



Communities and Local Government Committee

Oral evidence: Local Authority Commissioners,
HC 42

Monday 4 July 2016

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Members present: Mr Clive Betts (Chair); Bob Blackman, Helen Hayes; Julian Knight; Mr Mark Prisk; Mary Robinson.

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Questions 66 - 128

Examination of witnesses

Marcus Jones MP, Parliamentary Under Secretary of State and Minister for Local Government, Department for Communities and Local Government

Q66 **Chair:** Minister, welcome to our second session. We are having an inquiry into the use of local authority commissioners in Tower Hamlets and Rotherham councils. We had councillors and commissioners from both authorities with us last week, so thank you for coming to join us and letting us have the Government's views on what has been happening. We have to just formally put on record, before I ask you the first question, any interest we may have. I am a vice-president of the Local Government Association.

Helen Hayes: I employ a local councillor in my team.

Chair: That is it for this afternoon. Minister, are you confident that the action the Government took to bring commissioners into these two local authorities has led not merely to improvements but to improvements that are sustainable? That is the real issue.

Marcus Jones: First, Chairman, thank you for asking me to come along today and give evidence to your inquiry. The simple answer to your questions is "yes". We are seeing clear evidence of improvements, although I do not think we should underestimate the challenges in both of these authorities, particularly at the start

of the interventions, and I think there is significantly more work in both cases that needs to be done.

The improvements that we have seen in Tower Hamlets include the fact that we now have commissioners that have set up a programme of organisational culture change, which was a significant problem in Tower Hamlets. They have now set a vision for the authority and put in place significant whistleblowing procedures. There are now permanent appointees to the statutory officer positions. There is now a head of paid service, a Section 151 officer and a monitoring officer. The Council is now complying with the publicity code and recently published, on 13 June, their first new magazine, which will be a quarterly publication. The other thing I would like to report to the Committee is that members are also working with commissioners in Tower Hamlets, particularly in terms of grant-making.

In Rotherham they have now appointed a new chief executive. The leadership and governance of children's social care has improved significantly. The children's services department has been restructured and there is a new multi-agency safeguarding hub. They have also developed a new vision for the council, and they have done that in conjunction with local people and a number of public events. They have also set a medium-term financial strategy. The progress has been such in Rotherham that there are a number of functions that have been returned to the council—education and schools, public health, housing and planning, and transportation policy—although those functions are still being overseen by the commissioners.

In terms of sustainability, that is an absolutely crucial point that you make, Chairman, and that will be the key point that the Secretary of State will make a decision on in terms of whether or not the authorities are fulfilling their best-value duty in terms of putting the full functions of the local authorities in question back to those elected members. The other thing that I would mention is that, once we get to that point—trying to ensure sustainability—we are looking at the moment at whether or not it may include a potential role for the external auditor in relation to overseeing continued best value.

Q67 **Chair:** Thank you. One of the things we discussed last week was that to some extent you can change procedures and tick boxes to say, "This has happened. We would do it in a different way in future as a result of the commissioners coming in." But culture is very important in an organisation. The culture in Rotherham was thought to be a problem right the way through the organisation,

and to an extent in Tower Hamlets as well. How do you measure whether the culture has changed in such a way that you will be content that, once the commissioners come out, the authority is going to be run in a proper manner?

Marcus Jones: At the point when the commissioners are reporting back to the Secretary of State in relation to progress—and that happens at regular intervals in both cases—that progress has to be considered by the Secretary of State, and the Secretary of State has to consider whether the best-value duty has been met by the authorities in question. As you say, it is not a tick-box exercise. That was one of the complaints about the previous regime of the Audit Commission, where a number of situations in Rotherham were reported to the Audit Commission despite several strategies being put forward by the Council. Those were not embedded and followed through by the Council, and therefore you do have to be absolutely satisfied that the Council are meeting their best-value duty. The Secretary of State has to consider that on a case-by-case basis.

Q68 **Chair:** You are content that the commissioners can really understand whether the culture has changed. In the end, the Secretary of State is going to have to rely on that recommendation from the commissioners.

Marcus Jones: The Secretary of State will have to take the commissioners' views and other intelligence into account and take a view on whether he thinks the best-value criteria have been met. As I said, there are a number of functions that have been returned, for example, to Rotherham, for members to make decisions. At the moment, however, those functions are still overseen by commissioners, and I think that is an important thing to say; we are absolutely trying to make sure that the right cultures are absolutely embedded in the authorities in question.

