

Swanley Town Council

Investigation into the management of Swanley Banqueting and associated matters

Report of Independent Investigator

Richard Penn

Independent Investigator

November 2014

1 Introduction and background

- 1.1 I was appointed by the Chief Executive Officer of Swanley Town Council in May 2014 through the Local Government Association to conduct an investigation into the management of Swanley Banqueting.
- 1.2 I was asked to identify organisational lessons that should be learned and then to report my findings to the Chief Executive. Appendix 1 sets out details of the qualifications and experience that enable me to conduct this review.
- 1.3 The background to the review, the scope of the work and the process/timetable for the review were discussed and agreed at an initial briefing with the Chief Executive Officer as follows:

i. Background

- Swanley is a town and civil parish in the Sevenoaks District of Kent. It has a population of 16,558 (2011 Census) and is about 15 miles from central London lying adjacent to the M25.
- Swanley Town Council is one of the largest town councils in England with an annual expenditure well in excess of £2m with half its annual income is derived from its operation of Swanley Banqueting, and a quarter of its annual income is derived from the precept (£521k in 2014/15) the Council makes on Sevenoaks District Council. The 2014/15 precept was slightly less than in the 2013/14 financial year as a result of a programme by the new Chief Executive Officer to identify and implement cost savings including those relating to senior staff salaries.
- The Town Council employs 54 full time staff as well as retaining a large number of casual staff who work in the Council's three banqueting suites. It has sixteen elected members and is currently Conservative controlled (9 Conservative members, 4 Labour members, 3 independent members). The Council is a 'Quality Parish Council' and an accredited member of the 'Investor in People' scheme. The Council had total balances and reserves at the end of the 2013/14 financial year in excess of £1.8m.

ii. Scope of my investigation

- Following her appointment in September 2013 the Chief Executive Officer had identified a range of failings on the part of a number of managers that had resulted in serious concerns on her part about the future viability of Swanley Banqueting with a

consequential serious impact on the funding of the Council's other services for the Swanley community. The Leadership Group on the Council had suspected that there had been a range of failings by the previous senior management of the Council but had been unable to get to the truth of this because of a prevailing culture of silence amongst the remaining staff and a lack of clear and reliable management information.

- At the initial briefing and discussion with the Chief Executive Officer it was agreed that whilst the investigation would focus on the management of Swanley Banqueting it should also look more widely at the management of the Council overall, and should be designed to enable the Council to understand what may have gone wrong, but more importantly what lessons can be learned and arrangements put in place to help ensure that similar problems do not recur. In particular the investigation was required to establish as far as possible whether there is any evidence of potential criminal conduct on the part of any Swanley Town Council employee.
- The investigation therefore needed to establish the involvement of Town Council employees in the matters of concern to the Council and a series of one-to-one interviews was arranged. It was also necessary for me to undertake a review of relevant documentation and management systems in operation at the Council so that I fully understood the issues involved.
- The product of my investigation would be a written report for the Chief Executive Officer setting out my findings and the lessons to be learned, but also recommending whatever measures (both organisational and governance) that may be appropriate to implement the lessons learned. Although the work was not being commissioned as a disciplinary investigation it was recognised that it may point to the need for disciplinary investigation/action beyond that which was already ongoing involving a venue manager and another senior manager. At the same time that I was conducting this investigation I was also assisting the Chief Executive Officer in the investigation into alleged misconduct by these two senior managers who had been suspended. It was inevitable that there was some overlap between these two investigations.

iii. Process and timetable

I was required to undertake the investigation as an independent external investigator and it was anticipated that the investigation would be concluded by the end of September 2014. I began my investigation in June 2014 and met with most of the Town Council's employees including those from Swanley Banqueting and central support staff (but not the manual staff) in the Council offices to explain my brief and the timetable involved, and to provide an opportunity for questions to be dealt with as early as possible. It is true to say that there was a degree of nervousness amongst staff and an expectation of further disciplinary action, and I needed to reassure staff that this was an exercise to support the Chief Executive Officer with her programme of organisational improvement rather than an exercise to expose 'guilty parties'.

