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Title: Intervention and Monitoring: How the UK government has responded to financial, service, and corporate failings in local authorities.

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Abstract

On 5th September 2023 Birmingham City Council, the largest local authority in the UK, issued a Section 114 notice under the Local Government Finance Act 1988 that indicated the council's forecast income was insufficient to meet its forecast expenditure in their current and next financial year. This was widely reported in the national and local media as Birmingham declaring itself 'bankrupt' despite the fact that local authorities, by statute in the UK cannot go bankrupt. On 19th September, Secretary of State Michael Gove announced the government's intention to intervene in Birmingham City Council through the appointment of external commissioners, who were subsequently appointed. Birmingham CC was, the latest in a wave of government interventions initiated when Northamptonshire County Council issued two Section 114 notices in February and July 2018. More recently in February 2024 the government announced that Birmingham would receive £685m in capitalisation support from the government.

This paper will look at the various forms of central government monitoring and intervention in local authorities in England in the last 25 years as the antecedents to the Birmingham case. The research adopts an exploratory approach, primarily based upon official secondary documentation and archival sources. It draws upon government legislation, ministerial statements, parliamentary committee, audit, inspection, and other publicly available reports to identify the key issues and the changing nature of government monitoring and intervention in local authorities.

It will look at the historical development of monitoring and intervention and will focus on the last twenty-five years since the Best Value regime and the current corporate intervention powers were introduced. It will describe the various forms of monitoring and interventions in terms of the relationship established between the government and the local authority, the objectives of the intervention and the nature and scope of the issues involved. Interventions have been focussed on service, corporate, or financial inadequacies or a combination of all three, although the latest 'wave' of interventions appear to have been primarily financially based following the issuing of one or more Section 114 notices. The paper will compare the current wave with an earlier wave between 2002 and 2008. It will argue that in contrast to the previous approach the current approach and the underlying levels of financial distress are unsustainable, and the consequences unacceptable. It suggests that comprehensive and systemic changes in local government finance arrangements and the nature and

form of central government intervention and engagement with local authorities requires radical overhaul.

Key Words: Central-Local Government relations, Financial Failings, Monitoring and Intervention.

Introduction

On 5th September 2023 Birmingham City Council, the largest local authority in the UK, issued a Section 114 notice under the Local Government Finance Act 1988 that indicated the council's forecast income was insufficient to meet its forecast expenditure in both the current (2023/24) and the next financial year (2024/25). This was widely reported in the national and local media as Birmingham declaring itself 'bankrupt' although local authorities, by law in the UK cannot go bankrupt (Vaccari and Yseult 2022). On 19th September, Michael Gove the Secretary of State for Levelling Up, Housing and Communities, announced the government's intention to formally intervene in Birmingham City Council through the appointment of external commissioners. This is the latest in a spate of government interventions in local authorities following the issuing of Section 114 notices and generated our research questions. How and why has the UK central government intervened in Local Authorities in the UK, and how are the current interventions different from the wave of intervention between 2002 and 2008 when the corporate intervention powers of the government first enshrined in the Local Government Act 1999 were widely deployed for the first time?

There is a considerable literature, primarily economic history or economic policy based, about national economies that are in financial distress both in relation to developing countries and increasingly in advanced western countries. The latter countries have often sought debt relief or assistance with economic recovery and regeneration from the International Monetary Fund (IMF), the World bank and/or other international agencies. The most well-known cases resulted from the European debt crisis of 2009–14 when five EU member states (Greece, Portugal, Italy, Spain, and Ireland) sought to refinance their government debt or to bail out their over-indebted banks, with help from the 'troika' of the IMF, the European Union and the European Central Bank. However sovereign government economic or financial distress falls outside the scope of this paper although there are some interesting parallels and lessons to be learned that could be explored in a future comparative paper(s).

This paper examines the various forms of central government monitoring and intervention in local authorities in England and the background and antecedents to the recent spate of cases that includes Birmingham City Council. It focuses on two of the four distinguishable regimes and periods when corporate monitoring and intervention affected multiple local authorities in England namely the periods between 2002-2008, and 2018-2024. All four waves and their characteristics are shown in Table 1. below.