Q69 **Chair:** Could I just ask about one specific point with regard to Rotherham? One of the issues flagged up in the Jay and the Casey reports was taxis and the part that some taxi drivers—and we always ought to emphasise this—played in the CSE situation that was allowed to develop there. The commissioner in Rotherham brought in very stringent new rules for taxi drivers and their vehicles, including having CCTV cameras in the vehicles. I am not sure how many other authorities have done that. One of the concerns that we discussed last week was the fact that that is all well and good, but if a taxi licensed by another authority comes into Rotherham, they can ply for hire or pick up passengers without the need for the same strict conditions that Rotherham have

imposed. Does that not undermine the whole approach the commissioners have taken?

Marcus Jones: I discussed this particular issue with Mary Ney, the commissioner that has overseen the changes to licensing in Rotherham. In addition to the measures that you have mentioned they are also strongly advertising the fact that, if you choose a Rotherham taxi in Rotherham, it comes with a significantly strong regime of licensing and other things such as CCTV in the car itself. You make a very fair point about other taxis being able to come and other licensed drivers coming to work in Rotherham that maybe from different areas. That is an extremely good point, and the amendment that is the Policing and Crime Bill that is currently going through the House will enable statutory guidance on taxi licensing, and that will aim to significantly improve the consistency of the approach between different areas. I can tell the Committee that the Department for Transport and the Home Office are working on that very issue.

Q70 **Chair:** That is reassuring. Can I just probe that a little bit further before I move on? It might be that CCTV cameras would not necessarily be considered essential in every part of the country but might be in a place like Rotherham, where there have been past problems. How will the guidance go about, then, allowing an authority to bring in extra measures to respond to a particular situation without being undermined by taxis coming in from other areas?

Marcus Jones: The Policing and Crime Bill is about facilitating that statutory guidance. That statutory guidance at the moment has not been set out. Within the work that the Department for Transport and Home Office do, and in relation to the work that this department does going forward, we can take lessons from what has happened in Rotherham, and lessons from the view of people like Mary Ney, who absolutely understand how to tackle these challenges. That is something that absolutely needs to be looked at within the context of the work she has done.

Q71 **Bob Blackman:** Can I just follow up on that? The clear concern from taxi drivers, which I can understand, is that, in Rotherham, the requirement is that you have CCTV in the cab and there is a cost associated with that. You could have people who have been rejected for a licence in Rotherham and then go off to apply for another local authority where they do not require CCTV. For a start they have been rejected by Rotherham for whatever reason; they then apply to another authority and can drive into Rotherham and carry out their trade. Naturally, the good taxi drivers are going to

be saying, "Hang on; wait a minute. That is unfair. I have an extra overhead, I have been accepted for a licence and people who have been deemed not to be acceptable are plying their trade at a lower cost", and presumably they can then have an economic advantage. That, to me, and I am sure to the rest of the Committee, seems unfair. There should be a level playing field for everyone associated with this, particularly in areas where there have been such problems in the past. I accept that you cannot necessarily give a commitment here, but can you take that away and say, "We have to find a way to make sure it is fair for everyone"?

Marcus Jones: That is a reasonable point to make. I am sure that is something that will be considered in the context of trying to create statutory guidance that improves the consistency of the approach across areas. As I said before, though, in terms of Rotherham, they are trying to create a culture where they have the highest standards of taxi licensing and the highest standards of practice by drivers. They are trying to embed that locally, by making it quite clear locally that, if you choose a taxi that is licensed in Rotherham, you know what you are getting.

Q72 **Chair:** We will move on. Can we reflect that the people who are doing the choosing might be quite vulnerable young people who do not look at those assurances as being worthwhile?

Marcus Jones: That is why we need a consistency of approach, and we are putting that framework in place.

Q73 **Julian Knight:** Minister, we have received some evidence. One of the key groupings that mentioned this was the UKIP group on the council. It has suggested that concerns have been raised about adult social care and safeguarding in Rotherham, but they are not being addressed. Is there a risk that the understandable focus on improving children's services could lead to concerns about other services being overlooked?

Marcus Jones: I would not say that other services are being overlooked. This is a matter of the commissioners putting a situation in place in Rotherham where, as I said, they make sure that they have the governance in place to deal with services across the council. I am aware of the letter that is being referred to that has been provided to the Committee. We have been made aware that a similar letter has been sent to the external auditor, and a copy of that was provided to the Secretary of State, although no additional supplementary information to substantiate the claims being made has been received.

Q74 **Julian Knight:** Do you think it is scaremongering or do you think they have a valid point?

Marcus Jones: It is very difficult for me to speculate on the particular letter and the validity of any one letter, but the commissioners have oversight of the decisions that are being made in relation to adult social care. I would fully expect that an effective and well functioning council would have a process for dealing with whistle-blowers who are raising important concerns.

Q75 **Julian Knight:** On the subject of whistle-blowers, what further steps do you think the Department or the commissioners can take to encourage whistle-blowing and ensure that those whistle-blowers are protected?

