

Minutes of the Meeting of the Corporate Overview and Scrutiny Committee held on 8 December 2022 at 7.00 pm

Present: Councillors Fraser Massey (Chair), James Thandi (Vice-Chair), Paul Arnold, Adam Carter, Victoria Holloway and John Kent

Councillor Jack Duffin, Portfolio Holder for Central Services
Councillor Mark Coxshall, Leader and Portfolio Holder for Growth

In attendance: Andrew Brittain, Strategic Lead – Revenues and Benefits
John Jones, Director of Legal and Governance, and Monitoring Officer
Karen Wheeler, Director of Strategy, Engagement and Growth
Jonathan Wilson, Interim Director of Finance and S151 Officer
Lucy Tricker, Senior Democratic Services Officer

Before the start of the meeting, all present we're advised at the meeting was being recorded and live streamed, with the recording to be made available on the Council's website.

16. Minutes

The minutes of the meeting held on 6 October 2022 were approved as a true and correct record.

17. Items of Urgent Business

There were no items of urgent business.

18. Declaration of Interests

There were no interests declared.

19. Report of the Cabinet Member for Central Services

Councillor Duffin introduced the report and thanked officers in the directorate for their hard work throughout the year. He drew the Committee's attention to the Local Full Fibre Network (LFFN) which had received a £2million grant from central government and had introduced 85 sites covering 75km of fibre cables in rural areas throughout the borough, including Stanford-le-Hope and Corringham. He stated that 89% of Freedom of Information requests had been resolved within 20 days, and although the team were above the Council's target, they were working to achieve 100%. He added that 98,000 Thurrock residents were subscribed to the e-newsletter, with an approximate open rate of 65%. He stated that the new Digital and Customer Strategy had been agreed by the Committee and Cabinet, and he felt this would help improve transparency within the Council and help residents engage with the

Council in a more efficient manner. Councillor Duffin explained that he wished to introduce a new portal for customers to contact the Council, which would mean residents would be able to track their enquiry and would be able to copy multiple people into the enquiry. He felt that this process automation would mean a more efficient Council, but would be a longer-term project. He summarised and stated that the Digital and Customer Strategy would not exclude people who still wished to contact the Council through non-digital channels, and would give officers more time to deal with non-digital enquiries.

Councillor Carter queried the 65% open rate of the e-newsletter and asked if the open rate fluctuated from month to month, and if this had increased during the COVID-19 pandemic. Councillor Duffin stated that he would take this query away and would respond after the Committee. He added that the Digital and Customer Strategy also allowed for the implementation of new ideas such as a star-rating or qualitative feedback after an enquiry had been handled. He felt that this would provide data on which departments were handling enquiries well and could be used as best-practice examples, and which departments needed some work. He stated that reports on this data could be brought back to the Committee. Councillor Arnold expressed concerns regarding residents who wished to contact the Council via non-digital channels. He asked what Thurrock were doing differently compared to other local authorities and if benchmarking data was being collected. Councillor Duffin replied that the contact centre would remain, which would allow residents to contact the Council via non-digital channels. He stated that a piece of work was currently ongoing regarding the final offering of the Digital Strategy which would look at best practice examples from other local authorities, and would consider all processes within the Council, and this would help improve services for residents.

Councillor Kent queried the Local Full Fibre Network (LFFN) rollout and stated that currently only 48% of Thurrock residents had access to fibre broadband. He queried the timescales for full-fibre rollout across the borough. Councillor Duffin explained that there was no timescale for full-fibre rollout as the Council continued to look for and target government grants. Councillor Kent asked why the front doors to the Civic Offices were locked in the evenings when Committee meetings were taking place. He felt that the building should be more easily accessible to residents who wished to engage with Committee meetings. The Chair echoed Councillor Kent's comments and felt the building should be open in the evenings. Councillor Duffin commented that a wider discussion needed to take place regarding the Council offices in the evening, to ensure that members of the public could access Committee meetings, but remained safe. He added that he would take this away and discuss with officers. Councillor Kent then queried why there was no working hearing loop within the Council Chambers, to which Councillor Duffin replied he would discuss with officers and reply after the Committee. Councillor Kent moved on and asked how the HR team were motivating staff members during the Council's current financial difficulties. Councillor Duffin explained that internal communications with staff had increased since the commissioners had started their work, including a Q&A page on the intranet which outlined the current facts and was updated regularly. Councillor Kent felt that in recent years

