

Thurrock Council Commissioner Team

Secretary of State
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London
SW1P 4DF

7 July 2023

Dear Secretary of State,

Essex County Council (ECC) Commissioners wrote to you in December 2022, with our first progress update with regards to Thurrock Council's intervention. We are now pleased to provide you with our second update.

Since the beginning of the intervention the Council have broadly engaged well with Commissioners and have allocated considerable resources to producing an Improvement and Recovery Plan (IRP). The now former Leader of the Council Councillor Coxshall (who lost his seat during the elections) and Councillor Kent (Leader of the Opposition) have both engaged with recovery work. More work though is needed to get a broader political commitment to the recovery effort and we have seen early signs of this.

The elections returned a Conservative majority, but with heavily reduced numbers, leaving a majority of three. This may prove problematic as the Council wrestles with the very difficult decisions it needs to make to ensure the budget is delivered and savings achieved. Councillor Andrew Jefferies has been appointed as the new Conservative Leader of the Council and we have enjoyed a positive relationship with him in the first weeks in his role. We will work with LGA to ensure that Councillor Jefferies, and all new Councillors more generally, are supported as they take on their roles.

Your appointment of Dave Smith as Managing Director Commissioner has very quickly proved to be an important step in providing organisational leadership. Dr Smith has established himself quickly and has been well received by the Council; injecting energy and focus to the recovery work. A senior management re-organisation is being implemented which we believe addresses capacity and capability issues and provides a stronger and more coherent focus for the Council. This will be a significant restructure and we are of the view that the Council will need some external support to manage the implementation, as there is limited capacity within the Council to do so, this is currently being provided by ECC.

In the time since our last report to you, you have also published the Best Value Inspection report into the Council. The report has been welcomed although it has been inevitably difficult for both Councillors and officers to digest given it lays bare the extent of political and managerial failure. Many employees of the Council would

Gavin Jones
ECC

Nicole Wood
ECC

Dr Dave Smith

have been unaware of these issues and Commissioners and senior officers are supporting colleagues as they come to terms with the inspection's findings.

Although difficult, the publication of the BVI report provides an opportunity to further develop and hone an enhanced IRP, as you have requested. There has been good planning work and there is a comprehensive recovery plan in place. However, Commissioners are of the view that there is not yet a robust executable plan for delivery. The Council needs to consider how it will properly allocate resources to programme delivery and to give a greater sense of relative priorities within the plan in order to align resources more effectively and reflection on the BVI can now provide this juncture.

While we provide a more detailed assessment of delivery and progress against each of the Directions to the Council in Annex 1, there are some thematic updates to draw your attention to.

Financial Sustainability

Thurrock Council has a considerable way to go to implement the necessary changes to secure a path to improved financial sustainability. There are many actions the council can take to improve the financial outlook and radically reduce the debt as laid out in their IRP. Some of these are on course, however, many deadlines have also slipped. This is due to a combination of a lack of corporate focus and paucity of capacity in the finance team.

However, the new Managing Director Commissioner and Chief Financial Officer have brought a depth of experience, with focus and realism on delivery. The last three months have seen improvements in financial leadership and capacity. Albeit this is substantively interim, we are confident of a sustainable way ahead with a robust model for finance due to be in place by the end of the financial year.

A priority from the Directions is reduction of debt. It is estimated after considerable action has been taken by Thurrock, it can reduce its debt by around half by 2028/29. It is critical the new administration keep on course with the existing plans and do everything within the power to secure sustainability.

There remain immense challenges ahead. Firstly, Thurrock is still at the foothills of its financial recovery. To date the most material decision has been that of raising the Council Tax by 9.99% for 2023/24. Members will need to demonstrate their ability to make the choices necessary to live within a radically reduced financial envelope.

Secondly, a pathway to long term sustainability still needs to be found. We will work closely with Ministers to explore creative options to help put it on the path to a sustainable future. In doing so we seek to set a realistic long term financial destination for Thurrock, which will enable it to establish a transformation programme within clear financial parameters. Being able to put in place a clear, compelling and

financial sustainable plan for Thurrock's future, will provide the basis upon which it can motivate employees and members.

Governance

Work to improve the governance of the council is less mature than that focused on financial issues. A Governance Recovery Board has been established and is overseeing the work to address good decision making and good scrutiny. The leadership of the Monitoring Officer, who is new to post, has provided better grip on the issues to be addressed and the council has appointed a statutory scrutiny officer.