Marcus Jones: Whistle-blowing is an extremely important part of making sure that we hold those people who are elected and officers of councils to account. At the moment, I am aware that commissioners who are appointed by Government are not prescribed persons in relation to whistle-blowing legislation. For example, somebody who is working in the particular local authority in question who may want to whistle-blow would not have the sort of protection in relation to being dismissed as they would if they went to a prescribed person, such as a Member of Parliament or the external auditor of the authority. I have therefore asked my officials to look carefully as to whether we need to make the commissioners who are appointed by Government prescribed persons, to make sure we are giving the opportunity for people in local authorities where the Government have intervened the opportunity to use that route as well.

Q76 **Julian Knight:** When will the deliberations with officials be completed?

Marcus Jones: I am looking at the very issue now.

Q77 **Julian Knight:** When do you anticipate them to be completed?

Marcus Jones: I would expect they would be undertaken very shortly.

Q78 **Mary Robinson:** The LGA is quite clear that removing the powers of democratically elected councillors to make decisions should be undertaken as a last resort. Could you explain what criteria you use to assess whether a local authority requires an intervention and what form of intervention it should take?

Marcus Jones: It all depends on the particular circumstances at the time. There are no set criteria as such, because quite often situations are different. Using the power to make an intervention

and put commissioners in to run an authority rather than elected members is an extremely serious decision to take, as you have identified. In that context, it is only done as a last resort or as a backstop where there has been significant failure in the best-value duty. Since 2001, there have been only five instances where commissioners have been used and there has been clear evidence of the best-value duty not being met. It is something that is used extremely rarely.

Q79 Mary Robinson: What sort of benchmarking would it be assessed against? What would this significant failure look like?

Marcus Jones: It all depends on the circumstances. The best value duty is a combination of factors that have to be met: economy, efficiency and effectiveness of an authority. It needs significant evidence to come forward to the Department that that best-value duty is broken down. We use the information we get from local authorities, including the information that we have in the financial returns that come back from local authorities, the returns that are made back to the Treasury in terms of financial reporting from local authorities, and there are other pieces of information that we obtain. We speak to the LGA, which is quite often already engaged with local authorities that find themselves in difficulty. We are also able to monitor the information put out by authorities on their websites, for example, minutes of meetings and that type of thing. We also monitor things that are put out in the local press and media, and in the trade press, so that we can build up a picture of what is happening in a particular local authority and assess that risk. In the instances that we are talking about, there was obviously significant failure identified in Rotherham, for example, in the Jay report. That was followed up by our Department very quickly when we undertook the Casey review.

Q80 Mary Robinson: Would it be right to say that there is some investigatory way of looking at it? Once something has been brought to your attention, you are looking at other aspects of this.

Marcus Jones: There are lots of factors that can lead to a breakdown in an authority providing best value. As I say, they have to be looked at in terms of the individual circumstances and on a case by case basis. The Secretary of State will use his intervention powers as an absolute backstop. As I say, it is a rare thing for that to happen. It has happened only five times since 2001.

Q81 Mary Robinson: Why, in Rotherham Council's case, was the whole of the council initially placed under commissioner control when it was primarily the children's services that were failing?

Marcus Jones: Because, when the Casey review was undertaken, it was quite apparent that there were not just failings in one area of the council; there was embedded failure across a number of service areas and particularly in terms of the senior leadership team of that local authority.

Q82 **Bob Blackman:** Marcus, we have had the previous Secretary of State and the current Secretary of State in front of this Committee looking at how we can swat the problems before they arise and we get to this stage. What are you doing now, learning the lessons of Rotherham and Tower Hamlets, to identify where the warning signs are and what we have to look for before we send in commissioners or some form of control?

Marcus Jones: We monitor risk, as I have explained, both through the Department and also through the LGA. They have an important role to play in terms of governance issues within local authorities. They collect an amount of data from the sector-improvement work that they do. We are also making sure that the lessons from the particular issue we have had in Rotherham and Tower Hamlets are being learnt. I have met with commissioners from both authorities myself. We also have a situation where the chief executive of the LGA has met with commissioners from Tower Hamlets, for example, on the basis that if that information is disseminated to the LGA, it will be able to help us spot some of the signs earlier.

Q83 **Bob Blackman:** Clearly financial risk you can get a pretty hard data feel for. Sir Ken Knight, when he gave evidence to us last week, said it is not just the finances; there are the softer things. There are other indicators such as in Tower Hamlets, where the monitoring officers were all on temporary postings, so almost at the beck and call and hire and fire of the then mayor. Is that an area that you look at? What other softer things can you look at to act as pointers?

Marcus Jones: We keep in close contact, and we are looking all the time, with other government departments that are responsible for the delivery of certain functions. We are continuously looking at how we improve our work with those departments—the Department of Health is an obvious example and the Department for Education is another—to make sure that we are spotting those signs earlier. There are obviously regulatory organisations, the CQC and Ofsted for example, that are there to pick up some of these issues as well.