Time/Period	Triggers for Intervention	Nature of Interventions
Prior to 1997	External Audit and Auditors Public Interest Reports relating to financial impropriety or financial crises. External service inspections of some LA services (primarily Schools, Police and Social Services). Scandals, moral panics, ombudsman and whistleblowing inquiries and reports	Partial coverage with relatively weak intervention powers. Specific inadequacies in individual LA services identified in the reports

1997- 2010	Based upon Best Value obligations of the Local Government Act 1999, comprehensive performance assessments of all authorities (including Ofsted, CQC etc co-ordinated by the former Audit Commission. The inspections covered all local authority services and their corporate and community leadership activities. LAs were obliged to continuously improve by the new duty of Best Value. AC produced 128 National reports and 2014 LA Inspection Reports. Scandals, moral panics, ombudsman and whistleblowing inquiries and reports New powerful corporate intervention powers.	Comprehensive coverage of Service and Corporate performance. The objective of intervention was to turnaround and recover local authorities failing to achieve Best Value. 78 intervention or monitoring cases 40 in single-tier and county LAs and 38 in districts (some cases moved between monitoring and intervention
2010 - 2018	Audit Commission abolished and 'sector led improvement' meant inspections were limited. Interventions were mainly triggered by service scandals (Doncaster 2010, Rochdale 2011, Birmingham 2014, Rotherham 2014, Tower Hamlets, Kensington & Chelsea 2017, Avon FRS 2017). Corporate intervention powers remained in place.	Corporate intervention powers were still in place, but the evidence base shrank e.g. no corporate inspections and no service inspections of Benefits, Environment, Housing, Transport, Regulatory Services, Cultural or Leisure Services
2018 - 2024	Intervention has been almost entirely for financial issues. Usually triggered by the issuing of Section 114 notices when LAs in financial distress cannot meet their statutory obligation to balance their current or future budgets. (There are currently 6 statutory Interventions, Birmingham CC, Nottingham CC LB Croydon, Slough BC Woking BC and Thurrock C. There are 3 on-going Best Value Inspections (Tower Hamlets, Spelthorne and Warrington), and Liverpool CC have an 'Improvement and Assurance' Monitoring Board LAs in financial distress include 19 authorities who in February 2024 received "exceptional financial support" i.e. they have been allowed to capitalise over £3 billion of revenue debts. Individual councils have debts up to 88 times their income (Moody's 2023)	The objectives of these intervention (to-date) is to return the authorities to financial balance and achieve financial sustainability. In 2023 the Statutory Guidance for Intervention was updated (Dept Levelling Up Housing and Communities)

In the earlier period government monitoring and intervention in the performance of individual local authorities was predominantly based upon evidence generated by the performance management regimes associated with Best Value and Comprehensive Performance Assessments co-ordinated on behalf of the government by the former Audit Commission (DTLGR 2001, Campbell-Smith 2008, Audit Commission 2009). In the second period between 2018 and 2024, intervention has generally followed the issuing of one or more of a series of Section 114 notices by individual local authorities indicating that they were in financial distress and could not meet their immediate financial obligations (Murphy *et al.* 2019, Sandford 2023, Levelling-Up Housing & Communities Select Committee 2024). More recently an increasing number of authorities have successfully sought 'exceptional financial support' from the government in the form of capitalisation of significant revenue debts in advance of (and to avoid) issuing a formal Section 114 notice, which has tended to 'mask' the extent of the underlying financial distress across the local government sector in England (Levelling-Up, Housing, and local government Select Committee 2024).

As successive Spending Reviews have demonstrated (HMT 1998–2023), the first period was characterised by increasing investment in local authorities under the New Labour administrations of Tony Blair and Gordon Brown, the second period has been characterised by significantly reduced central government financial support to local authorities (Dom 2023 and others) under the series of Conservative or Coalition administrations led by David Cameron, Theresa May, Boris Johnson, Liz Truss, and Rishi Sunak.