Progress has been made in the implementation of a training and development programme for Members. The first four sessions have been well attended. The development programme is supported by the LGA and the Centre for Governance and Scrutiny (CfGS). Lead advisors have been appointed to support the Leader of the Council and the Leader of the Opposition. A constitutional review committee of Members has also been established to improve the council's constitutional arrangements.

While these developments are positive, we believe that it is too soon to judge the impact of this work. There remains much to do in the revising the governance arrangements and supporting elected members to effectively fulfil their different roles.

We previously reported that the lack of transparency, poor planning and variable quality of reports for decision making has compromised the quality of advice to members and therefore the integrity of decision making.

In recent months we have seen improvements in arrangements, notably since the appointment of the Managing Director Commissioner, specifically:

- There is a forward plan that is acting as a better planning tool
- There is much better oversight and ownership of decision making by the Senior Leadership Team
- There is improved quality of financial and legal disclosure, with strong oversight from the Monitoring Officer and Chief Financial Officer both of whom are new in post in 2023.

However, the quality of reports to support effective decision making remains inconsistent and at times inadequate; with draft papers frequently failing to set out clear options, nor demonstrate that Thurrock is complying with its Best Value Duty. It is also clear that the current system of Overview and Scrutiny are not yet fit for purpose. CfGS have been commissioned to review current practice, advise on change, work with the council to introduce that change and advise on resource required to support effective scrutiny.

It is still the case that the council does not have the performance and organisational health framework in place that we would expect to see in a well functioning authority; for example project delivery, risk, audit and performance. This is now incorporated into the Improvement Plan.

There remains an intention to undertake an independent substantive governance audit with priority given to a review of all financial regulations, delegations and decision making. This intention will need to be captured in the enhanced IRP.

Progress has been positive on your further Direction to the council that they take steps to ensure that the role of Accountable Body to the Thames Freeport is exercised to our satisfaction. The Council has improved its governance and capability in its role with the Thames Freeport and Dave Smith has taken the lead on engagement with Thames Freeport and their partners.

Culture

One of the underlying causes of the problems at Thurrock has been as a result of a poor organisational culture. A culture where challenge, transparency, openness, and collaboration were not routinely welcomed and a culture where communication both internally and externally were very poor. In terms of internal communication, it is pleasing to report that this has improved markedly and an all-staff briefing is now regularly held supported by regular written briefing to staff and to Members. External communications remain weak and underdeveloped. This is recognised by the Council as part of improvement planning. However, trust within the Council and between the Council and its residents has been severely damaged and the Council will need to work hard to rebuild trust.

The Council has begun to develop its thinking about culture change but it is still very embryonic and lacks a compelling narrative about what has to change, why and how will it be addressed. As a minimum, Commissioners believe that it should establish a corporate plan that as a minimum sets out:

A vision, a defining purpose and mission and set of strategic priorities

A statement of its values and supporting behaviours supported by:

- Employee satisfaction surveys
- Resident engagement
- Individual and organisational performance and accountability.

It is the intention of Commissioners to push the Council to address this at pace.

Conclusions

It is clear that the Council is working at pace, and we have cause for cautious optimism given officers and Members continue to work well with us and are dedicated to change. However, at this stage of the intervention, we must reserve

some judgement on the long-term impact of this work. Many of the difficult and testing issues and hard decisions are yet to come and the scale of change required is vast. We will continue to support Members and officers in their work, but they need to be ready to face the tough choices ahead.

We are also keenly aware that more progress is required to ensure that governance, scrutiny, performance management and audit functions operate as we would expect. We will continue to place a focus on this work in the months ahead.

The Council must now turn attention to producing an enhanced IRP which incorporates the recommendations of the BVI report and reflects our desire to have a plan that is more focused, streamlined and is, above all, executable and places culture at its centre. It is essential that all forty-nine Members are involved in the development of this plan and make it their mission to deliver it. We are very clear that Members and officers must do all they can to demonstrate they can make the financial, governance and cultural decisions to drive improvement and demonstrate progress to us and the government.

Yours sincerely,



Gavin Jones
ECC Commissioner



Nicole Wood
ECC Commissioner



Dr Dave Smith
Managing Director Commissioner

Annex 1

Progress against Directions

September 2022 Directions

- a. **An action plan to achieve financial sustainability and to close any short and long-term budget gaps identified by the Authority across the period of its medium-term financial strategy (MTFS) including a robust multi-year savings plan.**

At the setting of the budget, a number of actions were agreed such that Thurrock could begin the task of tackling its deficit in a number of ways each outlined in addition to the financial improvement plan (agreed at Finance Recovery Board). At this point there have been few difficult political choices beyond tax levels

As approved at the Finance Recovery Board, an improvement plan is in place, however, there has been slippage against original deadlines across some key areas. There have been pockets of good progress but key deadlines on material matters have also slipped: notably (i) review of the capital programme; (ii) implementation of a robust delivery risk assessment to secure savings; and (iii) a review of pay.

