



Thurrock Council Commissioners

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Secretary of State
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
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22 January 2024

Dear Secretary of State,

Further to our report dated 7 July 2023, we are pleased to write to provide you with our third report on the progress of the intervention at Thurrock Council.

At the time of publication of our second report in October 2023, Ministers took the decision to appoint Gavin Jones and Nicole Wood on an individual basis. This approach has brought a consistency to the intervention and we continue to work effectively as a team.

Since our last report to you, you have also taken the decision to move Thurrock Council to Whole Council Elections from May 2025. We are pleased that the Local Government Boundary Commission for England has been able to conduct a review to this timeframe and we have seen good work to ensure the success of the review from both Members and officers.

Executive Summary

The Council is engaging well with Commissioners and is owning its recovery. Whilst the current financial position remains precarious, the Council has demonstrated that it will take difficult service-based decisions. However, given the political fragility of the Council, there remains a high risk moving forward. Organisationally, there is fresh impetus and the new structure has landed well. The recent recruitment effort was partially successful and will bring some much-needed additional talent to the organisation. However, there are some key vacancies that remain unfilled, and the Council will have to rely on interims until such time as these posts are filled on a permanent basis.

We have continued to see good engagement from, and have had constructive relationships with, the Leader of the Council, Councillor Andrew Jefferies and Councillor John Kent, the Leader of the Majority Opposition. We have also been pleased to see an increased role for the Deputy Leader of the Council, Councillor Deborah Arnold and the Deputy Leader of the Opposition, Councillor Lynn Worrall in

driving improvement. The vision and ability of senior Members to be strategic and forward thinking also came the fore during recent executive recruitment and should be commended.

The agreement of all Councillors to adopt the Enhanced Improvement and Recovery Plan in October 2023 was an important milestone in the intervention that demonstrated to us that there is an appetite for a whole-council approach to improvement in Thurrock. We said at the time that the Plan 'provides a focus on improvement through a streamlined approach and identifies outcomes based on what good looks like to allow Members and ourselves to track progress'.

While this was a clear sign of broader political commitment, there is a risk of distraction as the election nears and shorter-term priorities take precedence over those that are longer-term.

The behaviour of a small number of Members in Thurrock has the ability to impact the progress of the intervention. Too much Commissioner and officer time has been spent dealing with these Members who do not show the respect and courtesy to officers that we expect to see, and we have been clear with senior Members that we have high expectations of Member conduct.

Despite the actions of a few, we have seen a strengthening of Member officer relationships that is promising, but as yet not consistent across the Council's functions. The vast majority of Members see the value that officers bring to the Council. In our discussions with the Council, we have noted the intention to carry out further training for officers on working in a political environment and we look forward to seeing the impact of this upskilling on working practices across the Council.

Decision making in Thurrock continues to show signs of improvement and it is encouraging that, after many years of indecision, Members recently agreed to the Regulation 18 consultation on the Local Plan. We have also seen an increased quality of decision making on a range of issues at Full Council. In the coming months, we are keen that these practices become imbedded with a consistency in good chairing of meetings and a focus on the pertinent issues that sometimes get lost to the theatre of political point scoring.

We restate our position that difficult decisions that lie ahead for the Council. Members will shortly consider a budget for 2024/25 that includes significant and essential savings of £18.2m. The agreement and delivery of these savings are the next step in what will continue to be a long route to financial sustainability and while we understand these decisions will be taken in difficult political circumstances, Members should not lose focus. We have been clear from the outset of intervention that the Council faces huge financial and governance challenges. The undoubted progress that has been made must not cloud the judgement of Members and officers concerning the scale of the task that remains in front of them.

Work to increase the capacity and capability of the Council continues at pace. We had partial success with the recruitment of a permanent Monitoring Officer and Assistant Chief Executive. Reflecting the wider issues in the sector, our recruitment exercise for a Chief Finance Officer (s151) was unsuccessful. We are now exploring interim arrangements but are acutely aware of the risk posed to the intervention of there being uncertainty around this key post.

There is a detailed assessment of delivery and progress against each of the Directions to the Council in Annex 1, in addition to the thematic updates that follow.

Financial Sustainability

Thurrock is making good progress to implement the necessary changes to secure a path to improved financial sustainability with improved financial leadership and significant progress made on identifying savings and sale of assets. Focus needs to be maintained and there are some key risks as highlighted below.

At this stage it is impossible for Commissioners to conclude that Thurrock has a route to full financial sustainability by the end of the Direction period, without further support from Government. It is critical that any new administration post-election keep on course with existing improvement plans for financial sustainability. We will continue to work closely with the Department to explore creative options to help put it on the path to a sustainable future.

Thurrock is at the foothills of its change programme and soon faces its first major decision point in making the choices that will be necessary to curtail spend – notably with its council tax and savings decisions due in the 2024/25 Budget at February 2024 Council.

We are clear that Members will need to show leadership by using the full flexibility provided to them by government to raise council tax by 9.99%. This is fair and appropriate given the scale of the financial issue, particularly given that Thurrock would continue to remain below the peer average for unitary councils, with Thurrock residents paying less than their peers, the majority of whom of course have not been subject to intervention.