The next section of the paper will briefly describe the background, antecedents and the changing nature of government monitoring and intervention in local authorities in England. The following sections will compare the two regimes between 1997-2010 and 2018-2024 before discussing the challenges and merits of the alternative approaches, and some conclusions and recommendations for the future approach to local authorities in financial or corporate distress.

Historical Antecedents

Coordes, *et al*. (2022) in their ground-breaking global study of the legislative basis and treatment of local public entities in distress, cover nineteen jurisdictions from all five continents including the UK. They acknowledge that the treatment of local public entities in distress is seen mainly as a domestic matter that is subject to political interference and that it is significantly under-researched, particularly outside of the United States of America. In the United Sates public entities in distress and the response to them is a matter for individual states rather than a federal matter, so the variety of approaches is even more complex. Coordes and colleagues adopted a primarily legal perspective for their study, while this paper will analyse the experience in England from a public management perspective, while, of course, acknowledging the legal foundations.

The Audit Commission Act 1983 enabled the commission to take over 'District Audit' and appoint external auditors to all local authorities that were independent of their clients (Campbell-Smith 2008). They were also endowed with the power and responsibility to issue Public Interest Reports on any matter coming to their notice during the audit of the authority, so it could be considered by the authority and brought to the attention of the public. Public Interest Reports were issued into many famous local authority scandals such as LB Westminster 'homes for votes' (gerrymandering of political boundaries 1989) the Hammersmith and Fulham Swaps affair (excessive speculating on the 'futures' markets between 1985-1990) and the rate capping rebellion of 1984 (Campbell-Smith 2008). The other external performance inspections where for a limited range of LA services, i.e., Schools (Ofsted), the Social Services Inspectorate, and the Benefits Inspectorate.

Best Value and Corporate Interventions 2002-2008

The key legislative change came with Local Government Act 1999 and the duty to achieve best value requiring authorities to facilitate the continuous improvement of all services and activities. The power for the government to intervene in underperforming councils (based on a failure to achieve or be achieving Best Value) also originates from the 1999 Act but the use of performance categories and the exercise of powers in relation to performance was clarified in the Local Government Act 2003, following a series of judicial reviews by LAs (all of which were actually lost).

After piloting the intervention process in Walsall, Hull, and Rossendale there were 78 cases of monitoring and/or interventions between 2002-2008 based upon the Comprehensive Performance Assessments (CPA) co-ordinated by Audit Commission which assessed all services and activities undertaken by 'principal' local authorities and categorised their performance into 5 bands from poor to excellent (Game 2006). (Table 1 summarises the first CPA results (Audit Commission 2002).

Table 1. Scores, categories, and thresholds for County and Single Tier authorities under CPA in 2002 and 2003

Threshold for a 2 on services ↓ | Threshold for a 3 on services ↓ | Threshold for a 4 on services ↓

		Current service Score				
Council Ability Score		1	2	3		4
	1	Poor (3 authorities)	Poor (8)	Poor (2)		
Threshold for a 2	2	Poor (2)	Weak (16)	Fair (23)	Fair (5)	Good (1)
Threshold for a 3	3		Fair (14)	Good (34)	Good (15)	Excellent (8)
Threshold for a 4	4		Good (1)	Excellent (2)	Excellent (4)	Excellent (12)

Totals of 150 County and Single Tier Authorities - Poor 15; Weak 16; Fair 42; Good 51; Excellent 26.

Source: Adapted from Audit Commission 2002: Comprehensive Performance Assessment: Scores and analysis of performance for single tier and county councils in England in 2002.

NB there were 118 coterminous Fire Authorities plus the London Fire Brigade which served the 32 London Boroughs collectively.

