

Minutes of the Meeting of the Cabinet held on 14 December 2022 at 7.00 pm

The deadline for call-ins is Thursday 29 December 2022 at 5.00pm

Present: Councillors Mark Coxshall (Leader), Deborah Arnold (Deputy Leader), Qaisar Abbas, Jack Duffin, Barry Johnson, Ben Maney and Graham Snell

Apologies: Councillors Andrew Jefferies and Luke Spillman

In attendance: John Jones, Director of Legal and Governance, and Monitoring Officer
Ian Wake, Acting Chief Executive
Jonathan Wilson, Interim Director of Finance and S151 Officer
Nicole Wood, Essex County Council Commissioner
Lucy Tricker, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting was being live-streamed and recorded; and would be uploaded to the Council's website.

75. Items of Urgent Business

There were no items of urgent business.

76. Declaration of Interests

There were no interests declared.

77. Statements by the Leader

The Leader began his statement by thanking the Corporate Overview and Scrutiny Committee for their comments and feedback on the Quarter 2 Financial Report. He moved on and stated that on Monday 12 December he had received the resignation of the Chief Executive, Lyn Carpenter, which he had accepted. He explained that the recruitment process for a new substantive Chief Executive would begin in the New Year. The Leader added that he had also recently signed an Executive Decision notice to accelerate the recruitment process of an Interim Director to improve the environmental department, who would ensure every bin in the borough was collected. He looked forward to the new Interim Director starting work for the Council in the New Year.

78. Briefings on Policy, Budget and Other Issues

There were no briefings on policy, budget and other issues.

79. Petitions submitted by Members of the Public

No petitions had been submitted by members of the public.

80. Questions from Non-Executive Members

No questions had been submitted by non-Executive Members.

81. Matters Referred to the Cabinet for Consideration by an Overview and Scrutiny Committee

Other than those items already contained within the agenda, no items had been referred to the Cabinet for their consideration by an overview and scrutiny committee.

82. Financial Update - Quarter 2 2022/23 (Decision: 110632)

Councillor Snell introduced the report and stated that it outlined the Council's latest financial position for 2022/23 and the medium-term outlook. He explained that the report presented a significant deterioration in the Council's finances since the previous financial report presented in October 2022, following the intervention from the Secretary of State. He explained that work had been undertaken to identify the impairment on major investments, due to the deterioration in their valuation. Councillor Snell added that the Council were evaluating revenue impacts of compliance with the Prudential Code, particularly surrounding the Minimum Revenue Position (MRP), as well as refinancing debt and other financial pressures. He stated that as a result of this, there was a projected in-year deficit of £469.581m, which could be reduced through mitigation measures to £452.38m and was outlined in the table on page six of the agenda. He stated that in 2023/24 there would be an approximate deficit of £184m, as outlined on page seven of the agenda. Councillor Snell felt that this was a grave financial position for the Council, which would mean that the Council would need to seek external support from the government in the form of Exceptional Financial Support (EFS). He added that the Council would also need to restrict spend and consider all capital assets. He highlighted the table on page six of the agenda that outlined the general fund outturn position for quarter two, although clarified that this was subject to further change. Councillor Snell explained that the level of potential mitigation was also likely to change, subject to the closure of prior years' audits. He stated that the funding gap for 2022/23 assumed that investments would be kept, although the Council would be working to divest some investments and therefore reduce MRP costs. Councillor Snell summarised and explained that the Corporate Overview and Scrutiny Committee and Cabinet would be updated as the financial situation progressed.

The Deputy Leader highlighted that Cabinet had received the draft Corporate Overview and Scrutiny minutes, as well as a summary of questions that the Committee had asked at the meeting. The Leader thanked the Committee for their feedback, and highlighted their point regarding due diligence of auditors. He stated that he had raised this issue with the Acting Chief Executive and

the Commissioners who would be investigating this further. The Interim Director of Finance added that most questions at Corporate Overview and Scrutiny had sought clarification on terms and the impact that the S114 notice could have on the Council. He added that the Committee had also commented on the clarity of the report.

The Leader asked when the Quarter 3 finance report would be presented to Cabinet. The Interim Director of Finance replied that the team were currently following standard timetables for finance reports, and were preparing the Quarter 3 report for February's Cabinet and Corporate Overview and Scrutiny meetings. The Deputy Leader highlighted Corporate Overview and Scrutiny's point regarding the Council's statutory minimum during the S114 period, and felt that some discretionary services within Adult Social Care prevented more acute spend in other areas. She asked if these discretionary services could continue. The Interim Director of Finance replied that the Best Value Inspection (BVI) would help to assess all spend within the Council and ensure good decision-making was undertaken. The Leader queried what it meant that KPMG were leading on the sale of assets. The Interim Director of Finance replied that KPMG had been appointed to sell the Toucan assets, and although it was early in the process, KPMG was experienced at this type of activity. The Leader felt pleased to see that the sale of this asset was progressing and moving forward.