1.4 I conducted face-to-face interviews with:

- Julie Pilbeam, Chief Executive Officer
- Lisa Saunders, Operations Director
- Sally Moor, Corporate Director
- Liz Piggott, Executive Assistant to CEO
- Jane Andrews, Manager of the Woodlands
- Kerina Keir, Acting Manager of the Woodlands
- Gail Grimes, Manager of the Olympic
- Kate Robinson, Deputy Manager of the Olympic
- Jan McCartney, Duty Manager of the Olympic
- Sarah Chandler, Manager of the Alexandra Suite
- Anne O'Reilly, Events Manager
- Angela Warren, Sales Manager
- Paula Smith, Administrative Assistant, Sales
- Lisa Coulton, Marketing Manager
- David Rodgers, Estates and Facilities Manager

- Margaret McHugh, Sales Advisor
- Suzie Larkby, Sales Advisor
- Karen Bennett, Finance Administrator
- Vivienne Barclay, Finance Administrator
- Sheila Whittle, Finance Administrator
- Toni Micallef, Estates and Facilities Administrator
- Michelle Langford, Estates and Facilities Administrator
- Helen Searles, Customer Services Supervisor
- Peter Kennard, Estates Team Leader
- Stella Kennard, Waitress/Cleaner at the Woodlands
- Doreen Burch, 'casual' worker at banqueting venues

I also met with the Leader of the Council on two occasions.

- 1.6 I took notes of these interviews that were comprehensive and open, and have used those notes to inform the findings and recommendations contained in this report. It was pleasing that almost all the staff that I met were positive and supportive of the Chief Executive Officer's programme of improvement, and that they were prepared to be so open about the failings of the past even though this inevitably reflected on their own performance as managers during the period in question.

2 Swanley Town Council

- 2.1 Swanley Town Council came into existence in 1974 and is essentially a Parish Council that has adopted Town Status which means that the Chairman of the Council is designated Mayor. The Council has few duties but many powers and has exercised those powers since it was created for the benefit of its residents. It provides a range of recreation, social and other facilities, working in partnership with other councils and agencies in promoting and delivering community services.

- 2.2 There are 16 councillors elected en bloc every four years. The full Council meets 10 times a year and there are a number of Committees including Development Control, Performance Review, Local Environment and Amenities and Audit and Scrutiny. The Swanley Banqueting Board considers matters relating to the Council's catering organisation – Swanley Banqueting. The Council subsidises leisure provision for Swanley residents and also grant-aids a number of local voluntary organisations.
- 2.3 The Council maintains various open spaces and provides major recreational facilities at Swanley Park and St. Mary's Road. As well as maintaining its own open spaces it also undertakes grass cutting and general grounds maintenance on a contractual basis for Kent County Council and Sevenoaks District Council. The Council also manages a Tourist Information Centre that is currently housed with the County Library but new arrangements will shortly be in place.
- 2.4 The former Chief Executive and Town Clerk left the Council's employment at the end of 2012 and a new Chief Executive Officer was subsequently appointed and has been in post since mid 2013. Since she took up her post the Chief Executive Officer has undertaken a major programme of organisational improvement that has involved a revised management structure, and as a consequence the number of full-time employees has been significantly reduced. There have also been major revisions to the Council's governance arrangements including new Standing Orders and Financial Regulations, and the operational management arrangements have also been overhauled and new procedures and protocols have been introduced. There is now much improved management information being used to drive operational performance in Swanley Banqueting and to deliver the level of return needed to meet the Council's financial targets, as well as contributing to the development of robust and evidence-based medium term plans for capital investment in the buildings .