The nature and philosophy behind the government's response was summed up by the phrase "we will not reward failure, but we will support progress and success" and the government appointed individual 'Lead Officials' to support strategic turnaround and recovery of the authorities (Audit Commission 2002, ODPM 2003, Jas and Skelcher 2005, Jones 2013, Murphy and Jones 2016). The lead officials generally established monitoring boards but were individually responsible to the whole of government with each case having an identified lead minister. They developed an intervention protocol (ODPM 2002) and had to deal with both corporate and service performance as well as political and managerial governance and any inadequacies in community leadership. This regime had all-party political support and active party-political involvement in the individual cases between 2002 and 2010).

The regime included formal statutory interventions and more 'lighter touch' monitoring cases informed by a detailed and improving evidence base (Including 147 national reports and over 7000 individual inspections) which also became an effective 'early warning' system for authorities whose performance was deteriorating (Audit Commission 2002, 2009). The criteria for individual local authorities to come out of government intervention was determined by bespoke benchmarks and performance categories for individual cases. All cases had to demonstrate a robust positive trajectory of improvement, validated though performance indicators and inspection reports. There were a total of approximately 90 cases of formal intervention and more lighter touch monitoring, between 2002-2008. All authorities were eventually turned around and recovered with Northampton and Erewash Borough Councils being the final cases to exit the programme in 2008.

After the 2010 general election the incoming Coalition Government reverted to New Public Management, with policies designed to 'shrink the state' and applied policies known as 'austerity localism' to local authorities in England (Lowndes and Pratchett 2012). In the devolved administrations of Scotland and Wales they decided to continue to develop their performance regimes based upon the principles of Public Value and New Public Governance but were subjected to the policies of austerity and shrinking the state through successive Spending Reviews that applied to the whole UK. In England, the government abolished the Audit Commission, abandoned external comprehensive assessments and corporate inspections, to be replaced with a 'sector-led' peer review-based assessment and improvement regime (Downe *et al.* 2013). It also significantly reduced the evidence base available when individual inspection reports (corporate reports and service inspections) of local authorities undertaken by the Audit Commission were not included in the National Archives.

Publicly available financial information was further curtailed by the Local Audit and Accountability Act 2014 which outsourced Local Public Audit, changed the audit regime, reduced the scope and reporting requirements of Local Public Audits which effectively became short term and purely financial reports. (Murphy *et al* 2023). After the 2014 Act it soon became apparent that local public audit and public assurance in England were no longer 'fit for purpose' let alone 'fit for future purpose' (ICAEW 2018, RAND Europe 2018, Ferry 2019, Redmond 2020).

One result of this diminution of financial and performance data and information was that central government had less evidence on which to justify intervention in local authorities and although strong intervention powers continued to exist, between 2010 and 2018 they were used almost entirely as a result of media scandals relating to service failures such as the 'child grooming' scandal in Rochdale between 2004 and 2012 (Newsam and Ridgway 2024) the 'trojan horse' schools in Birmingham (where Ofsted were obliged to carry out 21 inspections in schools), child sexual exploitation in Rotherham (Jay 2014) and in 2015, cronyism, bullying and vote rigging by the Mayor in Tower Hamlets.

Section 114 and Financial Interventions 2018-2024.

The fourth wave of interventions started In February and July 2018 after Northamptonshire County Council issued two 'Section 114 notices' which indicated that in the opinion of the Statutory Section 151 officer the council's forecast income was insufficient to meet its forecast expenditure in the next financial year and the council could see no way within its powers that it could reconcile the situation.

The first notice related to 2018/19 financial year while the second related to the 2019/2020 financial year. These were the first 114 notices to have been issued in over 20 years. Between 2020 and 2021 as a number of reports about potential further 114s emerged, the government provided significant temporary additional 'special grant' (hypothecated) funding to all LAs in the UK in response to Covid-related impacts. In addition, the government also allowed a number of local authorities to 'capitalise' parts of their increasing revenue debts into an aggregated sum and borrow the equivalent amount of money from the Public Works Loan Board, a lending facility operated by the UK Debt Management Office on behalf of HM Treasury. These loans are both long-term and at relatively favourable rates of interest. Since 2004, under the prudential regime published by CIPFA, local authorities are responsible for their own financial decisions and are free to finance capital projects by borrowing, provided they can afford to service their debts out of their revenues. By statutory provision, loans are automatically secured on the revenues of the authority rather than by reference to specific revenues, assets or collateral.