Progress to financial sustainability has been satisfactory in a few key areas (i) a well implemented s114 set of spending controls that has been independently appraised (ii) council tax increase beyond referendum limits (iii) agreeing core policies (notably Treasury Policy and a Fees and Charges policy) (iii) strong plan to secure divestment of investment & property assets.

The most material impact on future sustainability is the reconfiguration of the Authority's services commensurate with the available financial resources. At this early stage in the intervention, there has been limited progress. However, Dr Dave Smith has a proposed new leadership operating model a core objective of which is to focus the leadership and driving change across the organisation. This is now in a period of consultation for full implementation in September 2024.

Thurrock do not have a transformation and savings programme beyond 2023/24, therefore the savings at this stage have been set by an aspirational targets and a framework and timescale put in place to identify 2024/25 savings for much earlier in the budget cycle.

- b. **An action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable.**
- c. **A strict debt reduction plan, and an updated minimum revenue provision (MRP) policy in line with all relevant rules and guidelines.**

A compliant Prudential Code and Treasury Policy was approved at Full Council on the 1 March 2023.

There continues to be good focus on debt reduction through the divestment of investment assets. Good progress has been made on developing clear plans for the sale of the investment portfolio with strong independent legal, financial and commercial advice in place.

Governance has also been strengthened with a regular Officer Investment Meeting, led by CIPFA and including commissioners. The first Member oversight board is planned for July 2023; this had been delayed pending the outcome of the elections.

There is a need for a commercial policy, as set out in the Improvement Plan. This will include establishing a clear framework for all commercial and property investments and income generation. This work has been commissioned and will be delivered late 2023.

d. To ensure compliance with all relevant rules and guidelines relating to the financial management of the Authority.

These Directions have not been achieved in full. Our focus as Commissioners has been to ensure that key decisions are made in compliance with the Council's constitution.

As we have said, we still have concerns regarding the inconsistency in the quality of draft papers that impacts the quality of decision making.

A more comprehensive piece of work remains necessary to put in place a sustainable financial framework. Specifically for finance, this extends to a need to provide complete, timely and regular reporting on the monthly management accounts.

e. A suitable scheme of delegations for financial decision-making.

There remains an intention to undertake an independent substantive governance audit with priority given to a review of all financial regulations, delegations and decision making. This intention will need to be captured in the enhanced IRP.

Exclusions and conclusions

Whilst we are reasonably confident we have diagnosed the material elements of financial exposure at Thurrock, it is possible the financial deficit could get worse. Notably substantive forensic work is in progress on their Housing Revenue Account, subsidiary companies and capital programme.

March 2023 Directions

f. An action plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.

g. A plan to ensure that the Authority has personnel with sufficient skills, capabilities and capacity to deliver the Improvement and Recovery Plan, within a robust officer structure.

The enhanced IRP that is currently in development will provide the action plan for these Directions. The organisation's restructure is now underway. As above, Dr Dave Smith has a proposed new leadership operating model a core objective of which is to focus the leadership and driving change across the

organisation. This is now in a period of consultation for full implementation in September 2024. Alongside this, Commissioners work to change the culture of the organisation, and our clear expectations of how this work needs to progress, also impact these Directions.

We have also commissioned external capacity to support the Council's change ambitions. This work has started at pace and will assist us, alongside officers and Members in reconfiguring the Authority's services in line with this Direction.

- h. An action plan to strengthen the Authority's governance function, to secure improvements in transparency and formal decision making. This should include measures to improve the Authority's scrutiny function, including the taking and recording of formal decisions.**
- i. Arrangements to secure the proper resourcing and functioning of the system of internal controls, including risk management and internal audit.**

While work in this area is less mature than other aspects of the intervention, A Governance Recovery Board has been established and is overseeing the work to address good decision making and good scrutiny. The leadership of the Monitoring Officer, who is new to post, has provided better grip on the issues to be addressed and the Council are receiving support from the LGA and CfGS. It is our expectation that this support will become even more tailored as our work continues and the enhanced IRP is developed.

- j. To take steps to ensure that the role of Accountable Body to the Thames Freeport is exercised to the satisfaction of the Commissioners. This should be reflected in the Authority's Improvement and Recovery Plan.**

We have re-established relationships with Thames Freeport colleagues and have confidence in the improved governance and capability in this area. We will of course keep this under review.