3 'Swanley Banqueting'

- 3.1 Swanley Banqueting is the recognized collective name for the three banqueting and catering venues owned and managed by the Council since 1975. It has an annual turnover of around £1.5m that has until recently been reported to have produced an annual 'contract fee' to the Council of around £250k per annum. The Council has traditionally used Swanley Banqueting's annual operating surpluses to subsidise much of the community provision – play schemes, leisure passes etc. - for its residents. Over time there has grown a perception both inside and outside the Council that the banqueting service is a 'business' and somewhat separate from the Council, and one of the key tasks facing the new Chief Executive Officer has been to change the culture of the organization so that it is understood and accepted that all the employees work for a democratically elected organization – the Council.

- 3.2 The banqueting operation consists of three main buildings and a seasonal café in Swanley Park. The Woodlands and Alexandra Suites provide conference and banqueting services largely to people from Swanley and surrounding areas. The Olympic provides facilities for meetings and training courses as well as family parties and a bar/restaurant and sporting facilities. These facilities charge considerably reduced rates for local people using the community element.
- 3.3 Swanley Banqueting has been regarded by the Council since its inception as a 'social enterprise', and the level of income and thereby surpluses historically achieved has enabled the Council to provide and subsidise many services and activities that would not be feasible without a much higher income from the precept. However, this focus on 'income' rather than 'net return' (or 'surplus') has been to the detriment of Swanley Banqueting in recent years as the decline in income has exposed the unprofitability of the three main facilities, particularly the Olympic.
- 3.3 Swanley Banqueting's operation (and therefore turnover and 'surplus') ceased to grow some years ago and has since declined further, notably the banqueting element that previously represented both the largest and the most profitable area of activity.
- 3.4 The serious problems potentially compromising the viability of Swanley Banqueting were set out in great detail in a report by external consultants commissioned by the then Chief Executive in May 2008. The Report by Rea Associates and Lynn Scrivener Marketing was presented to the Swanley Banqueting Board in July 2008. The Executive Summary to that report said:
- ' Our conclusion could be that unless there are new surplus-achieving sales on top of the existing turnover Swanley Banqueting will gently decline.....The Woodlands makes the best net return of 25%, then Alexandra at 21% of sales and the Olympic is 6%. However, this is before the Council asks for the fee that funds the properties which..... leaves very little for Swanley Banqueting to reinvest into the buildings.....In looking at the returns if this was a straightforward commercial operation.....Swanley Banqueting could probably operate with two of its properties'.*
- 3.5 The report went on to recommend a series of urgent actions in a detailed 'Framework for Action', including a complete overhaul of the Swanley Banqueting 'brand', significant investment in the buildings and a new approach to financial reporting.

- 3.6 In their covering report to the Swanley Banqueting Board the General Manager and the Town Clerk both confirmed that there was a risk of the contract fee falling below the cost of the upkeep of the buildings used by Swanley Banqueting. The report endorsed the 'Framework for Action' and proposed a programme of investment that would need significant additional funding, and that this would be the subject of a report to the Council's Policy and Resources Committee. I can find no record of the matter being discussed at the Policy and Resources Committee or by the full Council, nor was any member of staff at the Council able to remember any programme of action that resulted. It is this continuing and over-riding preoccupation with sales income rather than 'profitability' by the previous senior management of the Council that has led to many of the problems that the new Chief Executive Officer has been dealing with since her appointment.
- 3.7 A Review of Structures and Salaries was commissioned by the new Council administration following the 2012 election. This review was undertaken by Roger Wilkin Associates, and the overall findings set out in the Report produced in October 2012 was that the management and administrative overhead of the Council was disproportionately high for the size of the organisation and that the structure and some roles were not well defined. The Report set out options for restructuring the Town Council as an organisation with a view to improving both operational and financial efficiency.
- 3.8 The former Chief Executive and Town Clerk left the employment of the Council at the end of 2012 and I have not been able to find any programme of action following the production of this Report. The Report pointed to the lack of vision for the organisation and the absence of a corporate or business plan that set out the Town Council's key objectives and priorities for the future.
- 3.9 As well as setting out his findings in respect of the posts of Town Clerk and Chief Executive, Chief Financial Officer, the two Assistants to the Chief Executive and a number of other posts, the author of the Report was very clear in his view that other ways of managing Swanley Banqueting should be considered. The former Chief Executive had apparently explored the possibility of Trust status for Swanley Banqueting but the Report recommended that the merits of outsourcing Swanley Banqueting as a franchise, as a contracted-out organisation or as an 'arms-length' company should also be explored.
- 3.10 Following the departure of the former Chief Executive and Town Clerk at the end of 2012 the Council commissioned a |Review of Senior Staffing Arrangements from SOLACE Enterprises. In May 2013 the Report on this Review set out its key findings:

- a high level of employee commitment to Swanley residents, and willingness to assist colleagues to provide good customer service
- a high level of loyalty to the previous Town Clerk and shock at his departure.
- a need to rebuild levels of trust within the wider staff group
- the number of managerial roles appeared disproportionately high
- despite this, some managers appeared to be regularly working in excess of their contracted hours
- some managerial roles included activity of a lower level than the substantive grade
- some functions appeared to be split across different departments
- some administrative functions could be reduced and outsourced
- organisational priorities needed to be more clearly defined
- performance management could be strengthened
- the size of the leadership task in Swanley Town Council justified a dedicated Town Clerk/ Chief
- this leadership role needed to be more explicit in the job description/ person specification.

3.11 The key recommendation in the Report was that that the Council should recruit through a competitive process a new Town Clerk/ Chief Executive who would manage a restructuring of the senior team. The Report also reiterated the conclusion in the Roger Wilkins Associates that there was a lack of vision for the organisation and a need to develop a corporate or business plan that set out the Town Council's key objectives and priorities for the future. This would provide a unifying focus for the work of the various departments of the Council and set the tone for operational priorities.

- 3.12 Following her appointment in September 2013 the new Chief Executive Officer used the Roger Wilkin Associates review and the SOLACE Enterprises Review to inform her approach to restructuring the organization. She used her first four months in office to analyse in depth the performance of the Council overall and individual employees specifically, and then used the results of her review and the two earlier reviews to create a revised and 'fit for purpose' management structure. The structure that was implemented during the early part of 2014 was very different to the one that she inherited with a much greater focus on operations management for Swanley Banqueting (with a dedicated Director of Operations who line-manages the three venue managers) and a smaller 'centre' that provides support for the Swanley Banqueting operations as well as the rest of the Town Council's activities. There has recently been a further refinement of the senior management structure, and following several staff departures a number of management roles have been reconfigured as supervisory roles to further reduce the management hierarchy and further reduce management costs. A number of key posts remain to be filled.
- 3.13 It was clear that inappropriate behavior and performance by some Council employees had not been tackled effectively by previous senior managers. The new CEO has taken prompt and appropriate action to deal with such inappropriate behavior by Council employees and to put in place appropriate rules and procedures to guard against such problems occurring in the future. Poor performance has been tackled with new performance management arrangements for all staff.
- 3.14 It was also clear that contractors and suppliers to the Council had been allowed to operate with poor supervision and formal process, leading to misuse of scarce resources and reputational damage. Again the new CEO has put in place clear guidelines and procedures for using contractors, and proper procurement arrangements for the supply of goods and services

4 The findings from my investigation

- 4.1 Most of the interviews with current employees of Swanley Council followed a very similar pattern. After explaining that my role was not to identify 'culprits' for the losses incurred by Swanley Banqueting but to identify the real causes for those losses so that they could be addressed and rectified by the Council, I was usually required to reinforce the Chief Executive Officer's message to staff that there had indeed been significant losses. This was often met with disbelief or, as more and more staff were briefed by the CEO about the scale of the losses, puzzlement at how this could be the case when the previous senior management had continued to reassure staff that whilst there had been a turn down in the volume of sales because of the recession etc., this was temporary and as long as sales could be restored to previous levels then the losses would disappear over time.