On the 29th of February 2024 the government announced agreements to provide 19 councils with support to manage financial pressures via the Exceptional Financial Support framework (EFS). Councils were provided with in principle capitalisation support just days ahead of their 2024/25 budget setting decisions. For 11 councils this included agreement to provide support for previous years (see table 2). We cannot be specific about all cases, but a large number of the authorities listed in Table 2 had either issued Section 114 notices or had indicated publicly during their prolonged budget setting process that they would be in danger of Section 114 issuing notices if outside support was not made available.,

Exceptional financial support for local authorities			
2020-21	9	£78.2m	Bexley, **Croydon**, Eastbourne, Lambeth (100m in 2017/18), Luton, **Nottingham**, Peterborough, Redcar& Cleveland, Wirral
2021-22	4	£63.3m	Copeland, **Croydon**, Eastbourne, (Bexley, Luton, **Nottingham** and Peterborough "withdrew requests") *
2022-23	4	£356.5m	Copeland, **Croydon,** Kensington & Chelsea, **Slough** (2018-23) (Bournemouth withdrew request) *
2023-24	19	£3,051.012m	**Birmingham** (2020-24) Bradford (2022-24) Cheshire (East 2022-24) **Croydon**, Cumberland, Eastbourne (2022-24), Havering, Medway, Middlesborough, N Northants, **Nottingham**, Plymouth, **Slough,** Somerset, Southampton, Stoke-on-Trent, **Thurrock**, W Northants, **Woking**.

*Requests were (allegedly) withdrawn after the government indicated they would not be supported. LAs in statutory Intervention are emboldened.

It is worth looking in a little more detail into two of the authorities in Table 1, which attracted national and international publicity after issuing Section 114 notices in 2023, namely Nottingham City Council and Birmingham City Council.

Nottingham City Council was a case that moved from formal monitoring by government after a Public Interest Report to statutory Intervention by central government after issuing a Section 114 notice. In 2020 Nottingham City Council were the subject of national media attention when Grant Thornton their external auditors published a Public Interest Report into the affairs of Robin Hood Energy an arms-length energy company wholly owned by the City Council (Grant Thornton 2020). In response the government commissioned a rapid 'non-statutory review' into the governance and risk management issues associated with Robin Hood Energy. The government commissioned a non-statutory rapid review of the council by an independent consultant (a former CEO of LAs) and his subsequent report highlighted governance failings, poor risk management and the pursuit of commercial ventures which had resulted in a significant budget gap and low levels of reserves (Caller 2020).

On receipt of the report the Secretary of State appointed an independent Improvement and Assurance Board in January 2021, made up of three independent local government experts. This was equivalent to the 'Monitoring Boards' of the earlier era. However, in December 2021 when preparing its budget for 2022/23, the council uncovered (and immediately acknowledge publicly), unlawful accounting practices associated with its ring-fenced Housing Revenue Account (HRA), covering the period 2014/15 to 2020/21 and totalling £15.86m. In effect the council and its wholly owned company Nottingham City Homes (NCH) had failed to maintain the integrity of its HRA and had cross-subsidised the general revenue account. In June 2022 the Secretary of State sent a letter indicating that he was *inter alia* minded to "take over all functions associated with, the governance and scrutiny of strategic decision-making; strategic financial management; the appointment and dismissal of statutory officers; and the designation of those persons as statutory officers".

