

Essex County Council
Chief Executive's Office
County Hall
Chelmsford
CM1 1QH



Date: 13.12.22

Dear Secretary of State,

BEST VALUE INSPECTION OF THURROCK COUNCIL

Essex County Council is making sound progress in completing its Best Value Inspection of Thurrock Council. The inspection team is confident that, when they conclude their inspection, we will be in a position to make a range of recommendations that will enable significant improvement to be made in the way the Council operates.

Some of our recommendations are already complete. I am therefore writing to set out a number of these in advance of our inspection report. I am sharing them, conscious that information on the extent of the Council's financial difficulties, and the scale of necessary recovery work, is becoming clearer by the day. These recommendations will, if accepted, enable immediate action to be taken to support the Council's recovery. I believe it is in the interests of the residents of Thurrock and the Council that these recommendations are shared promptly to enable action to be taken in a timely way.

I anticipate that the Best Value Inspection report will go beyond the areas covered in the recommendations set out below. The inspection team is currently undertaking detailed research into other areas where we believe it likely that we may make further recommendations to you. This work will necessarily require further time. In discussion with your officials, we have explored the possibility of extending the time available to us to complete this work. Based on these discussions, I would like to propose that we submit our report and full recommendations on 17th February 2023. I do not ask for this extension lightly. I am aware that this will incur additional cost, but it is essential that the full extent of the issues is set out clearly, not only for yourself, but also for the Council so that it understands the full scale of the recovery required.

Our recommendations

The information set out in Thurrock Council's [Quarter 2 Finance Update 2022/23](#), included on the agenda for its Cabinet on 7 December 2022, suggests that the Council will be unable to set a balanced budget in 2023/24 within its current resources. Its current year deficit has been reported at £470m and its on-going structural deficit is £184m. This surpasses that of any other local authority in England. In addition, its level of borrowing stands at £1.3billion. The Council will

therefore require significant external support, and will need to deliver extensive savings, for years to come.

It is inevitable that the Council, in addition to making extensive efficiency savings, will have to make a significant and rapid reduction in the scope of local services. Many services, which have been relatively well funded over the past decade may, as a consequence, be either ceased or (where statutorily underpinned) equipped to do little more than provide a minimum level of service for the foreseeable future. Undertaking this transformation will be a hugely difficult task, not least because the Council does not have a good record in delivering major projects. It will need to be effectively managed at both the corporate and service level if the Council is to avoid serious operational failures.

To ensure that Thurrock Council has the leadership necessary to deliver this change, a clear roadmap for the future, and the right foundations in place to enable it to manage this change effectively, the inspection team have made the following recommendations which I commend to the Secretary of State and the Council.

Recommendation A: The Secretary of State should direct Thurrock Council to prepare, agree and implement a recovery plan to the satisfaction of Commissioners. This will build upon and extend the scope of the improvement and recovery plan currently being developed.

The extended recovery plan should set out robust actions to:

- prioritise and reconfigure council services to ensure they can be delivered within the radically reduced financial resources that will be available;
- put in place the skills, capabilities and capacity necessary to lead and manage this change;
- address the weaknesses in governance that have undermined transparency and effective and informed decision-making, including by making improvements in taking and recording formal decisions, and the functioning of scrutiny, full specific details of which will be in our final report;
- put in place arrangements for the improved provision of appropriate information to elected members and to the public; and
- secure the proper resourcing and functioning of the system of internal controls, including risk management and internal audit.

Recommendation B: The Secretary of State should direct Thurrock Council to:

- design an appropriate officer structure for the authority, to the satisfaction of Commissioners. This should provide sufficient resources to deliver the authority's functions in an efficient and effective way,
- develop an enhanced performance management framework for the operation of this structure and for the senior officers within it and implement and manage this to the satisfaction of Commissioners.

Recommendation C: The Secretary of State should grant Commissioners the authority to make appointments and dismissals with respect to senior positions, and to determine the processes for making these appointments and dismissals.

For the purposes of Recommendations B and C, 'senior positions' should be understood as the top three tiers of the organisation.

A statement summarising key lessons from the Best Value Inspection so far is attached to this letter. This statement provides a summary of the evidence and supporting rationale for these recommendations, and will be expanded upon further in the final report.

I hope these recommendations are helpful and that they can provide a basis for taking the immediate next steps necessary to secure Thurrock Council's future in the interests of local residents and communities.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gavin Jones', written in a cursive style.