relations with media outlets had been poor, but felt pleased to see that an effort was being made to improve this in recent months. He sought reassurance that this effort would continue in future. Councillor Duffin explained that in recent months regular Cabinet media briefings had been organised, and urged editors and media outlets to attend these sessions to better understand Cabinet reports and policies. Councillor Kent summarised and highlighted the section of the report related to electoral services and asked when free ID documents would be rolled out within Thurrock, to ensure the borough met new government regulations being introduced before the elections in 2023. Councillor Duffin stated that the Council were currently waiting on the government to release more information regarding the free ID documents, but an all-Member briefing would be organised for the New Year to discuss this with Councillors.

The Chair felt concerned regarding the enquiry ticketing system proposal, as he felt that Councillors should be able to help residents rather than referring them to an online contact form. He felt that a ticketing system might reduce the amount of human interaction residents could have with the Council and engagement with Council officers. Councillor Duffin felt that the current system of numerous inboxes for different departments was not efficient, and this could be improved by one contact form which had the ability to copy relevant people in. He stated that with this system residents could also monitor the progress of their enquiry and ensure quicker responses. Councillor Thandi sought reassurance that face-to-face contact would still be an option for residents. Councillor Duffin explained that the Council would push technology as the way of working, but a face-to-face option would be available, although would not be the primary communications channel. Councillor Carter asked how the Council were working to improve democratic engagement with Council committee meetings. Councillor Duffin explained that many residents were engaging with Council committee meetings digitally, through YouTube or the Council's webcast channel. He added his focus as Portfolio Holder was to increase the number of people registered to vote, as this would help improve democratic engagement.

Councillor Holloway asked for more detail regarding the IT solutions being provided at the new Integrated Medical Centres. Councillor Duffin commented that he would take this away and reply after the meeting. Councillor Holloway then highlighted page 20 of the agenda, which stated that Thurrock had an ambitious agenda and asked how this would be impacted by the Council's financial situation. Councillor Duffin felt that it was too early to fully understand how the Council's financial situation would affect individual projects, but discussions remained ongoing. Councillor Holloway queried how the proposed contact form and enquiry system would handle complex issues that required input from different departments. She felt concerned that the proposed reduction in officer numbers would affect the level of service that residents received when contacting the Council. Councillor Duffin responded that the old email system with numerous inboxes could be replaced with the ticketing system, but would not replace the face-to-face service. He stated that the new system would make it easy for residents to fill out the contact form, as it would provide one point of entry for residents which would be sent

directly to the relevant department. He stated that this was an ongoing piece of work to ensure that an enquiry could move between different departments and provide residents with a quick response. He felt that the ticketing system would also make the system more efficient for officers as the enquiry would be sent directly to the relevant department.

The Chair asked if a report could be brought back before the Committee regarding the proposed ticketing system. Councillor Duffin stated that this was a long-term piece of work, but when the proposal had been further developed it could be brought back before the Committee.

RESOLVED: That the Committee:

1. Noted the report and asked the Cabinet Member any related questions.

20. Corporate Peer Challenge 2022 Update

The Director of Strategy, Engagement and Growth introduced the report and stated that the Corporate Peer Challenge had been undertaken in January 2022, which had been led by the Local Government Association and officer/Member peers from other local authorities. She stated that the LGA and peers had met with staff Members and partners, and their report had been received in Spring 2022. She explained that from this report an action plan had been developed and published on the Council's website in June 2022. The Director of Strategy, Engagement and Growth explained that government intervention had begun in September 2022 which saw work start to develop an Improvement and Recovery Plan, and which could show similar themes from the Corporate Peer Challenge actions. She felt that the Corporate Peer Challenge would be subsumed by the Improvement and Recovery Plan, which would be shared with Members in the New Year and taken to the appropriate Full Council meeting. She stated that the process was iterative and would also feed information in from the Best Value Inspection.