The Deputy Leader highlighted recommendation 5 regarding the Council's need to make additional savings to reduce directorate spend pressures. She sought assurance that Portfolio Holders and Directors would work together to ensure directorate spend was decreased. Councillor Abbas also highlighted recommendation 5 and queried what type of savings could be made within each directorate. The Interim Director of Finance explained that Directors Board and Portfolio Holders would be asked to identify additional savings and consider all options. He added that the Spend Panel would ensure all spend was scrutinised. He commented that the team were also considering how residents accessed the Council to ensure this process was as streamlined as possible, which would improve efficiency and reduce spend. He added that these savings would continue into 2024/25 as the Council continued to deal with inflationary and pay pressures, whilst ensuring the deliverability of savings. Councillor Abbas asked what changes would be made before the S114 notice was submitted. The Interim Director of Finance replied that no changes would be made before the S114 notice was submitted, but the process of finding savings would be iterative. He explained that quarterly finance reports would continue to be presented to Cabinet, alongside other reports such as the tail of investment report and capital savings. He stated that there were significant pressures in areas such as investment. Councillor Abbas queried why the income losses were being considered as part of the Quarter 2 report. The Interim Director of Finance replied that the funding invested in Toucan had been held there whilst the company went into administration, and the Council were no longer sure when this money would be distributed. He explained that the Council were working to rectify this as the 2020/21 audits remained open, and investments could be attached to previous years audits.

Councillor Johnson felt that the financial picture of the Council was grave and hoped that the BVI report would explain how the Council got to this position. He felt that the Council needed to undergo a cultural change, and felt pleased to see that reports were now more transparent. He highlighted the question from the Corporate Overview and Scrutiny Committee and asked how the Council could ensure these investment issues did not happen again. The Interim Director of Finance replied that an Improvement and Recovery Plan would be introduced to respond to the financial intervention. He explained that the Commissioners oversaw and supported reports, and officers would work to ensure Members were engaged and understood the financial processes being undertaken. He stated that specific investment issues were now being tackled, for example through the new Treasury Strategy, Reserve Strategy and MRP policies. He thanked the Corporate Overview and Scrutiny Committee for their comments and questions on the report and felt that Members and officers needed to work together to build trust. He explained that the Council were also considering Essex County Council practices and decision-making processes as best practice learning examples. He added that Councillor P Arnold had raised concerns at the Corporate Overview and Scrutiny meeting regarding the technical aspects of the report and stated that officers were taking these comments onboard to ensure reports could be understood, whilst including the necessary technical data. The Leader stated that a cultural change would be undertaken across the Council to build back trust. He thanked Essex County Council and Thurrock Council staff for their help during this difficult time. The Director of Legal and Governance added that if Members did not understand aspects of the report, they could ask officers at any time.

RESOLVED: That Cabinet:

- 1. Commented on the 2022/23 forecast funding gap of £469.581m including a request for exceptional financial support from central government.**
- 2. Noted the request for exceptional support will be delegated to the s151 officer.**
- 3. Commented on the updated Medium Term Financial Strategy which has a projected deficit in 2023/24 of £184.381m and which is expected to require a further request for exceptional financial support from central government.**
- 4. Noted that the position is subject to change, as further work is outstanding (as highlighted in the Commissioners commentary) which is likely to lead to changes.**
- 5. Noted additional actions will be required to identify further savings to manage the reported General Fund budget pressures.**
- 6. Noted that use of reserves as set out in appendix 5, subject to the**

finalisation of the audit process relating to financial years 2020/21 and 2021/22 and noted balances are subject to change.

7. Noted the proposed uses of further capital receipts projected to arise in 2022/23 as set out in Table 5 to mitigate the request for exceptional financial support from government.

8. Noted that further consultation with external audit will be required to finalise the technical accounting treatments relating to the investment valuations and the associated Minimum Revenue Position transactions.

9. Noted the position set out in respect of the capital programme and the reported slippage as set out in para 5.4.

10. Noted that Thurrock's 2023/24 Schools funding formula be implemented as stated in Appendix 6. This being consistent with Cabinet's decision made between 2020/21 and 2022/23 schools funding formula as per the report in Appendix 6.

*Reason for decision: as outlined in the report
This decision is subject to call-in*

The meeting finished at 7.36 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact
Democratic Services at Direct.Democracy@thurrock.gov.uk