The threat to intervene on a statutory basis was followed by new Statutory Directions to the council in September 2022 although the appointment of commissioners was stayed. 15 months later in November 2023, Nottingham issued a further 114 Notice because of a forecast deficit of £23.4m for the financial year 2024/25. The council cited long-term structural factors, including loss of Revenue Support Grant, rising children and adults social care costs, rising homelessness presentations, and local government inflation costs as the reasons for the notice. The CEO admitted the authority had "reduced financial resilience" after having had to use significant financial reserves to cover historic losses from the failure of Robin Hood Energy, and the arm's-length housing company.

on 22nd February 2024 the government citing a "distinct lack of urgency in tackling the necessary change" with a need to increase the pace of change in governance, finance, transformation, corporate planning, companies, workforce culture and performance outcomes initiated statutory Intervention. It appointed external commissioners and issued new statutory directions with, *inter alia* an Improvement Plan (required within 3 months) "as a minimum" to deliver financial stability, a strategic and systematic approach to risk management and continuous improvement in all services (sic). This was one week before the announcement of capitalisation support "in principle" included in Table 1, with Nottingham receiving £25m for 2023/24 and £41.143m for 2024/25.

On 5 September, **Birmingham City Council** the Chief Financial Officer indicated that he would be advising the council to issue a section 114 notice at the next full council meeting later that month. The council anticipated a gap of £87 million between income and expenditure for the 2023/24 financial year. In addition to this gap, the council estimated that it would have to pay £650 million to £760 million in backdated equal pay claims, following a court judgment in 2012 with the liability continuing to accrue at an estimated rate of between £5 million and £14 million a month. The original liability was in excess of £1.1b. which Birmingham had gradually reduced but rising interest rates had made this more difficult. The equal pay costs together with the failed implementation of an Oracle software system were clearly the 'trigger' for the councils immediate financial distress but, as with Nottingham, the council pointed to long-term real term reductions in central government support (generally accepted as being between 30-40%) increasing demand for services including children and adult social care, housing and homelessness services and welfare support all resulting from long term demographic changes, and widening income and health inequalities, particularly in those parts of the city characterised by and suffering from multiple deprivations. It therefore also considered that its forecast income was insufficient to meet its forecast expenditure in the next financial year and the council could see no way of balancing its budget within its powers.

One week later without waiting for the full council meeting the Secretary of State announced the appointment of 6 commissioners with 2 further political advisors “to support Birmingham City Council leaders as they take difficult decisions”. As had been the case in Nottingham in 2021, the Leader of the Council and the CEO (both relatively new to their positions) vowed to work constructively and collaboratively with the commissioners, although the CEO left the council a few months later. Two days later the Birmingham City Partnership Board (including a number of arms-length entities such as the Education and Safeguarding Partnerships) issued a statement confirming its commitment to work together for the future of the city.

One the 5th of October statutory directions were issued by the Secretary of State *inter alia* to

- address systemic weaknesses in the Authority’s governance function, to secure improvements in transparency and formal decision making.
- achieve value for money and financial sustainability including by closing any short- or long-term budget gaps, which should include taking action to expediate the closure of the equal pay liability.
- address the serious failings and ensure conformity with the best value duty.

In Birmingham’s case these directions will remain until 4th October 2028. On 29th February 2024 in-principal capitalisation support was agreed for Birmingham CC totalling £1255.1m including £685.0m (support agreed in-principle) and £570.1m agreed in-principle covering: 2020-21 (£288.4m), 2021-22 (£109.5m) and 2022-23 (£172.2m). The national and international media overwhelmingly reported this as Birmingham City Council going bankrupt.

Discussion.

It is clear from the brief case studies above and from the implementation of policies such as austerity-localism that the relationship between central government and local authorities changed significantly after the 2010 general election. Before that time increasing financial support and successive policy and delivery initiatives (such as Public Service Agreements in central government, Local Area agreements between central and local service deliverers), emphasised collaboration, partnership, mutual respect, and reciprocity between the two directly elected arms of the state. The wicked problems confronting national and local communities (Alford and Head 2015, Head 2022), would be addressed by co-ordinated policy and delivery at national and local levels. Continuous improvement in all services and activities within the authorities would be re-established, and accountability (retrospective and prospective) and transparency would be better assured to government and the public.