Gavin Jones
Chief Executive

1. Between 2016 and 2022 Thurrock Council pursued a strategy of borrowing large amounts of money, predominantly from other local authorities, and using these to undertake a range of investments for the purposes of securing a return. The income from this strategy enabled local political leaders to forestall or avoid difficult decisions on raising council tax, and on the transformation of local services, for several years. But the Council failed to understand and control the risks of this investment strategy. The ultimate failure of the strategy, and the scale of the financial loss that has resulted, inevitably raises serious questions over the financial viability of the authority unless significant external support is provided.
2. The full extent of the Council's financial difficulties will not be known for some time. At the time of writing, the Council's Quarter 2 Finance Update 2022/23 suggests that there is an in-year deficit of some £470m, and an estimated structural deficit in 2023/24 of £184m. This is the sum that is in excess of its budget provision, and must be found over and above the cost of the provision of services for the residents of Thurrock (which is £154m in this year's General Fund revenue budget). Setting aside the current in-year deficit position, this therefore suggests an ongoing structural deficit of 120%. Given this, it is clear that the Council will be unable to set a balanced budget in 2023/24 within its current resources and, as stated above, will require significant external support, as well as the delivery of an extensive savings programme for years to come.
3. In its Capital Strategy report presented in February 2022, the level of borrowing estimated as at 31 March 2023 is shown as £1.3bn (excluding HRA) all of which must be properly accounted for. The annual revenue costs associated with this debt make Thurrock Council – one of England's smaller unitary councils in terms of population and tax base - highly vulnerable from a financial point of view. The Council does not have a sufficient portfolio of assets that can be sold to significantly reduce this debt burden.
4. As part of its response, it is inevitable that the Council, in addition to making extensive efficiency savings, will have to make a significant and rapid reduction in the scope of local services. Many services, which have been relatively well funded over the past decade may, as a consequence, be equipped to do little more than a minimum level of provision for the foreseeable future, if indeed they can continue at all. Leading this transformation will be a hugely difficult task, not least because the Council does not have a good record in delivering major projects. It will need to be effectively managed at both the corporate and service level if the Council is to avoid serious operational failures.
5. It is important to make clear that the Council's financial difficulties are the consequence of dysfunction within the Council, not the cause of it. Our inspection has found that, although serious mistakes have been made by individuals with respect to financial management, the challenges facing the Council stem from a series of self-sustaining, systemic weaknesses which have allowed for repeated failure over many years.
6. The effective running of the Council and its ability to deliver on its ambitions have been undermined by failures in political and managerial leadership, including a lack of consistent strategic direction being given to the authority, inadequate governance arrangements, and

weaknesses in internal control. These factors, and others, have created an inhibiting working environment, characterised by a focus on transactional activity at the expense of corporate endeavour for those in senior leadership positions. This has in turn bred a culture of insularity and complacency, within which transparency of decision-making and the operation of the normal and proper checks and balances have been eroded, internal challenge has been discouraged, and external criticism has been routinely dismissed – placing the Council in a state of unconscious incompetence.

Evidence supporting our specific recommendations

Recommendation A: The Secretary of State should direct Thurrock Council to prepare, agree and implement a recovery plan to the satisfaction of Commissioners. This will build on and extend the scope of the improvement and recovery plan currently being developed.

The extended recovery plan should set out robust actions to:

- prioritise and reconfigure council services to ensure they can be delivered within the radically reduced financial resources that will be available;
- put in place the skills, capabilities and capacity necessary to lead and manage this change;
- address weaknesses in governance that have undermined transparency and effective and informed decision-making, including improvements in making and recording formal decisions, and the functioning of scrutiny;
- put in place arrangements for the improved provision of appropriate information to elected members and to the public; and
- secure the proper resourcing and functioning of the system of internal controls, including risk management and internal audit.

7. In order to secure change on the scale required, the Council will need a clear and robust improvement and recovery plan. Directions from the Secretary of State already require the authority to prepare and agree an improvement plan, to the satisfaction of Commissioners, that includes measures to achieve financial sustainability and to close long and short-term budget gaps. Our recommendation builds on these directions and makes explicit the requirements that the Council should prioritise and reconfigure services, and that it should put in place the skills, capabilities and capacity necessary to lead and manage the change.
8. These elements of our recommendation reflect:
 - a. **the scale of the financial challenge facing the Council.** This is summarised in the Council's Financial Update for Q2 2022/23 above, and means it is inevitable that, in addition to making extensive efficiency savings, the Council will have to make a significant and rapid reduction in the scope of local services.
 - b. **the Council does not have track record in delivering transformational change in the context of reducing financial resources.** The income from the Council's investment strategy enabled local political leaders to forestall or avoid difficult decisions on the transformation

of local services for several years. Through our inspection we have heard that, rather than driving the modernisation of services and reducing the costs of services – an exercise that was playing out across the wider local government sector – Thurrock Council built the revenues from high-risk investments into its base budget and allocated surpluses to fund short-term political priorities.