The Chair highlighted that the report felt the Council took the lead on too many projects, and subsequently damaged its reputation with stakeholders. The Chair asked what had changed regarding this issue since the publication of the action plan. The Director of Strategy, Engagement and Growth explained that the Council had previously taken the lead on many projects with a range of partners, such as the Health and Wellbeing Strategy, the Economic Development Strategy implementation plan, and the Thames Freeport. She stated that the Council now had an opportunity to review and reprioritise major projects, and allow the voluntary and private sectors to take the lead when they were best placed to do so. Councillor Kent stated that Members had spoken to the LGA regarding the Corporate Peer Challenge in January 2022, and the report was only being presented to the Corporate Overview and Scrutiny Committee one year later. He felt that the report was now out of date due to the Improvement and Recovery Plan, and asked why

the report had not been presented to Members earlier, and sought assurance that the Improvement and Recovery Plan would be shared with Members. The Leader agreed with Councillor Kent that the report should have been shared with the Committee earlier. He felt that the Council needed to resolve the issues with finances, but also needed to undergo a cultural change and remove the culture of secrecy through leadership. The Chair agreed that the amount of time that had passed since the peer review had taken place devalued the report, and asked officers to ensure the Improvement and Recovery Plan was distributed to Members in a timely way. The Leader explained that the Improvement and Recovery Plan was an iterative process and would need to be agreed by the Secretary of State before being shared with Members.

RESOLVED: That the Committee:

1. Noted the outcomes of the LGA Corporate Peer Challenge in January 2022 and the actions as part of the wider response to the Best Value Inspection and intervention process.

2. Feedback on any specific areas which committee members feel should be focussed on in future iterations of the Improvement and Recovery Plan.

Councillor Duffin left the meeting at 7.51pm

21. Financial Update - Quarter 2 2022/23

The Interim Director of Finance introduced the report and highlighted paragraph 3 on page 39 of the agenda which stated that Thurrock Council was currently in a grave financial position, with a £469m deficit in the current year, and a £184m deficit for 2023/24. He explained that these deficits were mainly from investments and page 40 of the agenda provided a breakdown of the current position, including a write-down on investments, prudential borrowing, and further losses from investment income. He explained that the Council could undertake limited mitigation to reduce the deficit to £452m, as set out in the table on page 40, but exceptional financial support (EFS) would still be required from central government and a Section 114 notice would likely be issued before Christmas. The Interim Director of Finance explained that the most significant balances related to the write-down of the valuations of four investments, the most significant of which were the solar investments. He explained that the Council's position also reflected forward compliance with the new prudential code that would come into effect in April 2024. He explained that the position on investments had a long way to run, and the Council were currently quantifying issues surrounding this investment to form the basis of further discussions with central government. He added that there was only limited mitigation to date. He stated that the EFS request to central government was expected to be sent next week, but the government had been engaged with the process and had seen the report being presented to this Committee.

The Interim Director of Finance continued and outlined the Medium-Term Financial Strategy (MTFS) position, which he felt was also worrying as the Council continued to identify problems with the ongoing impact of investments. He highlighted Table 2 on page 41 of the agenda that outlined the ongoing impact of these issues, which totalled approximately £167m in addition to the Council's operational budget. He explained that if the Council divested their investments, then this would reduce interest costs and Minimum Revenue Position (MRP) costs, but the Council would continue to be in a deficit position. The Interim Director of Finance explained that the divestment strategy was ongoing, particularly regarding the solar investment assets, which were now likely to be sold from within an administration process, and noted that the administrator had recently appointed KPMG to lead on the sale of these assets. He was hopeful that the sale of this asset would happen within two years.

