

27 September 2023		ITEM: 11
Council		
Progress on Thurrock Council's Improvement and Recovery		
Wards and communities affected: N/A	Key Decision: Non-Key	
Report of: Cllr Andrew Jefferies, Leader of the Council		
Accountable Assistant Director: N/A		
Accountable Director: N/A		
This report is Public		

Executive Summary

This report provides Members with a progress update on the work to date to deliver the Council's Improvement and Recovery Plan. This is the first in what will be quarterly reports to allow Members the opportunity to receive updates, scrutinise and provide constructive challenge to the delivery of the plan and Council's recovery overall.

Given this is the first report to Member-led committees on the Council's progress, background information relating to the Directions, how they have changed over time and key events since the beginning of the intervention are summarised below, before providing the substantive update on challenges and recovery progress in section 3. Going forward, the intention would be to report on a quarterly basis focussing on updates since the last report to Members.

The Council continues to face significant challenges as it recovers and responds to the Directions from the Secretary of State. As failings are addressed and improvements made, the Council will have to work at considerable pace to make the required changes to re-shape the organisation and become financially sustainable. Difficult decisions will come forward in the coming months, including agreeing a new vision for how services are delivered and setting a budget for 2024/25.

Over the coming months, regular information on the Council's improvement and recovery progress, as well as the enhanced Improvement and Recovery Plan, will be brought forward for Members to consider at Overview & Scrutiny, Cabinet and Full Council meetings.

Commissioner Comments

The Commissioners' response to this report can be found at appendix A.

1. Recommendation(s)

That Full Council:

- 1.1 Note the progress made on the Council's improvement and recovery.**
- 1.2 Agree to receive quarterly reports on progress.**
- 1.3 Note the work to develop an enhanced Improvement and Recovery Plan.**
- 1.4 Note the comments from Commissioners found at appendix A.**

2. Introduction and Background

Start of Intervention and Inspection

Intervention

- 2.1 On 2 September 2022, the then Secretary of State for Levelling-up, Housing and Communities made directions under section 15(5) and (6) of the Local Government Act 1999 to implement an intervention package for Thurrock Council. This package was in two parts: the first is that the Council's functions over managing its financial resources, exercise of the statutory requirement to arrange for the proper administration of the Council's financial affairs, and all functions associated with the strategic financial management of the Authority would be overseen by Essex County Council (ECC), in the role of Commissioner.
- 2.2 The Directions set out the functions of the authority to be exercised by Commissioners:
 1. All functions associated with the financial governance and scrutiny of strategic financial decision making by the Authority;
 2. The requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:
 - a. providing advice and challenge to the Authority on the preparation and implementation of a detailed 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;
 - b. providing advice and challenge to the Authority in the setting of annual budgets and a robust medium term financial strategy (MTFS) for the Authority, strictly limiting future borrowing and capital spending;
 - c. scrutiny of all in-year amendments to annual budgets;
 - d. the power to amend budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty;

- e. providing advice and challenge to the Authority on the preparation of sustainable and affordable capital, investment and treasury management strategies; a strict debt reduction plan; and a revised minimum revenue provision (MRP) policy;
- f. providing advice and challenge to the Authority on a suitable scheme of delegations for financial decision-making;
- g. ensuring compliance with all relevant rules and guidelines relating to the financial management of the Authority.

2.3 Governance structures were put in place to allow the Commissioners to have oversight of these functions and carry out these functions. A Finance Recovery Board, chaired by Nicole Wood, Executive Director of Corporate Resources at ECC, was established and began meeting fortnightly from 10 October 2022 (latterly this meeting has been held monthly). The terms of reference and minutes from this and other Commissioner-led boards can be found on the intervention section of the Thurrock Council website.

2.4 From the outset of the intervention, Commissioners have worked constructively with Members and Officers to ensure proactive engagement, meaning that in practice decisions continue to be taken by the Council with Commissioners powers held in reserve and used where they deem necessary.