As I said before, however, there are other things we can do. We can monitor local authorities' websites and look at the council

minutes to get an understanding of how those councils are working, and follow the local press and take information from other sources. For example, one of the opposition groups in Tower Hamlets provided significant information to the department in relation to the failures that were going on in that authority.

- Q84 **Bob Blackman:** There is clearly potential service failure. There can be a political failure, and there may be things that people do not necessarily like as political decisions. That does not mean to say that a council is failing, but I think we are most intent on looking at where these severe services failures happen and whether early intervention could prevent them happening and your having to go to the extreme level that you have had to. Are you considering any work in that direction?

Marcus Jones: At the moment we do undertake work in that sector. If we become aware that an authority is having issues in relation to either service provision or potentially financial issues, we try to engage them with the LGA, who can support them with sector-led improvement. We also work with the particular government departments that are responsible for providing various functions to make sure that they are working with the particular local authorities as well to make sure that we deal with difficulties or stop them becoming greater.

- Q85 **Bob Blackman:** Clearly there is a lot of work going on. How many local authorities are causing you concern?

Marcus Jones: It is difficult for me to give you confirmation on that because a lot of this information that is provided is very subjective.

- Q86 **Bob Blackman:** You are not going to tell me how many. Are there any that are causing you concern at the moment?

Marcus Jones: We constantly monitor local authorities and we have discussed how we do that, and we have discussed how we support authorities that have challenges. We do watch certain situations when they arise, but it a snapshot in time. Views are very subjective in relation to the information that comes back to the department, and I do not think it would be right or appropriate for me to share issues or concerns about individual councils, particularly where those issues are being resolved.

- Q87 **Bob Blackman:** What we are looking at is: are there any on the radar where some intervention may have to take place?

Marcus Jones: We continually monitor councils that we believe there are challenges with. As I said, we work with other

government departments to support those councils. We work with the LGA to support those councils. We continually keep refreshing our data and making sure that is up to date to see how things are working in authorities where we perceive there may be some risk. As such I am not in a position to name or shame any particular authorities.

Q88 **Bob Blackman:** I did not ask you to name and shame; I merely wanted to know how many are on your radar.

Marcus Jones: That is a process that is continual.

Q89 **Bob Blackman:** What—is it all 500 authorities in England and Wales?

Marcus Jones: You can end up in situations where today we may perceive there is a risk in a local authority but tomorrow that local authority, or the LGA working with that local authority, may deal with that potential risk.

Q90 **Bob Blackman:** If one is flagged up by the LGA—“We may have a problem here”—or by the newspapers or whatever, are you then intervening in some way, shape or form to see if there is a particular problem, or are you waiting for a catastrophic service failure before you have to send in commissioners?

Marcus Jones: We monitor risk. When we have situations identified, we continually obtain information from the data returns that authorities have to provide to us. We work very closely with the LGA in terms of trying to support an authority that may be getting into some difficulty. As I said, we work with other government departments to make sure they are able to assist authorities.

Q91 **Bob Blackman:** How many authorities are you supporting and assisting to make sure they do not suffer a catastrophic service failure?

Marcus Jones: At this present time, I could not answer that particular question exactly, because, as I say, it is a continually moving picture.

Q92 **Bob Blackman:** Are there any that you are intervening in at the moment?

Marcus Jones: I would not say that this department is directly intervening. I would say that this department may be supporting some authorities where there are particular challenges.

Q93 **Bob Blackman:** How many are you supporting?

Marcus Jones: I do not think I am in a position, because of the way in which these things change very quickly, where I can tell you exactly how many authorities we are supporting.

Q94 **Bob Blackman:** Is that because you do not know or you are not prepared to tell us?

Marcus Jones: As I said before, it is extremely important that we do not talk about individual local authorities.

Bob Blackman: I have not asked you to name any authorities.

Marcus Jones: I appreciate that.

Q95 **Bob Blackman:** I merely want to know the extent of a potential problem that may exist and what action the department is taking. I do not think that is unreasonable.

Marcus Jones: As I say, in my experience of dealing with such situations, where you get a local authority that has challenges, it is a snapshot and the information is not always straightforward and clear-cut. Therefore there is quite often a lot of background work that needs to be done in relation to looking into a particular situation. You can find that quite quickly the assumptions that have been made from certain information that has been provided may not be the case. As I say, it is a moving feast, so to speak, and therefore it is very difficult to give you exact numbers on a particular day.

Q96 **Bob Blackman:** I would say that if you are asking questions of local authorities and they are giving satisfactory answers, that is monitoring, but if you are sending people in to try to intervene in a local authority in any shape or form, that is a bit stronger. That is all I want to know: whether you are doing that.