The Interim Director of Finance stated that although the investment figures were large, this should not detract from underlying issues, as regardless of the investment figures the Council had already had to use temporary measures to balance the budget in 2022/23, such as the use of reserves and capital receipts. He commented that this had been a problem before the investment issues, and the Council now needed to prove that it could become a sustainable Council in the future. He highlighted the Commissioner comments on page 42 of the agenda, and stated that the report had been agreed with them before publication. He explained that they had noted the Council's position in terms of the budget position, the level of reserves, and the impact of investments, and further work was required to look at other investments which would be outlined in the Quarter 3 Financial report. He explained that an initial review of the tail of investments had identified one further issue which was being quantified, and this would be presented to the Financial Reporting Board soon. The Interim Director of Finance explained the wider financial review remained ongoing and was an iterative process, which would also look at areas such as the Housing Revenue Account (HRA) and subsidiary companies. He felt that lots had happened at the Council in the past three months, and the Council would continue to work with the Commissioners and central government to consider whether the Council was sustainable, and this included work undertaken through the Best Value Inspection (BVI).

The Interim Director of Finance summarised and stated that the recommendations had been produced in consultation with the Commissioners, and the report had been deferred by Cabinet to ensure Corporate Overview and Scrutiny comments and feedback could be received. He added that meetings were currently being set up between the Council and external auditors to consider the revised MRP approach, and a further report would come back for Quarter 3 to confirm a prudent and robust approach was undertaken.

The Chair asked if anything had changed since publication of the report. The Interim Director of Finance replied that one investment may have lost value, but this still needed to be verified and would be brought back as part of the tail

of investment report. He explained that some changes and fluctuations were normal, but the Council would be taking a view on all investments and would undertake a constant dialogue to increase transparency. He added that the next phase was to understand the future of the MTFs with the divestment strategy over the next 5/6 years, but would also consider what the Council's finances would look like post-divestment, and the team were currently modelling different scenarios to do this.

Councillor Holloway highlighted that the Council's reserves were being decreased, and asked if this would open up the Council to further risk, and what this would mean practically for the Council. The Interim Director of Finance replied that the recommended level of reserves was £11m, and the Council's reserves were currently projected to be just above this level. He stated that this could leave the Council open to financial exposure, although the team were working to ensure reserves were built back up through a Reserve Strategy to achieve financial sustainability. He felt that this would help transform the Council and lead to sustainable decision making. Councillor Holloway questioned the impact that the Council's finances would have on the HRA and subsidiary companies, and asked if due diligence would be carried out before monies were secured. The Interim Director of Finance responded that the Council's finances could have an impact on the HRA, and the HRA could be considered as a capital asset of the authority. He added that consultation was currently being carried out to assess the capital contribution this asset could make. He explained that the first step was to understand the 30-year business plan of the HRA, but significant work needed to be carried out to decide if it could provide a financial solution. He stated that the two subsidiary companies were Thurrock Regeneration Limited (TRL) and Thurrock Regeneration Homes Limited (TRHL), who currently had one major project in St Chads to complete. He explained that the plan was to divest this housing, which would fund the TRL/TRHL loans. He explained that there could be exposure for the Council in this strategy due to housing and interest rates, but due diligence would be undertaken and would be presented to Members.