- c. **the Council’s historic lack of strategic planning and long-term decision-making.** The Council has struggled to give consistent strategic direction to its intentions. Both members and officers have failed to articulate a Corporate Plan through which the Council’s resources, efforts and energies could be prioritised against a set of deliverable objectives.

In the absence of an overarching and coherent strategic plan, the Council has focused on a number of large-scale regeneration and infrastructure projects (see paragraph 8d below) and short-term, highly visible street-scene based functions, encapsulated in the phrase ‘Cut it, bin it, fill it’. This latter approach has regularly dominated the attention of leading members and senior officers and has become a yardstick for how success is measured. While these matters are of course important, they have also provided a distraction from more challenging concerns. The seriousness of Council’s financial situation means that recovery will be a slow process extending over many years. Those who provide leadership to Thurrock Council in the future will require the discipline and resolve to sustain this process and resist distraction.

- d. **the Council’s track record in the delivery of major projects.** Although many Council services perform well in business-as-usual delivery, our inspection has highlighted repeated failures in the delivery of major projects. Examples include the development of the New Town Hall, the delivery of the A13 widening scheme, the regeneration of Purfleet and the redevelopment of Stanford-Le-Hope station.
- e. **weaknesses in the Council’s corporate working practices.** Through our inspection we have been told repeatedly that the Council’s Directors failed to act as a corporate management team, focusing attention on transactional discussions between siloed professional functions rather than on working together corporately. This has been compounded by a lack of collective working between the Directors Board and Cabinet. Although relationships between individual directors and portfolio holders may be functional in part, this cannot be sufficient to sustain the burden of decision-making required to guide the Council through the change of the scale necessary to secure its future.

- 9. This recommendation also makes explicit the need for the Council to put in place robust operating practices to ensure that it can manage the necessary change in an effective way, addressing historic weaknesses in governance, transparency and in the functioning of internal controls. These elements of our recommendation reflect:

- a. **significant weaknesses in the Council’s formal decision-making.** Through our inspection we have identified a culture of informality around decision making in which there is often no recorded ‘single truth’ of important decisions, meaning that there is no record of why ‘decisions’ were taken and it is indeed sometimes unclear if there was any decision at all. Too often ‘decisions’ are taken at informal meetings and are never followed up with formal

decisions by a person or body authorised to take them, meaning that they have no formal or binding status. There are similar weaknesses in the minuting of formal meetings. Although the debate is extensively minuted, key information is regularly omitted such as the actual decision made. Reports to members are not always provided in good time or with sufficient information. This informality represents a significant weakness in the Council's control environment. It limits the extent to which decisions taken by members provide clear enforceable instructions to officers, reducing their ability to lead the organisation and hold officers to account. There are also concerns about some aspects of the Council's constitution which seeks to entrench the position of whichever party is in power by setting restrictive criteria for the passage of confidence motions, the suspension of council procedure rules and the removal of the Leader. These criteria do not align with the requirements of the law.

- b. **significant weaknesses in the Council's scrutiny function.** Scrutiny members told us, and we agree, that at present scrutiny does not add significant value to the work of the Council. Scrutiny at Thurrock consumes a lot of member attention with the Council having a large number of committees, which meet infrequently, follow work programmes that are largely controlled by officers, and spend a disproportionate amount of their time reviewing forthcoming Cabinet reports in a way which does not conform with best practice or add value. Members are often not given the information they request and when Scrutiny make comments these are frequently not recorded properly and are not passed to decision makers. Senior officers and members do not sufficiently engage with scrutiny. Such was the lack of engagement that early in the inspection it became clear that there was no one appointed to the statutory role of scrutiny officer. These factors limit committee members' ability to engage meaningfully with key issues, undermining the extent to which they can provide meaningful scrutiny of council activity.
- c. **a culture within the Council that has bred a lack of transparency with members.** Throughout the inspection we have been told that members at all levels are not given the information they need to take informed decisions, to scrutinise the work of the Council or to hold the executive to account. This is evident in:
 - i. the way reports are prepared for formal meetings. Often formal reports do not comply with basic requirements to set out the decision requested, the impact of the decision, the key issues, the pros and cons, the risks, financial implications and any legal advice. Nor do they always set out the options to consider. Some reports included so little information that it would have been difficult for members to take a proper decision; and
 - ii. the way questions have been historically dealt with at full council. In breach of the constitution, questions from members have been rejected where the Monitoring Officer judged the question or answer is likely to disclose confidential or exempt information. Judgments made in rejecting questions have erred heavily on the side of non-disclosure which has hindered the ability of members to receive the information they need.
- d. **significant weaknesses in internal control.** An internal control environment exists to provide a set of checks and balances that provide assurance from multiple sources that the