2.5 These directions also required the Council to produce an Improvement and Recovery Plan within three months to set out an action plan to achieve:

- Financial sustainability, including closing short and long-term budget gaps and a robust multi-year savings programme
- Sustainable and affordable capital, investment and treasury management strategies
- An update minimum revenue provision (MRP) policy which is in line with relevant rules and guidelines
- A strict debt reduction plan
- Compliance with all rules and guidelines for financial management
- A suitable scheme of delegation for financial decision-making

2.6 Combining the Directions and recommendations from peer reviews and other experts, a plan was constructed at pace focused around 5 themes:

- Financial Sustainability
- Governance and Scrutiny
- Strategic Direction
- Leadership and Culture
- Place Leadership and Growth

2.7 This plan was submitted to the Commissioners and the Department for Levelling-up, Housing and Communities (DLUHC) in December 2022, with reporting to Commissioners on urgent financial actions beforehand to the Finance Recovery Board.

- 2.8 To oversee the development and delivery of the Improvement and Recovery Plan, the Improvement and Recovery Board, chaired by Gavin Jones, Chief Executive of ECC, was established and has met monthly since 1 November 2022. Membership of the Board includes Commissioners, the Leader and Deputy Leader of the Council, Leader and Deputy Leader of the Opposition and Senior Leadership Team.

Best Value Inspection

- 2.9 The second part of the intervention package from the Secretary of State appointed Essex County Council as a Best Value Inspector, to inspect the governance, audit (internal and external), risk management, overview and scrutiny functions of the Council, and consider their impact on service delivery. This was to assess the extent of the failure to comply with the Best Value duty, beyond the management of financial resources, and to mitigate the risk to service delivery that any further failure may have.
- 2.10 Essex County Council appointed an inspection team and their work commenced on 26 September 2022. Details of the inspection process can be found in paragraphs 22 to 24 in the Best Value Inspection report.
- 2.11 The report was submitted to the Department for Levelling Up, Housing and Communities (DLUHC) on 19 March 2023 and published on their website on 15 June 2023. Full Council considered and responded to this report on 28 June 2023 and the recommendations were accepted by Members.

Update Reports and Expanded Directions

- 2.12 In December 2022, the Commissioners submitted their first update to the Secretary of State, reporting on the Council's progress against the specific Directions as well as their reflections on the culture, governance and capacity.
- 2.13 Shortly after the Commissioner's report was submitted, the Best Value Inspectors also provided an update on the progress of their inspection. The update proposed an extension to the time period set out in the appointment to allow the inspection to look into wider areas than the original scope, however the inspectors were able to make some recommendations to the Secretary of State at that point.
- 2.14 These reports were published by DLUHC on 24 January 2023 alongside the Ministerial response to them, which outlined that the Secretary of State was 'minded-to' expand the Directions in order to:
- transfer further powers to Commissioners in areas such as governance, the way the Council delivers services and the senior structure of the Council.
 - require the Council to produce an enhanced Improvement and Recovery Plan to go further into particular areas.

- appoint a Managing Director Commissioner in order to strengthen the intervention model, and to support the Authority's capacity to deliver against its improvement plan.

2.15 Any interested party was able to submit representations to DLUHC on these proposed changes, and General Services Committee considered a response from the then Acting Chief Executive at its meeting on 7 February 2023.