We also recognise the need for political stability to sustain the momentum of the intervention and understand that this may require compromise.

Overall, there has been better progress against the financial recovery plan in the six months period since the second report, albeit the capacity is significantly dependent on interim capacity.

Key risks that require immediate mitigation include:

- Strong interim arrangements for the CFO and s151 Officer, as highlighted above.

- A number of key finance posts are currently occupied by interims and a transition plan needs to be put into place against the current recruitment activity, to clearly identify resource issues and plans for mitigation.
- Extensive work is underway on the commercial review and sale of investment assets; we need clear visibility of the cost management of the advisors and assurance around Value for Money. The s151 has committed to regular reporting on this from February 2024 to the Finance Recovery Board.
- Accounts remain open from 2020.

Separate briefing will be provided to you on the progress around the commercial and civil action to secure recovery of public funds. At this early stage it is not possible to quantify the likelihood or value of recoverable funds, and no assumptions have been made about those proceeds in the budget.

You will have seen that the Financial Reporting Council on the 3 January 2024, has launched its own investigation into the conduct of one of its members relating to Thurrock Council's operations and investment activities for the financial years ended 31 March 2018 to 31 March 2022.

Governance

The work on improving governance has matured since our last report to you. Members engage well in the Governance Recovery Board and officers has brought pace to improvements.

We have spoken above about the improved decision-making we have seen, particularly at Full Council. This is aided by improved forward planning and grip by senior officers. However, progress is sometimes hampered by inconsistencies in process and a lack of focus from Members in their discussions.

The review of Overview and Scrutiny undertaken by the Centre for Governance and Scrutiny is the most developed piece of work. We are satisfied that the scrutiny function will be much improved when the reviewed system launches for the new civic year and we will be tracking progress with Members to ensure good practices are imbedded within the strong framework.

Training and development for Members has also been a success of the last period with a substantive range of training delivered. Officers have also taken part in mandatory training on effective report writing that has gone some way to improving the quality of decision papers we see. The Council has also implemented a stronger process of quality assurance – we will be looking for consistency in the coming months to demonstrate lasting change. On both officer and Member development, there is more for the Council to do to imbed training into the civic calendar and measure its impact and we will expect this to be a focus as this work matures.

We have also seen a real grip on improving the information the Council holds about its own performance. A Performance Management and Assurance Framework (PMAF) has been developed, alongside a provisional scorecard. The depth of this work is admirable, and it is good work to build upon. We now want to see how all parts of the council uses this data to better focus organisational effort.

On risk and internal audit, whilst there has been some progress notably in recruitment to key roles, a key action remains outstanding regarding the implementation of a new risk policy and mobilisation of a properly resourced team; this is expected in the first quarter of 2024. We also expect to see further work to ensure that the presence of internal audit is felt across the council and has an impact on performance.

There has been good progress with the review of the financial and contract regulations within the Council's Constitution. The Member group is well-engaged and now that CIPFA is in place to undertake a review of the whole Constitution the Council need to ensure that pace and rigor are brought to the project. We will closely monitor progress to ensure pace is sufficient.

There is a specific Direction that we oversee the Council's role as the Accountable Body of the Thames Freeport. We are pleased that our improved relationship with the Freeport and the Council's increased capacity in this area are making an impact. Your Department's publication of government's Memorandum of Understanding with the Freeport is a welcome step and we look forward to working with the Freeport to put in place the necessary legal agreements to secure good governance across the Accountable Body role.

We welcome the fact that the Council commissioned a Planning Advisory Service led independent review of the planning service and the planning committee. Its report has now been published and is a forthright, open and focussed analysis of the challenges in planning and makes clear recommendations on the progress required. We expect to see a Council action plan to implement the recommendations.

There remains a significant body of work to undertake and deliver to address the governance needs of the organisation. This will continue to be added to as the Council continues to examine its services. Given that work on governance is broad and progressing at different paces across the Council, we will ask the newly appointed Monitoring Officer to conduct a governance review when he joins us in March.

Culture

The Enhanced Improvement and Recovery Plan adopted by the Council forms a strong basis for the development of a new Corporate Plan in 2024. This Plan, and the vision it articulates, will of course be bolstered by the new appointments to the Senior Leadership team who will join the Council in the Spring. It is for these reasons

that we are content that work to get these fundamentals in place was prioritised in 2023 and the timeline for the plan amended.

The new Corporate Plan will require an operating model that is capable of delivering the change the council needs, commensurate with its available resources. We have seen the beginnings of work to develop a community-based model but this in the early stages of development and does not yet address the requirement that the Council fundamentally reconnects with the community.

We have seen an improvement in internal communications with staff and members now better informed across the Council. However, there remains a significant gap in the Council's corporate communications and engagement with Thurrock residents, communities and partners. The consultation and engagement on the budget is a good first step in addressing this gap. However, much more is needed to inform, consult and engage communities and stakeholders in the Council's future direction. We will be monitoring closely the impact of the proposed new arrangements for communications and engagement and the associated work to begin to rebuild trust with the community.