Councillor Holloway highlighted page 46 of the agenda and asked what financial assumptions had been made, what these assumptions had been based on, and what would happen if these were incorrect. The Interim Director of Finance responded that as some financial assumptions had been made within the report, the financial situation could deteriorate further, due to other costs such as the £1.5m intervention fee and short-term resources would be needed to fix these issues and therefore become a sustainable Council. Councillor Holloway then queried 3.11 on page 48 of the agenda and asked what it meant that the external audits were still outstanding. The Interim Director of Finance clarified that the audits assessed the financial situation of the Council when issues started arising. He stated that the current set of open accounts were in 2020/21. He explained that the auditors could reflect issues arising back to the end of 2018/19 and attach losses to previous periods as appropriate. He commented that these technical assessments were complex and included judgement decisions from auditors that could affect reserves and the open sets of accounts. Councillor Holloway asked how long the

Commissioners would be in Thurrock. The Interim Director of Finance believed that the Commissioners had been appointed for a minimum of period of three years. He explained that this was to ensure they could oversee financial aspects of the Council such as the divestment strategy and reserves, but they could be here longer to ensure the Council's sustainability. He explained that the Council was currently in conversation with the Department of Housing, Levelling Up and Communities (DHLUC) to develop a 30-year MTFS strategy.

Councillor Arnold thanked the Interim Director of Finance for the report, and asked if terminology within the report could be clearer to ensure residents could understand. He urged Members to contact the Interim Director of Finance if they did not understand terminology within the report. Councillor Arnold sought assurances that statutory services would continue to be provided. He also highlighted 3.12 – 3.13 of the report on page 48 of the agenda and asked what would happen if Thurrock did not comply with the Prudential Code. The Interim Director of Finance highlighted that Members would continue to be invited to Q&A and briefing sessions regarding the Council's finances. He explained that there had been two prudential codes iterations during the period of the investment strategy. He stated that a third iteration of the code was expected in April 2024 which the Council was currently working on to ensure forward compliance. He stated that under the first iteration of the Code, the Council's investment strategy had been compliant, but the rules regarding write-down of investments had changed in April 2019 with the second iteration of the Code and the Council were made no longer compliant. He stated that when the investment strategy had been agreed as an approach it had been Code compliant, but this had not been challenged when the rules had changed. He also confirmed that statutory services and contractual obligations would continue if a S114 notice was issued, but all spend would be considered in more detail to ensure good decision-making. He clarified that the S114 notice would probably be in place throughout 2023 to ensure revenue and capital spend was considered, but confirmed that staff and contractors would continue to be paid.

Councillor Kent thanked the Leader for deferring the Cabinet report to ensure Overview and Scrutiny comments could be included. He sought clarification that the budget and capital strategy agreed by Full Council in February was accurate. The Interim Director of Finance replied that the budget had been accurate, but the MRP policy had assumed that the recovery of funds would pay back borrowing. He stated that up until recently this assumption had held, and was an approach being taken by other Council's and supported by advisers, but the risks had been underestimated. Councillor Kent queried if the Q2 report being presented to the Committee was accurate and compliant with the Prudential Code. The Interim Director of Finance responded that the Q2 report was accurate and compliant with the Prudential Code. He stated that the investment approach had been deemed acceptable under the first Prudential Code, but had become unacceptable under the second Prudential Code as MRP was required on all assets. He felt that it was clear retrospectively that the Council's approach had been non-compliant with the second Code iteration, but the Council had not been challenged on this and

were now having to remedy this issue. He clarified that the investments had caused the Council's financial issues, but the MRP was a judgement call made by all local authorities. He felt that as some local authorities were under financial pressure, such as Thurrock, they had gravitated to setting a level of MRP which created greater exposure to the issues that subsequently arose.