operation of the organisation is running effectively. The strength of the internal control environment has been tested in Thurrock in relation to the Investment Programme. The conclusion is that such systems were either not in place, did not work effectively or their use was bypassed with catastrophic consequences.

The Council agreed a set of principles which should have acted as the framework for the investment programme. However, there was very little active reporting against these principles. In addition, considerable power was delegated to the S151 Officer without any explanation being sought, or given, on why such powers were necessary. Furthermore, there was no reporting of the operation of those delegations, nor was any other mechanism deployed to either identify or challenge what he was doing. There was no effective separation of roles. There was no involvement of internal audit in the programme, and resourcing of this function is in any event woefully inadequate. The corporate risk register reported the highest risks and opportunities – the only visibility of the investment programme at corporate level was as an opportunity, not as a risk, and indeed we can find no understanding of the complexity of the programme that would have informed a proper risk assessment. There was no consideration of the skills and resourcing requirements need to run this programme properly, and advice from the Treasury Management advisors given in 2018 was not only ignored, but their contract was then terminated. It wasn't until two years later, at which point £951m had been invested, that the authority contracted with external investment advisors.

There was an almost complete absence of any proper system of internal control. Given the scale of change the authority must now undertake, it is essential that this is addressed as a matter of urgency.

Recommendation B: The Secretary of State should direct the Council to:

- design an appropriate officer structure for the authority, to the satisfaction of Commissioners. This should provide sufficient resources to deliver the authority's functions in an efficient and effective way,
- develop an enhanced performance management framework for the operation of this structure and for the senior officers within it, and implement and manage this to the satisfaction of Commissioners.

Recommendation C: The Secretary of State should grant Commissioners the authority to make appointments and dismissals with respect to senior positions, and to determine the processes for making these appointments and dismissals.

For the purposes of Recommendations B and C, 'senior positions' should be understood as the top three tiers of the organisation.

10. The scale of the change required, and the reduction in resources available to the Council will inevitably require significant change to its senior management structures. Currently, members of the Directors Board are not working within a structure that makes the most of their skills and abilities and which does not provide for these to add value to the corporate operation of the

authority. Recommendations B and C make explicit the need for this change. These recommendations are also necessary, in practical terms, to give effect to Recommendation A. Put simply, if the Council's senior officer structure isn't fit for purpose, and isn't performing to the appropriate level, then it represents a major risk to the recovery of the Council and to future service provision.

11. These recommendations also reflect the need to:

a. drive a new set of behaviours amongst the Council's most senior tiers of management.

- i. As noted above, the Council's Directors Board is not accustomed to operating as a Corporate Leadership Team – this had not been a requirement for success in a management environment that focused on operational considerations to the exclusion of strategic issues;
- ii. Tackling historic and long-standing weaknesses in governance, transparency and internal control will require more than simply changes in process. Senior Leaders will need to foster a culture of openness and collaboration with members, but one in which the proper checks and balances on decisions are accorded the level of application and respect necessary.

b. ensure a senior team with the skills and experience necessary to lead significant change over a sustained period.

- i. Decision-making in the Council over at least the past seven years has been short-termist in character. Officers and members have failed to plan for the future and have avoided many of the difficult decisions that may require trade-offs between the needs of different groups, or between different sets of services in the long-term. It is not clear that the Directors Board, as currently configured, is best positioned to play this role from now; and
- ii. As noted in paragraph 8d, the Council's senior team does not have a strong track record in the delivery and oversight of major corporate projects. It is vital that Thurrock Council's most senior leadership group have these skills in the years to come.