It is also correct to say that the same 'culture of silence' that had been experienced by councillors in relation to some staff restricted the amount of useful information that I obtained from these interviews.

- 4.2 Nevertheless, what became clear as the programme of interviews continued was that there appears to have been an organizational culture in Swanley Banqueting over many years where the focus was almost entirely on sales (and therefore income), with little or no regard paid generally to the expenditure that had been required to produce that income, and specifically no appreciation of the need to include premises and other relevant costs in the assessment of surpluses, with only salaries/wages and food/drink costs being seen to be relevant factors in the equation.
- 4.3 Not only did this mask the reality that the business was in slow decline in recent years as sales reduced, but it also undermined the need for investment in the maintenance and improvement of the facilities in an increasingly competitive banqueting and conference market. It became clear from the interviews that the management information required of and given back to venue managers was almost wholly related to 'sales' – meeting sales 'targets' was the preoccupation, with little useful information being deployed about the real cost of running events beyond the labour and materials costs. This led to those activities that produced the most income being marketed and promoted rather than those events that make the greatest real surpluses – a sure recipe for the failure of a commercial banqueting and leisure business. Some of those managers that I interviewed told me that they had been genuinely astonished to learn from the management information that was now being used that events that they had always assumed were 'profitable' – because they had resulted in significant income - had actually made no 'surplus' and sometime had been run at a loss.
- 4.4 Swanley Banqueting's venues appear to have been run by the family and friends of managerial staff (increasing the potential for various fraudulent activities). It was evident that in all of the venues – but particularly at the Woodlands and the Alexandra Suite – family members and friends were being employed by the venue managers as permanent or casual staff without proper recruitment processes being used.
- 4.5 In addition venue managers had delegated authority to procure without the usual local authority checks and balances which resulted in family members and friends being commissioned to carry out a variety of maintenance and other work at the venues such as tiling, painting and carpeting. This is wholly inappropriate in a local authority environment as it easily leads to suspicion and potentially the reality of such work being inappropriately procured. In addition local companies have been invoicing the Town Council for the work carried out using various private and company addresses sometimes without VAT numbers and sometimes with dubious VAT numbers.

- 4.6 Some organisations and individuals have been allowed by venue management to use Town Council premises (including buildings and car parks) without proper agreements in place or without any payment. This has resulted in a loss of income with additional 'wear and tear' on the facilities, and significant risks to the Council in terms of health and safety both of staff and those using the facilities. It was also in breach of the Council's insurance policies. Payments for significant invoices were often made from 'petty cash' held by venue staff, making it impossible for such expenditure to be properly accounted for by finance staff as well as increasing the potential for fraud and deception.
- 4.7 However, although many of the practices and the behaviour of some of the Council's staff was inappropriate and in breach of the Council's policies and procedures I could find no clear evidence of any conduct which could reliably be described as 'criminal'. However, the way that Swanley Banqueting was being managed prior to the appointment of the current Chief Executive Officer in my view created and sustained an environment in which the potential for loss of cash and materials was ever-present and this no doubt has been in part responsible for the declining profitability of Swanley Banqueting in recent times.

5 Conclusions and recommendations

- 5.1 My investigation has resulted in the following conclusions and recommendations:
- i. It is clear to me that the Council remains committed to retaining Swanley Banqueting as an integral part of the Council rather than out-sourcing or otherwise disposing of all or part of its operations. If that is the case, then the Town Council needs to consider and agree a fresh 'vision' for the Council linked to a robust medium term financial plan that will have at its heart the security of Swanley Banqueting as a viable and profitable 'business' that can continue to provide financial support for the Council's services to the wider Swanley community. Part of this plan needs to be a costed programme of investment in the Council's facilities including Swanley Banqueting venues to ensure that they are fit to compete in a challenging environment. There also needs to be further investment in the necessary technology to ensure a constant two-way flow of reliable management information for venue management and the centre of the organization.