2.16 After considering all representations made, the Secretary of State confirmed the expanded recommendations and appointment of Dr Dave Smith as Managing Director Commissioner on 16 March 2023 effectively replacing the original directions from 2 September 2022. Therefore, the Council's (referred to as "Authority" within the Directions) powers to be exercised by Commissioners currently in place are:

1. All functions associated with the governance, scrutiny and transparency of strategic decision making by the Authority.
2. All functions associated with the financial governance and scrutiny of strategic financial decision making by the Authority.
3. The requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:
 - a. providing advice and challenge to the Authority on the preparation and implementation of a detailed 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;
 - b. providing advice and challenge to the Authority in the setting of annual budgets and a robust medium term financial strategy (MTFS) for the Authority, strictly limiting future borrowing and capital spending;
 - c. scrutiny of all in-year amendments to annual budgets;
 - d. the power to amend budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty;
 - e. providing advice and challenge to the Authority on the preparation of sustainable and affordable capital, investment and treasury management strategies; a strict debt reduction plan; and a revised minimum revenue provision (MRP) policy;
 - f. providing advice and challenge to the Authority on a suitable scheme of delegations for financial decision-making; and
 - g. ensuring compliance with all relevant rules and guidelines relating to the financial management of the Authority.
4. All functions associated with the Authority's operating model and redesign of services to achieve value for money and financial sustainability.
5. All functions relating to the appointment and dismissal of persons to positions the holders of which are to be designated as statutory officers, and the designation of those persons as statutory officers, to include:
 - a. the functions of designating a person as a statutory officer and removing a person from a statutory office; and
 - b. the functions under section 112 of the Local Government Act 1972 of:
 - i. appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
 - ii. dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority.

6. All functions to define the officer structure for the senior positions at the Authority, to determine the recruitment processes and then to recruit the relevant staff to those positions.
7. All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions.

2.17 The updated Directions also set out the actions to be taken by the Council:

1. Prepare and agree an Improvement and Recovery Plan to the satisfaction of the Commissioners, within 6 months, with resource allocated accordingly. This should include and draw upon the existing Improvement Plan produced in December 2022, per the Directions issued to the Authority on 2 September 2022. The plan is to set out measures to be undertaken, together with milestones and delivery targets against which to measure performance, in order to deliver rapid and sustainable improvements in governance, leadership and culture in the Authority, in the Authority's exercise of its overview and scrutiny functions and in its performance of services, thereby securing compliance with the Best Value Duty. The Improvement and Recovery Plan should include at a minimum:
 - 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.
 - 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.
 - d. An action plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority.
 - e. A suitable scheme of delegations for financial decision-making.
 - f. An action plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.
 - 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.
 - 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.
2. To report to the Commissioners on the delivery of the Improvement and Recovery Plan at 6 monthly intervals, or at such intervals as Commissioners may direct.
3. To undertake in the exercise of any of its functions any action that the Commissioners may reasonably require to avoid so far as practicable incidents of poor governance, poor financial governance or financial mismanagement that would, in the reasonable opinion of the Commissioners, give rise to the risk of further failures by the Authority to comply with the Best Value Duty.
4. 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.
5. To allow the Commissioners at all reasonable times, such access as appears to the Commissioners to be necessary:
 - a. to any premises of the Authority;
 - b. to any document relating to the Authority; and
 - c. to any employee or member of the Authority.
6. To provide the Commissioners, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Commissioners may reasonably require from time to time to carry out their functions and responsibilities under these Directions.

7. To pay the Commissioners reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
8. To provide the Commissioners with such assistance and information, including any views of the Authority on any matter, as the Commissioners may reasonably request.
9. To co-operate with the Secretary of State for Levelling Up, Housing and Communities in relation to implementing the terms of these Directions.

2.18 A number of actions were taken in response to these expanded Directions:

- The governance structure of the Commissioner-led boards was expanded to reflect the specific focus on governance and establish a Governance Recovery Board, chaired by Dr Dave Smith, which began meeting after the pre-election period and Annual Council on a monthly basis from 13 June 2023.
- Cabinet Members were given specific responsibilities for the key areas linked to improvement and recovery:
 - Finance led by Cllr Snell
 - Governance and Transformational Change led by Cllr D Arnold
 - Directional Leadership led by the Cllr Jefferies
- Dr Dave Smith was appointed as Head of Paid Service and Chief Executive for the Council.
- Improvement and Intervention Communications Strategy approved, providing a framework for articulating the Council's improvement journey internally and externally.
- Extensive engagement and communication with staff and Members to provide them with information, support and enable their active participation in shaping the Council and driving culture change.
- Starting the development of the enhanced Improvement and Recovery Plan, including engagement with Officers and Members.
- Change Team established on an interim basis with a Director lead and secondments from services key to delivering change.