Marcus Jones: As I say, there is a difference between sector-led improvement and making an intervention. As we have discussed throughout the session so far, we would intervene in a situation were we to consider that an authority was failing in delivering best value. Local authorities having support from the LGA or a particular government department to deal with localised issues at a particular point in time is not direct intervention.

Q97 **Mr Prisk:** Minister, so far we have talked about, and you have focused on, governance and financial administration grounds for intervening. I think the Committee understands that, but the public, particularly in a community like Rotherham, which has seen something truly appalling taking place in and around their community, will want to know who is looking after their children.

What powers do you have to ensure, whether you intervene directly or others who are part of the state, their children are safeguarded?

Marcus Jones: In the case that you mention, we still have commissioners working in Rotherham. It is a very important point that you make, because we need to make sure that local people have confidence in the services that are being provided. At this point the Secretary of State has not made a judgment as to whether best value has now been met. Before he does that, he needs to be absolutely sure that the culture in that authority has changed and that they are delivering the services in the way we would expect.

As you know, we would not expect or tolerate the breakdown in safeguarding that was happening in Rotherham before, where it was expressed in the Jay Report that there could have been up to 1,400 youngsters who were at risk of sexual exploitation, which is completely unacceptable. Therefore, the intervention in Rotherham will only cease once the Secretary of State is absolutely sure and crystal clear that that service is able to protect the children of Rotherham with the safeguards that we put in place.

As I say, some of the services have been returned to members in Rotherham, but they are on the basis of oversight by commissioners still. We may look at putting further oversight in place, beyond the intervention, with their external auditors.

Q98 **Chair:** Are there any authorities that are giving you such cause for concern currently that, if you do not see an improvement in their performance, you would consider having to intervene and put commissioners in? I am not asking for names, just whether there are any authorities in that category.

Marcus Jones: That is a fair question and, as I say, we are looking very carefully at some authorities. We look at that on a continual basis. We look to make sure that they can deliver their best value duty.

Q99 **Chair:** Are there any authorities that are giving you such cause for concern?

Marcus Jones: At the moment there are authorities that we look at to make sure they are monitored, but there are no authorities as of today that are in that position.

Q100 **Chair:** Is your monitoring better than it was? You mentioned all the ways you get information. Ofsted hardly covered itself in glory in the Rotherham situation, so they were not much use to the

department in flagging up problems. Are you now convinced that your monitoring arrangements are better than they were, so it does not take a journalist to highlight the problems?

Marcus Jones: We are constantly looking at improving how we improve those monitoring systems. We are learning lessons from the commissioners in both of the situations the Committee are looking into. We are also working with the Department for Education, for example, who I know have made procedures more robust with Ofsted in relation to the particular situation at Rotherham. We also work with other departments, for example the Department of Health, to make sure we have proper monitoring arrangements in relation to adult social care, for example.

Q101 **Chair:** Have you got a specific unit in your department that does the monitoring?

Marcus Jones: We have, yes.

Q102 **Chair:** Okay. Just going on to the commissioners, and you say the information and evidence you draw from them is important, how do you go about appointing commissioners and deciding if they have got the right skills for a particular job? Obviously the jobs in Tower Hamlets and Rotherham were both difficult but different.

Marcus Jones: That is a very good point. You have to make sure that you appoint commissioners who have got the right skill sets for the particular role they are undertaking. Appointing those commissioners is not an open process, but the criteria for appointing commissioners is very transparent. Commissioners have to be independent. They have to have integrity and the calibre and reputation that is necessary to achieve sustainable change in a local authority. Just to mention a few of the people who have been engaged in relation to Rotherham and Tower Hamlets, Sir Derek Myers is a former chief executive with 16 years' experience and the first chief executive to run a tri-borough authority, so he is someone of significant gravitas and experience. In Tower Hamlets, Sir Ken Knight was the London Fire Commissioner and chief fire and rescue adviser to the Government, so again somebody with significant experience. Max Caller, who we appointed to Tower Hamlets, is, again, somebody with significant experience of turning around a failing authority in Haringey.

Q103 **Chair:** Who do you talk to? Do you just sit in the department and say, "There is a list of the great and the good here," and phone them up and say, "Have you got a couple of years to spare?" or is there a conversation that goes on with anybody? Do you talk to the local authorities that are going to be intervened in?

Marcus Jones: The local authorities that are going to be intervened in are consulted. Only in the most difficult cases would they not be consulted, but in both situations here they were consulted. In terms of the commissioners, though, as I say, people were put into those positions after serious consideration by the Secretary of State, in terms of the people who had the right skill set, knowledge, integrity and independence to be able to drive significant change in authorities that were failing.

Q104 **Chair:** Should the process be more transparent?