In contrast and despite the freedoms and flexibilities promised to local authorities in the earlier budget and policy statements of the Coalition Government (HMT 2010 ,2013, Cabinet Office 2011, 2012) the strongest characteristics of the period from 2010-2024 has been the persistent reductions in central government support (HMT 2010-2023, Dom 2023), the constant demands for minimising ‘waste’ and ‘inefficiency’ in local public services and the continual rise in demand for local public services particularly social care, homelessness and welfare services, which reflected a more adversarial relationship between the central and local state. In so far as the devolved administrations in Scotland and Wales were able to mitigate the impacts or consequences from the implementation of UK economic austerity policies (which they couldn’t avoid), they both established more collaborative and mutually respectful relationships with their local public service delivery partners and local authorities in particular. After 2018, when authorities started acknowledging they were in significant financial distress, whether they were Conservative (Northamptonshire, Kensington & Chelsea, Woking) or Labour (Nottingham, Slough, Birmingham) the government adopted a very adversarial and aggressive approach focussed on the short (and occasionally long) term inadequacies of the particular council (See for example government documents relating to the inspection and intervention in Northamptonshire CC at Gov UK 2024).

It is also clear that the objectives of government intervention and the nature and scope of the issues involved together with the evidence on which such draconian action was based, and the temporal perspective of the government have also significantly changed between the two regimes of intervention and monitoring. This is despite the legislative basis and statutory authority for intervention remaining substantially the same (ODPM 2003a 2003b; Vaccari and Yseult, 2022). Between 2002-2008 the objective was the strategic turnaround and recovery of individual local authorities to enable them to provide sustainably improving public services and (increasingly acknowledged) to create public value and resolve or mitigate wicked issues or problems in their communities. The timescale was not mandated but the vast majority were turned around in 2-3 years, occasionally shorter (Coventry) and at most in 5 years (Rossendale, Northampton, Erewash). As stated above, all monitoring and interventions had to address toxic combinations of corporate, financial, and service failures, inadequacies in political and managerial leadership and breakdowns in community leadership and governance. The regime generated all-party political support and active party-political involvement in all individual cases. Not all required financial support or capitalisations although these were both used, but they did require the assistance of the wider local authority community and their regulators and collaborators.

The latest wave of monitoring and interventions are clearly more narrowly based being primarily financial in focus and based upon (in the cases of all formal interventions), the issuing of one or more Section 114 notices (Northamptonshire, Croydon, Nottingham, Slough, Thurrock, Birmingham, and Woking). As mentioned above in the Nottingham and Birmingham cases, the key objectives relate to a return to financial stability as demonstrated by being able to establish statutorily required short-term balanced budgets, although (and in contrast to the earlier wave), government punitive action is not confined to the individual financially distressed authority. Northamptonshire County Council together with the seven district councils within the county were all abolished and replaced by two unitary councils North Northamptonshire and West Northamptonshire which both appear in Table 2 as being in receipt of exceptional financial support earlier this year. The government have also acknowledged that in Birmingham there can be no short-term fix and have indicated that the commissioners will remain in place for at least for 5 years if not longer.

In the immediate future there are two other factors (one within the governments control the other more exogenous) which suggest that the government's current approach is unlikely to succeed (in addition to the demographic and inequality challenges mentioned earlier. The first are the governments future spending plans outlined in the Chancellors autumn Statement in November 2023 which envisages another five years of falling financial support for public sector (HMT 2023). The second is the rising levels of local authority debt. Following the Birmingham announcement Moody's announced several other local authorities across the country were close to issuing pre-insolvency warnings and listed the 20 most indebted councils in England relative to size (see Table 3) and predicting that the recovery process for councils in financial distress would take "many years" to complete. (Moody's 2023)

Local Authority	Borrowing	Ratio to Income	Local Authority	Borrowing	Ratio to Income
Spelthorne*	£1.1bn	87	Brentwood	£226	
Woking	£2.0bn	62	Mole Valley	£103	
Eastleigh	£522m	41	East Hampshire	£120	
Runnymede	£643m	23	Thurrock	£1.5bn	
Worthing	£2014m	14	Adur	£165m	
Surry Heath	£170m	14	Epsom and Ewell	£64m	
Rushmoor	£120m	11	Broxbourne	£58m	
Cherwell	£188m	10	Guildford	£295m	
Uttlesford	£302m	10	Chorley	£78m	
Warrington*	£1.8bn	10	Warwick	£268m.	