2.19 The enhanced Improvement and Recovery Plan will be brought to Members for discussion and agreement in due course and following Member engagement in its development.

3. Challenges and Recovery Progress to date

While progress has been made since the beginning of the intervention the Council will face challenges and difficult decisions, particularly in the coming months:

- Maintaining and where necessary enhancing the scale and pace of change – as well as securing the capacity, capability and appropriate external support to deliver.
- Decisions on how services are provided, linked to a different vision for role the Council has in the community.
- Decisions related to setting a budget for 2024/25, including savings and impact on service levels.
- Embedding a leaner and re-focussed Senior Leadership Team.

- Making significant progress to improve the Council's control environment of audit, risk management etc.
- Continuing the take steps to improve relationships and engagement between Officers and Members.

Financial Sustainability Theme

3.1 Achievements to date:

- Updated and compliant Capital Strategy, including the Treasury Management Strategy and MRP statement, agreed by Members at Full Council on 1 March 2023.
- Expenditure controls put in place following the issuance of the s114 notice in December 2022, as considered at Full Council in January 2023.
- Updated Fees and Charges Strategy (June 2023)
- Decisions on Toucan, PWE, Just Loans Group / Just Cash Flow, Shard taken as part of a Divestment Strategy to reduce associated debt.
- Strategic Investment Advisory Panel established by Cabinet in February 2023 to review the performance of borrowings investments and make recommendations arising from any review.
- Additional resources brought into Assets team to accelerate disposals and rent reviews.

3.2 Sector and External Support:

- **Chartered Institute of Public Finance and Accountancy (CIPFA)** – conducting a review of HRA recharges, support to the Divestment Strategy
- **Avison Young** – providing independent valuations of the Council's assets.
- **Pricewaterhouse Coopers (PwC)** – working with the Change Team, PwC have been developing savings proposals as part of the direction to reshape the Council in order to become financial sustainable. The outputs and recommendations of this work will be brought forward to Commissioners and Members once complete.

3.3 Issues and Risks:

- The ability to meet the savings targets and agree a balanced budget for 2024/25.

Governance and Scrutiny Theme

3.4 Achievements to date:

- Officer and Member Constitution Working Groups established.
- Restructure for Governance Services agreed to bolster capacity in key areas.
- Deep Dives at Governance Recovery Board on Audit as well as Risk and Opportunity Management.
- Report writing training secured for senior officers.

- Member training schedule endorsed by Standards and Audit Committee (July 2023).
- Review of Thurrock Regeneration Limited complete.
- Post of Head of Thames Freeport agreed to lead on the Accountable Body function and interim appointment made.

3.5 Sector and external support:

- **Local Government Association (LGA)** – in addition to the core offer to the Council as a member of the LGA, a package of support has been proposed including communications support, Member mentoring, Member training including the Leadership Academy, Member and Officer development and the review of the constitution.
- **Centre for Governance and Scrutiny (CfGS)** – leading on the review of the overview and scrutiny function of the Council and supplementing the related aspect of the LGA support.
- **CIPFA** – conducted the review of Council-owned companies.

3.6 Issues and Risks:

- Ability to recruit required number of internal auditors. Currently being mitigated through additional capacity from Mazars.
- Focus of Information Governance project. Initially focussed on ensuring compliance with data protection regulations. Work is underway to expand the scope to make the Council more open and transparent as highlighted in the Best Value Inspection report.

Strategic Direction Theme

3.7 Achievements to date:

- Emerging vision and purpose of new operating model, as well as design principles for how services could be delivered in the future.
- Deep Dive on the emerging Performance Management and Assurance Framework at the Improvement and Recovery Board.
- Digital vision endorsed by Senior Leadership Team.
- Cross-council Improving Equality Outcomes Board established.