Conclusions

Thurrock is a Council that is owning its recovery, taking hard decisions and making the organisational investments to do so. However, it still has a considerable way to go to build capacity and capability to deliver the required change. In 2024, the Council should focus on delivering the change as opposed to planning for it. It is our view that the Council should use targeted external support to do this.

There is a good energy at Thurrock to tackle the issues the Council faces. However, Members and officers should understand that intervention brings challenges at every step and there will be more difficult issues to face. The Council will need to tackle these issues head on, and with a sharp focus.

We would be very happy to meet you and your Ministers to discuss any aspects of our report.

Yours sincerely,



Gavin Jones
Lead Commissioner



Dr Dave Smith
Managing Director Commissioner



Nicole Wood
Finance 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.**

Progress to financial sustainability has been satisfactory. However, at this point there have been few difficult political choices; there are proposed savings of £18.2m for the 2024/25 budget: these are well developed and have been presented to Scrutiny but have yet to be formally approved.

Finance Recovery Board oversees the finance recovery plan that is in place, and many key areas that we had reported as previously slipped, have now been delivered upon including (i) the capital programme review, significantly reducing general fund borrowing requirements to circa £1m per annum (ii) the implementation of a robust delivery risk assessment to secure savings and (iii) the independent review of the HRA and associated companies that has not identified any material issues.

One outstanding action that has slipped, is that work is still due to deliver on a review of pay policy and frameworks, this is underway and to be completed in quarter 1 of 2024.

- 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.**

There continues to be good focus on debt reduction through the divestment of investment assets, supported by appropriate independent legal, financial and commercial advice. The divestments workstreams encompass 14 investments covering £1.035bn of original investments of which the major ones are currently in progress and the Council aims to have divested or have underway the divestment of 90%+ of the Council's investment portfolio by 31 March 2024. The expected receipts remain in line with previously reported expectations. We expect this will reduce the capitalisation ask in 2023/24 versus original plan, given it is ahead of the originally intended timetable.

Governance has also been strengthened with a regular Officer Investment Meeting, led by CIPFA and including Commissioners. The first formal Member oversight board took place on the 31 October and will maintain quarterly oversight.

A property disposals programme is underway. As of 6 December, properties are currently being marketed with estimated anticipated sale receipts of around £56million, ahead of in year budget. However, after full due diligence, the overall potential of asset disposals forecast over the 5-year period has been adjusted from original provisional figure of circa £150million to circa £118million.

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 & property investments and income generation. This work has been commissioned and will be delivered in the last quarter of 2023/24.

- d. To ensure compliance with all relevant rules and guidelines relating to the financial management of the Authority.**
- e. A suitable scheme of delegations for financial decision-making.**

There has been good work to update the financial and contract regulations in the Council's Constitution and there will shortly be a roll out of improved procurement policies.

March 2023 Directions

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

The most material impact on future sustainability is the reconfiguration of the Authority's services commensurate with the available financial resources. Thurrock has made good progress in the last six months building a transformation and savings programme for the medium term, meeting the aspirational target of 10% in 2024/25, having identified these early in the budget planning cycle with full transparency to Members. The pace and quality of the budget process is much improved, albeit the fragility is that the finance team remains dependent on many experienced interims. More work is now needed to develop an operating model and offer that continues to drive down revenue costs for the medium to long term.

The long-term financial position is inherently uncertain, not least due to the proceeds of sale of commercial investments being difficult to predict. We continue to look to government for a supportive discussion about further options to help support getting Thurrock on a road to sustainability.

It is also impossible to know the shape of 'available financial resources' without clarity on the future framework for sustainability from government.

However, more work is required to build a roadmap to sustainability. Thurrock Council need to come out from the February Council budget approval and build a multi-year transformation and savings plan which takes them beyond 2025 and through the medium to long term. However, the Council cannot achieve financial sustainability and 'independence' from government support with the levers within its

control given the scale of the deficit – albeit it can and is going considerable way to reduce the debt and it will be necessary to confirm the shape of a framework for sustainability with government.

- 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 is now in place and recruitment to the new Senior Leadership Team and is underway to implement the new officer structure. Development of the new Corporate Plan will require an operating model that is capable of delivering the change the council needs, commensurate with its available resources, as referenced above. We have seen the beginnings of this work but it is in the early stages of development.

- 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.**

The enhanced IRP sets out a clear plan to strengthen governance functions in the Governance and Controls workstream. There has been a review of the scrutiny function and we have seen improvements in the governance workings of the Council.

On risk and internal audit, whilst there has been some progress notably in recruitment to key roles, a key action remains outstanding regarding the implementation of a new risk policy and mobilisation of a properly resourced team

There remains a significant body of work to undertake and deliver to address the governance needs of the organisation. Given that work on governance is broad and progressing at different paces across the Council, we will ask the newly appointed Monitoring Officer to conduct a governance review when he joins us in March.

- 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.**

Our improved relationship with the Freeport and the Council's increased capacity in this area are making an impact. DLUHC's publication of government's MoU with the Freeport is a welcome step and we look forward to working with the Freeport to put in place the necessary legal agreements to secure good governance across the Accountable Body role.