Table 3. Top 20 English councils with high levels of debt for their size
Source Moody's 2023.
*Nb Spelthorne and Warrington are currently subject to independent Best Value Inspections commissioned by the government.

Finally, it is briefly worth pointing out some of the other contrasts or differences between the two systems in terms of the economic and social outcomes for our local communities, and ask what is in the national or public interest? For instance, a system that required the intervention actors (authorities, regulators, partners, and lead officials) to be constructive, positive, creative and proactive, encouraging individual and systemic improvement in services and activities provided to and with the public. Its successor essentially facilitates and prioritises the transfer of assets and services from the public sector to the private sector, it reduces or minimises public services in terms of quality and quantity, and it has expanded the most regressive local taxation system available.

One developed and incorporated a comprehensive evidence base which provided an early warning or anticipatory system for identifying developing problems before they became catastrophic while the other only identified problems when they had become almost intransigent of existential e.g., in Birmingham, Nottingham, or the Surrey districts in Table 3. One therefore resolved or mitigated wicked issues the other allowed them to deteriorate. One encouraged and motivated local authorities to develop, innovate and expand, the other gives no guarantees. In more narrow term one made local authorities more financially resilient the other has increased the number of local entities in financial distress as the most recent (and previous) reports from the Select committee demonstrate (Levelling Up Housing and Communities 2024). Although there have been no local authorities in Scotland Wales or Northern Ireland that have had to issue Section 114 notices as yet, the signs and warnings of impending financial distress in the devolved administrations are becoming more numerous and ever louder. If the current system continues as it is local authorities in the devolved administrations areas will soon be issuing notices.

Conclusions

We do not believe that the current policy and practice for intervention and monitoring of local authorities in financial distress and/or in breach of their duty of Best Value is economic, efficient, effective, robust, or sustainable. Tables 2 and 3 alone demonstrate that the current regime is facing ever increasing pressures and that it requires radical overhaul. While it can learn lessons from the system in place between 2002-2008, the previous system, even if it were possible to replicate, would be a system 'built on sand' and a system with much of its supportive infrastructure dismantled.

The UK therefore requires comprehensive and systemic changes in the constitutional relationship between central, and local governments and completely new and more efficient and effective finance arrangements for both collecting and distributing finances to support LAs discharging their duties. This has recently been recognised by the Levelling Up, Housing and Communities Select Committee (LUHC Select Committee (2024) as did its predecessor four years ago (DCLG 2019), but this time acknowledged by the government in its response to the committee, adding that the government remains committed to improving the local government finance landscape *in the next Parliament* (sic) (DLUHC 2024). As readers will know on 4th July 2024 Labour won the 2024 General Election inheriting the poisoned chalice of both financing local government and commissioning interventions in local authorities. We anticipate await its first budget and spending review.

It is clear that comprehensive and systemic changes in local government finance arrangements (including Local Public Audits) and the nature and form of central government intervention and engagement with local authorities requires radical overhauls. We anticipate a Spending Review and a budget within the first few weeks of parliament returning in the autumn to be complete before December 2024. No modern government since 1998 (when the first Comprehensive Spending Review was introduced) has left it later than November to set spending plans for the following financial year. Any later would leave government departments, local authorities, and devolved administrations unable to set budgets for 2024/25 and risking delayed and inefficient public spending (Bartrum and Paxton 2024).

This paper inter alia has demonstrated that the commissioning interventions and revising the nature, objectives and processes of monitoring and Intervention is not going to require changes in primary legislation. It is however going to require some new government policies and significant changes in the institutional landscape, with the development of new relationships with organisations such as the LGA, CIPFA, the Financial Reporting Council and the new Office for Local Government.

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