- ii. The significant shift in organisational culture that has been taking place under the new CEO needs to be continued and strengthened. Councillors, staff and residents need to be reminded and accept that the Town Council is a public body that is the key local democratic organisation that provides leadership in the local community, and that it must be managed in line with the necessary rules and regulations as is the norm for other local authorities. It has wrongly been regarded in the past as a commercial business with a Town Council attached, rather than a Town Council that unusually has a major operational arm.
- iii. A programme of development for town councillors should be initiated to build member capacity, to develop leadership in the local community and to improve working relationships between elected members and Town Council staff. This must include a commitment to operate under an overt Code of Conduct as well as a fresh focus on the contribution that scrutiny can make to organisational performance.
- iv. A programme of awareness building and management development for Council officers should be initiated to build officer understanding of the political environment in which their work takes place, and that accountability, openness and transparency are key components of the officer role.
- v. Personnel policies and procedures have not been reviewed since 2007. This was flagged up by the new CEO as part of her initial review and the need for this has been raised by her at a number of Personnel Committees. Recent disciplinary issues have also highlighted the need for an urgent review to take place
- vi. When this is completed the revised policies and procedures need to be properly communicated to all staff and managers so that all those involved understand the requirements arising from these policies and procedures. For managers in particular this should be supported by guidance/training in managing key aspects of the employment relationship such as absence management, discipline, grievance and performance/capability management
- vii. If there is still to be elected member involvement in some aspects of the disciplinary process there will also be a need for member to be trained in the procedures
- viii. Job descriptions and person specifications need to be reviewed and updated to ensure that they are not too 'task orientated' and accurately reflect the contribution each post holder is required to make to delivering the Council's objectives

- ix. Once the organizational structure has been finalized and implemented all posts should be subjected to a job evaluation exercise to ensure that the Council's remuneration arrangements are 'fit for purpose' and that there is no potential for equal pay claims from staff.
- x. Performance management/appraisal processes need to be reviewed and strengthened and the associated training delivered.
- xi. The Council's template contract of employment (apparently based on the NALC model) should be reviewed/amended at the same time as the personnel policies and procedures, ensuring they are consistent with each other and properly reflect the Town Council's requirements.
- xii. An effective working relationship with the trade unions needs to be built and implemented through formal collective agreement which provides for local representation/consultation arrangements and which could also incorporate wider staff representation arrangements.

6 Summary and conclusion

- 6.1 I was appointed by the Chief Executive Officer of Swanley Town Council in May 2014 through the Local Government Association to conduct an investigation into the management of Swanley Banqueting. I was asked to identify organisational lessons that should be learned and then to report my findings to the Chief Executive Officer.
- 6.2 I conducted a review of relevant documentation and interviewed all of those officers involved in the management of Swanley Banqueting or who provided support services to Swanley Banqueting.
- 6.3 Despite the strongly held views that there was corruption and even criminality in the way Swanley Banqueting had been managed in the past I could find no specific evidence of any actions or conduct on the part of any employee that could be construed as criminal in nature, However, many of the practices that had developed and had become embedded as a part of the culture of the organisation had doubtless significantly increased the potential for fraud and criminality.
- 6.4 My investigation has pointed to the need for a comprehensive range of actions to complement and enhance the significant improvements to managerial competence and organizational culture that the CEO has introduced since her appointment 18 months ago.

It has been a challenge for the CEO to not only lead the organisation and manage the Council's work during this period but to drive the improvement programme that was required, and it will take more time as well as significant resource investment for all of the actions I have proposed to be put in place and to be bedded in. I have been impressed with the enthusiasm and commitment of those who now work for the Council who have told me that they feel much more valued and empowered. I have also been encouraged by the recent injection of 'fresh blood' by appointments to key posts.

- 6.5 I am confident that the end result of this improvement programme will be a motivated, efficient and well-managed organisation of which the Town Council, its employees and the community of Swanley at large will again be proud.

Richard Penn

Independent Investigator

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