Councillor Kent asked what an EFS and capitalisation directive was and how this would affect the Council. The Interim Director of Finance explained that the EFS confirmed that the Council had a gap on its balance sheet that it could not close, and allowed the Council to borrow money from central government to close this gap and pay it off over approximately twenty years so it remained balanced in the future. Councillor Kent asked what the consequences would be of an S114 notice. The Interim Director of Finance replied that an S114 notice was confirmation from the S151 Officer that the Council cannot deliver its budget within existing resources for 2022/23, and committed the Council to spending controls throughout the S114 period. He explained that a panel would be set up to approve spending limits, including on capital projects. He explained that it did not prevent the Council from spending money on sustainable transformation projects, but these would be subject to higher levels of scrutiny. He added that the BVI could override spending controls, but the bar for these exemptions would be high. The Interim Director of Finance sought assurances from Members that cost controls would be implemented, as the Council had to demonstrate to the BVI and external auditors it could manage costs appropriately. Councillor Kent felt concerned that money had been borrowed from the Public Works Loan Board (PWLB) and they had not done their due diligence. He queried if questions needed to be asked of the PWLB. He added that external auditors had not challenged the Council on their lack of compliance with the Prudential Code, and if the Council also needed to ask questions of them. The Interim Director of Finance replied that when the first iteration of the Prudential Code was in place, local authorities committed to fund borrowing and interest, and although there were restrictions in place, local authorities simply had to confirm they could pay their borrowing back. He stated that he could not comment on the due diligence of the PWLB, but concerns had been raised as other local authorities had also borrowed money from the PWLB, so felt it was not unreasonable to ask them to assess their borrowing process. He stated that from 2020 onwards the PWLB asked local authorities to confirm that they were not borrowing to invest. The Interim Director of Finance stated that the external audit was ongoing and would make assessments regarding investments.

Councillor Kent explained that an S114 notice would mean the Council would retreat to a statutory minimum, as defined by the S151 Officer, and asked what the Council's statutory minimum position was. He also sought clarification as several local authorities had sought EFS and capitalisation directives, and these authorities were now subject to a 1% future supplement on PWLB borrowing. He asked if this would be the same case for Thurrock. The Interim Director of Finance replied that Thurrock would have a 1% supplement on future borrowing from the PWLB. He added that the Spend Panel would make the judgement on all spend within the Council, and the

rules on spend would come to a Full Council meeting. Councillor Kent asked what Member oversight there would be on the Spend Panel. The Interim Director of Finance responded that the team were currently working on this, but felt that Member oversight would be key to the Panel.

The Chair sought confirmation that an S114 notice would trigger a Full Council meeting within 21 days. He asked what would be on the agenda for this meeting. The Interim Director of Finance replied that Full Council would need to meet within 21 days to acknowledge and endorse the S114 notice. He added that Full Council would also need to consider spending controls. He stated that the team were currently working on dates for the Full Council meeting to ensure the S114 notice could be implemented, and the report would make several recommendations to ensure Members fully understood the Council's position. Councillor Holloway stated that although other local authorities had submitted a S114 notice, Thurrock was in a unique position due to the deficit level and governance issues. She asked what would happen in the future to ensure that this level of deficit and governance issues does not happen again. She felt concerned regarding the level of Member oversight and sought assurances from officers that Members would be included in decision-making. The Interim Director of Finance replied that the BVI would consider all governance arrangements, and actions from this would be picked up through the Improvement and Recovery Plan. He added that the Commissioners would also provide another level of oversight, and would help reset the financial future of the Council. He stated that officers were taking all Member comments on-board, and these would also be included in the BVI report, which was due imminently.

RESOLVED: That the Committee:

- 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 ad 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.

22. Local Council Tax Scheme

The Strategic Lead – Revenues and Benefits introduced the report and stated that it set out the Council's obligations to consider the Local Council Tax Scheme (LCTS), which set out the level of support that working aged people could receive annually. He stated that the LCTS remained unchanged for 2023/24, as the level of complaints had been low, but the level of collections had been high in 2022/23. Councillor Kent stated that the number of claimants of LCTS had reduced over the past year, and asked if officers expected to see a rise next year due to the cost-of-living crisis. The Strategic Lead – Revenues and Benefits stated that the team were expecting to see a rise in the number of claimants due to a predicted rise in unemployment in the borough.

RESOLVED: That the Committee:

1. Noted the analysis of the current scheme.

2. Supported the recommendation that the current scheme remains unchanged for 2023/24.

23. Work Programme

The Chair proposed an update report on the future of Coalhouse Fort, as this would link to the Thameside, and Asset Management reports scheduled for February. This was agreed by the Committee.

The meeting finished at 8.52 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**