Marcus Jones: As I say, I think we have a very transparent criteria, and in all cases that has been followed by the Secretary of State, and I think we have put some excellent people into the positions in both Rotherham and Tower Hamlets, and we are seeing significant progress as a result. From the evidence that has been provided to you, both in Rotherham and Tower Hamlets, they consider that the appointments we have made of commissioners have been good ones.

Q105 **Helen Hayes:** The commissioner-led process is expensive, and we will come on to talk about the costs a little later, and the stakes are very high in those local authorities that are subject to it. How do you hold commissioners to account for their performance and their effectiveness?

Marcus Jones: Commissioners have to report to the Secretary of State on an ongoing basis, and the Secretary of State meets with the commissioners from both Rotherham and Tower Hamlets to ensure that significant progress is being made. As I said before, the removal of directions is a very serious process for the Secretary of State, who does not take that role lightly and has to look at each individual issue brought to him by the commissioners on a case-by-case basis before he may allow control of functions to go back to the local authority. In relation to that, there were initial timetables set out, next March, for Tower Hamlets in terms of giving the responsibility of the authority back to the authority—March 2019 in turn for Rotherham—but the Secretary of State is absolutely clear that either to bring that timetable forward or to extend that timetable is absolutely possible based on the facts in front of the Secretary of State at the time.

Q106 **Helen Hayes:** How frequently do those meetings take place?

Marcus Jones: Since the current Secretary of State has been in post—and I would need to check—I think he has met with Tower Hamlets commissioners three times and the Rotherham commissioners twice. There is also correspondence that has been

put to and from the commissioners at the point at which they have reported back to the Secretary of State.

Q107 **Helen Hayes:** Do you think that commissioners are sufficiently accountable to the residents of the councils in which they operate?

Marcus Jones: In the situation that we have, where an authority has failed in best-value terms, the commissioners are put in there as a last resort by the Government and it is something that happens very rarely. However, I think they are showing that they are accountable to local people. In Rotherham you have a situation where the decisions being made by the commissioners are being put out there in the public domain before those decisions are made, so they can get views of local people. They have also set a number of policies for the council, which have gone out for consultation with local people.

In Tower Hamlets, one of the functions that commissioners now hold is grant-making powers, where there were significant problems in that authority. In relation to grant-making, those decisions are made in open, public session, where members of the public can come along and see those commissioners making those decisions on grants.

Q108 **Helen Hayes:** There might be more than one way of achieving best value, in any given authority, and the decisions about which is the best approach to achieve best value often involve a series of value judgments and, to some extent, political judgments. Do you think there is enough clarity for residents of Tower Hamlets and Rotherham about who is responsible for taking decisions within their local authority, and where residents are not content with policy decisions being made, how can they hold the commissioners to account for those decisions?

Marcus Jones: There is clear accountability. Having met commissioners myself, I do not think, for example, in Rotherham they are trying to take a different political route from the one that the politicians that had been elected in that authority wished to take in overall policy terms. What they are doing is ensuring that the best-value criteria are met, particularly in terms of giving local people reassurance that services such as children's services and taxi licensing are being carried out with a view to making sure the public are fully protected and not in the situation they were before, where there were a number of young people—and the suggestion is that it could have been 1,400—who were at risk.

Q109 **Helen Hayes:** Turning now to the bigger picture, and thinking about the mysterious and undisclosed number of local authorities

about which there may be cause for concern, are you confident that scrutiny arrangements across local government are robust enough to provide proper challenge to council leadership? In those local authorities where there is cause for concern, are you looking in particular at scrutiny arrangements and the strength of the scrutiny already in place?

Marcus Jones: Scrutiny is an extremely important issue. We are obviously taking lessons from the failures in Tower Hamlets and in Rotherham. As I said, the LGA are also talking to the commissioners, to make sure we learn the lessons from these organisations. The LGA are working with local authorities on sector-led improvement, and scrutiny is a very important part of that.

Q110 **Helen Hayes:** Are you looking at, monitoring and gathering any information at all about the strength of scrutiny arrangements and different practices across local authorities?

Marcus Jones: As I said before, there are a number of things that we look to gather as evidence. One of those things is minutes of council meetings, and that is not just cabinet meetings or full council meetings. We will look at a multitude of different sets of information, and scrutiny would be one of them.

Q111 **Bob Blackman:** Obviously putting commissioners in is an overhead to any local authority. How do you assess if they are providing value for money?

Marcus Jones: That is an extremely good question. The cost of the interventions does appear to be high. As I said before, these are exceptional situations, and there have only been five such cases since 2001. It is in circumstances where the failures are so severe that not intervening is completely unjustifiable. I have made the point several times that there being 1,400 children at risk of sexual exploitation in Rotherham meant something significant had to be done. Therefore we are now seeing in that authority that threat to young people is now far different from where it was before the intervention. If you are a parent of one of those young people who were at risk, you would think that what is happening in terms of the intervention is value for money.