3.8 Sector and External Support:

- **PwC** – supporting the work of the Change Team to develop a new operating model and associated design principles.

3.9 Issues and Risks:

- Deliverability of new operating model - primary focus of this workstream has been to work with the organisation and PwC to develop the new operating model. Capacity and capability will be required to deliver the model to the scale and pace required.

Leadership and Culture Theme

3.10 Achievements to date:

- Senior Leadership restructure agreed by General Services Committee.
- Series of current and future Culture & Values Focus Groups with staff delivered.
- The Cultures & Values Survey (those not attending focus groups) launched end June and will run every 2 weeks until end September.
- Data from all the Culture & Values Focus Groups and surveys is collated. All data will be used to inform the development of the future culture and values narrative and the new culture roadmap (Oct/Nov 2023).
- Training content for building change capability for staff and managing change for Leaders & Managers developed, and now supported by an online revised Change Tool Kit as an additional change guide & support offering.
- Managing Change (Leaders/Managers) and Workforce Managing Yourself Through Change sessions held with more scheduled.
- Change Team change capability building sessions to develop awareness & understanding of structured method/process to deliver change activities in alignment with the project methodology.
- Staff Roadshows held during July 2023 with the Leader and Managing Director Commissioner / Chief Executive, further Roadshows scheduled for later in the year.
- Intervention and Improvement Comms Strategy agreed Improvement and Recovery Board in June.

3.11 Issues and Risks:

- Communications - ongoing openness and transparency in external and internal communications.
- Culture - meaningful and lasting culture change takes time to be delivered and embedded.

Place Leadership and Growth

3.12 Achievements to date:

- Expression of Interest for Greater Essex devolution submitted to DLUHC.
- Composite business case for Thames Freeport produced, combining all related documents.

3.13 Issues and Risks:

- Regeneration Project and Programme Reviews - delays in bringing forward information to Members and sharing with the organisation would prevent important lessons being learnt in a transparent manner.

Programme Management and Delivery Assurance

- 3.14 Through the delivery of the Improvement and Recovery Plan, a programme management approach has been adopted as set out in the plan. This has been supplemented by an emerging delivery assurance function currently being developed by the new Delivery Assurance Manager.
- 3.15 As this function further matures alongside the work PwC are supporting the Council on to enhance a corporate Programme Management Office (PMO) function, the quality and assurance of the reporting will improve over time, as will Member and Commissioner confidence.

4. Reasons for Recommendation

- 4.1 This is the first report updating Members on progress towards the Council's improvement and recovery.
- 4.2 Full Council are asked to agree that these reports will be provided quarterly, to note the emerging work on an enhanced Improvement and Recovery Plan and to note the Commissioner comments at appendix A.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Not applicable.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 There are no direct impacts as a result of this report.

7. Implications

7.1 Financial

Implications verified by: **Jo Freeman**
Finance Manager for Management Accounts

There are no direct financial implications from the recommendations in this progress update report.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy Monitoring Officer

There are no direct legal implications arising from the recommendation in this update report.

7.3 Diversity and Equality

Implications verified by: **Natalie Smith**
Strategic Lead, Community Development and Equalities

There are no direct diversity and equality implications from the recommendations in this progress update report.

7.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

There are no direct significant implications from the recommendations in this progress update report.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Documents relating to the intervention in Thurrock Council, DLUHC - <https://www.gov.uk/government/collections/intervention-at-thurrock-council>
- Best Value Inspection Report, Full Council 28 June 2023 - <https://democracy.thurrock.gov.uk/ieListDocuments.aspx?CId=134&MID=6346#A117652>

9. Appendices to the report

- Appendix A – Commissioner response to September 2023 Full Council

Report Author:

Luke Tyson

Chief Intervention Officer