

## Dissecting dysfunction

By [Dan Peters](#) | 31 August 2021

Could anything have been done by the sector or the Government to draw Croydon back from downfall? Dan Peters speaks to leader Cllr Hamida Ali and chief executive Katherine Kerswell

Croydon LBC recently reported a balanced budget for the first quarter of 2021-22 and is on track to deliver its financial plan this year.

It is a long way from this time last year, when the south London borough was forecasting a massive £49m overspend.

‘I think we’ve made major progress but there’s a huge amount still to do,’ according to council leader, Cllr Hamida Ali.

Croydon is currently on track to deliver £44m of savings this year but to balance the budget next year it needs to make £63m savings on top of £24m of transformation savings that have already been identified as part of the council’s medium-term financial strategy. These are massive figures for an authority with a £277m budget.

But sitting in a large glass-walled conference room overlooking Croydon, Cllr Ali sought to put a positive spin on things.

She said there are ‘opportunities to deliver better outcomes’ from the savings and cited the council’s first quarter results as the ‘first source of some hard evidence’ of improvement.

Asked to reflect on how Croydon ended up issuing a dreaded Section 114 last year, Cllr Ali said there was ‘no one factor’ and the ‘conditions built up over time’.

A report by consultant Richard Penn, commissioned by the Local Government Association (LGA) to understand how the council sunk so low, remains unpublished months after being handed over to chief executive Katherine Kerswell.

The report is thought to have led to the suspensions of a number of executive directors, many of whom have now left the council.

But staff still want accountability for who led the council to its downfall and who took the decisions that damaged Croydon’s reputation.

Cllr Ali insisted it remains her ‘intention’ to publish the Penn report once disciplinary processes have concluded.

However, it is already clear that culture was a big contributor to the council’s dysfunction.

Croydon had internal control systems, a risk management framework and governance models but it also had a culture that said those things actually didn’t matter.

Staff have spoken privately about a ‘collusive, very unhealthy culture,’ with reports of bullying, and lots of claims of race discrimination, nepotism and cronyism.

*The MJ* has heard reports of senior managers being unable to sleep the night before key meetings and some employees have been left traumatised by the culture.

Ms Kerswell said the council 'lost our way', and added: 'I think what I have learned about this style of culture is a lot of it was very closed and people hunkered down and, sort of, learned, I think, not to raise [issues], not to speak out because it didn't get you anywhere. It didn't solve the problem, and people got on and tried to do good things despite the organisation.'

'If you're in a dysfunctional organisation staff don't feel they can say "that isn't right" or "that isn't working".'

'One of the things staff were saying was this was not a healthy culture in terms of respect for individuals, respect for diversity and people did not feel valued. I think the phrase staff used over and over again was they could not bring their whole selves to work.'

Cllr Ali, who was a member of the cabinet under the previous regime, said she was becoming 'increasingly concerned and curious about our financial situation' in the run-up to the setting of the 2019-20 budget.

She stressed that now as leader, she makes decisions by consensus together with her cabinet which has been reduced in size and had its special responsibility allowances cut for its members.

As they try to shift the culture, Cllr Ali and Ms Kerswell revealed they have spent much time listening to and 're-earning the trust' of Croydon's passionate staff – two-thirds of whom live in the borough itself.

Ms Kerswell said talking to staff had given her 'enormous resilience' and the commitment of employees to turning the council around had given her a 'real energy back'.

That energy will be needed as the council continues on its three-year improvement programme.

The inevitable question is could anything have been done by the sector or the Government to prevent Croydon getting to this point?

Cllr Ali suggested that the council previously did not have the necessary 'self-awareness' to be able to reach out for help – though Croydon had been due to have a corporate peer challenge from the LGA before COVID struck.

The leader issued a plea to other councils that might find themselves in a similar position to get 'all the help and advice and external perspective and challenge that you can to support you in making the right decisions for your communities'.

For Ms Kerswell, although stressing she would not want the Audit Commission brought back and that she did not have the 'magic answer', she is convinced that sector-wide changes are needed.

She said: 'If you ever got a phone call from the chief executive of the Audit Commission you kind of sat up straight, because it was a serious conversation and there is nothing of that equivalence at the moment. I think it's the weight of the voice. I think that is not in our sector at the moment.'

'If you are in [one of] the causing concern councils you're probably less likely to be saying, "yes please, I'd like to listen to some bad news". So I think there needs to be something else in the sector.'

'At the moment, it's really quite private. People can still decide whether or not a peer review is published. I don't think that's healthy. We are public bodies – we should be really transparent.'

One of the failures of transparency has been the council's property development firm, Brick by Brick, which recorded a loss of £803,451 for 2020, on top of losses of £657,611 in 2019.

Cllr Ali argued creating Brick by Brick was a response to Government policy and stands by its original objectives to tackle the 'genuine crisis' of affordable housing and generate income in a climate of austerity.

'All the challenges in relation to Brick by Brick are about its execution,' she said.

'All the issues that are contained in the report in the public interest are all around the operation of the company, around the governance and oversight of the company.

'Does local government want to invest in speculative property development? No. I think we should be properly funded to be able to meet the needs within our communities.'

Local government might have to wait a while yet until it is fully funded but that won't stop the council striving to achieve its vision of what improvement success looks like.

It's a future where the borough has a vibrant local economy, where the council is not defined by its past and where staff are proud to be part of Croydon again.

This interview took place before the pre-election period ahead of Croydon's October referendum on whether to introduce a directly-elected mayor.