In terms of Tower Hamlets, the council's Best Value Programme Board recently reported that £7 million of procurement in 2008-09 was spent on purchasing cards. That has now been reduced to £1 million in 2015-16. It is obvious that, whilst there are significant costs, there are also significant savings. In terms of the inspection reports that were done, we would all have liked to have a lower

cost figure in relation to the Tower Hamlets intervention, but you had a mayor and an authority who were in complete denial and tried to resist the intervention that was approached. There were two judicial reviews against the action the Government decided to take, despite the fact that there was significant evidence to suggest that intervention was the right thing to do. Therefore, the PricewaterhouseCoopers report was far more expensive than it should have been, because that co-operation was not there.

These are large numbers we are talking about, but they are failures and there is only a small number of cases, and I think the action we have taken is justifiable.

Q112 **Bob Blackman:** Clearly we will come on to the point at which you withdraw commissioners, and I do not want to touch on that now, but do the commissioners report to you on financial savings made, and therefore are they accountable to the department for achieving this? When we questioned Sir Ken Knight last week, for example, on various points he was able to indicate savings that had been made as a result of having commissioners. However, it is not clear that there was a full report making that clear to the department. Is that being monitored as part of the programme for deciding when commissioners go in and also when they come out?

Marcus Jones: We do receive that information when the commissioners report back. It is extremely important that we know what savings are being made, what service improvements are being undertaken, because we need to remember that best value is not just about financial issues. It is also about service delivery. Our officials also liaise and speak with the commissioners in that sense, and I get the sense from the evidence that was given in the previous session you held that the authorities in question, which have had to pay for the cost of the intervention, consider it right that the failing authority pays for that intervention.

Q113 **Bob Blackman:** As you say, the authorities have to pay. What happens if the cost of the commissioners means a council tax rise of greater than 2% would be required? Does the local authority, then, have to have a referendum, or would you just give them carte blanche to increase the council tax to pay for the cost of the commissioners?

Marcus Jones: The local authority in question would have to follow the same referendum principles as any other local authority, whether or not they are being run by commissioners.

Q114 **Bob Blackman:** If it became a 2% levy on top of the council tax, they would have to have a referendum.

Marcus Jones: That would be something that the commissioners themselves, in conjunction with the members of that particular local authority, would need to consider.

Q115 **Mary Robinson:** Looking at the point at which the commissioners will be withdrawn, how do you assess that councils are ready to have all their functions returned?

Marcus Jones: As I said right at the start, that all depends on the evidence that is coming forwards. The commissioners make recommendations to the Secretary of State. The Secretary of State then needs to consider very carefully as to whether best value has been met. Then the Secretary of State would make a decision, absolutely based on his judgment at the time, whether that were to be the case. As I say, the Secretary of State has been absolutely clear that, even though timescales have been put to these particular situations and he has been clear that he wants to see expeditious progress, whether those directions are removed before or after those deadlines remains very much a decision based on whether those authorities have embedded that change within their culture and whether that change is sustainable. As I said, there are methods that are used to initially do that. In some situations in Rotherham, the commissioners are now taking more of a backseat while the members make decisions over certain functions. However, there is still that strong oversight from the commissioners. In certain cases the commissioners are still overseeing the services themselves. However, it is very much a judgment based on making sure the Secretary of State is confident that best value can be delivered.

Q116 **Mary Robinson:** Moving towards a point where the commissioners will be withdrawn, looking to the start of the process and how it would be measured, was there a sufficiently clear shared understanding between the department, the commissioners and each authority as to what the aims of the intervention were and what success would look like?

Marcus Jones: In terms of the various authorities, you could probably say there was more of a shared understanding in Rotherham than Tower Hamlets. Tower Hamlets were particularly resistant initially to the fact that there were issues. There was clear evidence that there were clearly systemic failures within the complete governance of Rotherham and the governance of certain functions in Tower Hamlets. As I said before, the Secretary of State has to take a view on whether best value is being met. Clearly the Secretary of State did not think best value was being met and therefore instigated further work, by

PricewaterhouseCoopers in relation to Tower Hamlets and Louise Casey in relation to Rotherham, and both of those reports revealed significant failure, which backed up the case that the Secretary of State at the time was making. Eventually those local authorities agreed that those failures were so serious that they needed to be dealt with.

Q117 **Mary Robinson:** You mentioned earlier the timeframe that you now have in mind, which for Tower Hamlets is March 2017, and for Rotherham you said—

Marcus Jones: 2019.

Q118 **Mary Robinson:** 2019. Is this a definite date at which you will be withdrawing commissioners, or are you still dependent on the ongoing process?

Marcus Jones: It is very much a guide. The Secretary of State has been quite clear that he will not give control of those authorities back to the elected members from the commissioners until he is absolutely sure that the best-value test is being met.

