

Essex County Council  
**Chief Executive Office**  
County Hall  
Chelmsford  
Essex CM1 1QH



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

Date: 5 December 2022  
Our Ref:

Dear Secretary of State,

On 2 September 2022, Essex County Council were appointed by your predecessor as Commissioners for Thurrock Council. This is a novel intervention, with our authority being appointed as Financial Commissioner and the intervention preceding a Best Value Inspection (BVI) which is underway.

In intervening in Thurrock, the Secretary of State had consideration of the following:

- Thurrock Council's exceptional level of external borrowing and approach to managing this borrowing and the Authority's finances more widely
- Feedback report of the Local Government Association (LGA) Corporate Peer Challenge
- Discussions between Ministers and Officials of the Department for Levelling Up, Housing and Communities and Members and Officers of Thurrock Council.

We were asked to report to you on our first three months, alongside the requirement on the Directions for Thurrock Council to agree an Improvement Plan. That Improvement Plan includes five key elements of the Directions which we expand upon below. The Improvement Plan will be further revised when the BVI report is published and you take a view on any further exercise of your powers.

Taking in turn each of your Directions to the Authority, as your Commissioners we make the following assessment.

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

The first three months have focused on diagnosing the financial gap, notably investment impairments, debt costs, loss of investment income and service revenue pressures within Thurrock Council. The scale of that deficit is better understood and is unprecedented, at £452m net in 2022/23 (£470m gross) and £184m for 2023/24. The s151 Officer will issue

a s114 in the week commencing 12 December. It is possible that there may be a need to restate prior year accounts, this is subject to discussion with external auditors.

It is not possible at this stage to determine how Thurrock Council will become sustainable. In December 2022, Thurrock Council will deliver a long-term financial model which will give scenarios for recovery, which will require Exceptional Financial Support to support the Council to set and maintain a balanced budget. The work to reduce the deficit includes (i) disposals of investments and associated debt reduction (ii) disposal of property assets (iii) tax increases and (iv) further significant savings. This work will inform a request for Exceptional Financial Support to government that is now inevitable.

## **2. An action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable**

The priority in the first three months of intervention has been the diagnostic review and immediate debt refinancing. It is not yet possible to determine whether the capital programme is sustainable and affordable, as work has not yet started to reduce the existing capital programme and minimise borrowing requirements.

In line with the direction a treasury management strategy will also be produced by February 2023 as part of the budget setting process.

## **3. A strict debt reduction plan, and an updated minimum revenue provision (MRP) policy in line with all relevant rules and guidelines**

A draft MRP policy has been produced and Commissioners are confident this is compliant with the Prudential Code. This has increased the reported MRP by £129M in 2022/23 and £75M in 2023/24. The MRP policy is in draft pending discussions with external auditors and the formal budget setting process.

An immediate priority is to finalise a plan for the sale of the commercial portfolio to reduce associated debt, a first version of which will be produced by the 8 December. There is also a need for a commercial policy, as set out in the Improvement Plan. This will include establishing a clear framework for all commercial investments, future commercial decisions and appropriate governance for that oversight. Disposals of investments is the most material driver to the debt reduction plan.

Asset disposals will further reduce debt to the order of £100m over the three-year period 2022/3 to 2025/6; this is provisional and further work is due to be completed in December 2022. Asset sales will not be of the scale to materially reduce the £452m deficit in 2022/23 and £184m in 2023/24, the substantial balance of which will need to be met through other measures including Emergency Financial Support.

## **4. An action plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority; and 5 suitable scheme of delegations for financial decision-making**

This Direction has 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. This had not been the case upon our arrival, for example a decision on pay policy. A more comprehensive piece of work is necessary to improve financial management, including undertaking a governance audit, with priority given to a review of all financial regulations, delegations and decision making. We offer further reflections upon this below.

We have concluded that the Improvement Plan represents an important step for Thurrock Council's recovery, but they are only at the beginning of what will be a very long journey. It is also not yet possible to diagnose the full extent of the financial exposure at Thurrock Council and it is entirely possible the financial deficit could get worse, as work continues. Substantive forensic work remains to review their Housing Revenue Account, subsidiary companies and capital programme which we expect to be substantially complete before the 2023/24 budget is set.

In addition to the precise functions listed in the Directions, we have encouraged Thurrock Council to take a broader approach to improvement and with knowledge of broader issues of culture, poor governance, capacity and prioritisation.

### **Culture and Governance**

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. We acknowledge there has been good progress on developing a clear forward plan of decisions and more informal political engagement. However, there is a long way to go to secure grip and rigour on decision making, as recognised in the Improvement Plan.

Specifically for finance, this extends to a need to provide complete, timely and regular reporting on the monthly management accounts. It is not apparent that Thurrock Council has the broader reporting 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.

Given these serious concerns, it our view that you should consider it necessary to issue further Directions that allow Commissioners to exercise all functions associated with the governance and scrutiny of strategic decision making by the Authority to ensure compliance with the Best Value Duty and have oversight of the Council's governance audit.

### **Capacity**

The Council and its leaders recognise the need for urgent change. In the first three months, it has been difficult for the organisation to deliver to the timescales required. Thurrock Council has very recently built a capacity plan to help drive the actions outlined in their Improvement Plan.

Early indications are that the cost of the investment into extra capacity will £3.4M per annum, and we would look to the Department to help us in finding creative ways to support Thurrock Council on securing capacity. We also ask that these costs are included in the request for Exceptional Financial Support.

The demands on Thurrock Council to recover at pace mean that they need leadership and capacity experienced and able to work in this demanding environment. Whilst we now have a first version of a capacity plan, we are not yet confident it will redress all capacity needs. We are of the view that you should consider issuing further Directions to allow Commissioners to exercise all powers in relation to the appointment of staff: including the appointment, suspension and dismissal of direct reports to the Chief Executive and their direct reports, and powers relating to the organisation of the Authority's staff and their appointment.

### **Prioritisation**

The Improvement Plan identifies a series of actions. This is very welcome and provides a good basis on which to build, but at this point we cannot provide sufficient assurance around the deliverability of that plan. We would expect to see granular detail by January 2023 and a delivery assurance framework around this plan. This inevitably will lead to further work prioritisation decisions.

We would be happy to meet with you to discuss the finding of our first report and discuss any action you may wish to take, having considered it alongside the BVI report.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'GJ', written in a cursive style.

**Gavin Jones**  
**Chief Executive**

**Essex County Council**