with Silent Valley from 2012 onwards
- The process that led to the Council's former Chief Executive being appointed as Silent Valley's new General Manager in June 2016 was uncompetitive and deficient in several material respects
- On 3 April 2012 members of the outgoing Silent Valley Board voted to make gratuity payments of £11,569 to each retiring Board member contrary to Silent Valley's governing document, even though all but one of those present stood to financially benefit from the decision"

Blaenau Gwent Public Interest Report on Silent Valley Waste Services

Concluding thoughts



“In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate.”

Best Value Inspection by Max Caller CBE – March 2018

“Trust is not a control.”

Chris Buss,
Consultant and Interim Croydon Finance Director

Concluding thoughts



The Best Value legislation states:

“A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

The concept of continuous improvement describes a process, not a destination. The good authorities, in our experience, are the ones which assume nothing based on past performance and are always looking to improve.



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