Q119 **Mary Robinson:** Looking ahead to when those functions are returned, what monitoring will the department undertake to make sure there are no lapses?

Marcus Jones: As I have said a number of times, we have a number of ways in which we continually monitor the authorities. We will continue to do that, but we are also looking at whether there may be a case for oversight to be provided by an external auditor.

Q120 **Mary Robinson:** What steps would you take if performance worsened again in either case?

Marcus Jones: I would like to think that the directions will not be removed until the Secretary of State is absolutely sure. The Secretary of State is absolutely certain that he does not want to see those directions removed from those authorities until he is sure that the culture change is absolutely embedded and is sustainable, and I would hope that would not need to be the case.

Q121 **Mary Robinson:** Would there be any enhanced oversight?

Marcus Jones: As I say, it may be that the external auditors take on an additional role to the one they would generally provide for all authorities in relation to making sure that the best-value test is continually met.

Q122 **Chair:** Just to follow up on that point, is there any idea of a

halfway house for commissioners, whereby the powers go back to local authorities but the commissioners keep some oversight for a time? They are the people who have been in there. They know the authority backwards, unlike an auditor, who may look at it from a different perspective but who does not have quite the understanding that the commissioners would have.

Marcus Jones: It is a very good point and, as I said, in terms of some functions in Rotherham, for example, that is exactly what is happening at the moment. Whether that can continually be the case remains to be seen. I think, as we have said, it is a very serious thing to take the democratic functions of a local authority away from it and hand those functions to the commissioners, with the Secretary of State having oversight of those commissioners. I would expect that at some point, once the best-value duty has been met and once we are absolutely satisfied that those changes are sufficiently embedded and sustainable, the Secretary of State will make a decision to return those functions to the authorities in question.

Q123 **Chair:** But commissioners could continue to have a role, maybe, in terms of oversight.

Marcus Jones: As I say, at the moment they have an oversight role in relation to certain functions. At Tower Hamlets, for example, they have a role in overseeing the procurement function, which was such a problem and has now been returned to the local authority. However, as I say, I would envisage the Secretary of State will be confident enough to return the functions of these local authorities to the democratic members when the best-value duty has been met, is fully embedded and is sustainable.

Q124 **Chair:** I have two final points. First, you have indicated how things have worked reasonably well so far in Rotherham and Tower Hamlets. Alright—there were initial difficulties in Tower Hamlets but they have moved on from there. Are there lessons you could learn from where things have not worked quite so well in the two experiences and where you want to consider improving the process for any future interventions?

Marcus Jones: As we go through this process we are continually learning lessons from the commissioners and the information they are providing. In terms of making sure that councils do not get into this position in the first place, it is important that the LGA, as the organisation that is there to help us with oversight and sector-led improvement, also are speaking to the commissioners, which they are, to make sure that they are looking at ways in which they

can support authorities more before they get into a difficult situation.

Q125 **Chair:** Okay, but there is nothing in terms of the process where you think, "Well, that did not work quite so well here. We need to improve it in future."

Marcus Jones: We are continually looking at our processes. We are speaking to other government departments. We are speaking to the Department for Education, for example, in terms of Ofsted and the warning signs, and how we can take on things more quickly, and we are doing the same in relation to the Department of Health and their oversight of social care.

Q126 **Chair:** Just in terms of the specific services and what lessons might be learnt, I know that the Secretary of State wrote to all local authorities after Professor Jay's report saying, "Will you benchmark your services against this report?" I think it was the leader of Rotherham we asked last week whether anyone had been talking to the authority about how Rotherham had addressed a failing service and were trying to put it right in the light of the two reports. He said that no one from the departments had been talking to them about how they had done it. There may be some valuable lessons to be learnt there that could be passed on to other authorities as well.

Marcus Jones: That is something I will take on board, Chairman. As I say, we are speaking to the commissioners in that sense. We are also aware, taking Rotherham as an example, that Mary Ney is spreading the best practice of the changes that have been embedded in taxi licensing, for example. She is going out and spreading that best practice. The LGA are also speaking to the commissioners to see if they can learn any lessons to bring improvements as well, but you make a fair point.

Q127 **Chair:** Would it be the intention, after the commissioners have come out, for the department to do a brief report about experiences and lessons that can be learnt about the process and the actual services that have been taken on board and improved as a result?

Marcus Jones: It is important to spread best practice from the situations in Rotherham and Tower Hamlets, and the situation you mentioned may be something we can consider. It is important, though, to work through the issues that are still ongoing first, and make sure that we concentrate at the moment absolutely on a situation where we are confident that both of these authorities can meet their best-value duty.

Q128 **Chair:** On that point, Minister, thank you very much for coming to give evidence to us this afternoon.

Marcus Jones: Thank you.