

# Audit and Governance Committee



Date of meeting:	25 July 2023
Title of Report:	Report in the Public Interest – Thurrock Report
Lead Strategic Director:	David Northey (Interim Service Director for Finance)
Author:	David Northey
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Your Reference:	DJN/Audit July 2023
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

There have been a number of high profile instances of local authorities who have encountered serious financial difficulties. These include Woking and Thurrock. Essex County Council was asked by the Secretary of State to undertake a Best Value inspection of Thurrock Council in September 2022. This has now been published and will be of interest to all councils as they review approaches to political and managerial leadership, governance arrangements and internal and external control. This report highlights some of the major issues and recommendations.

## Recommendations and Reasons

The Audit and Governance Committee to note the contents of the report.

## Alternative options considered and rejected

This report is for information only.

## Relevance to the Corporate Plan and/or the Plymouth Plan

The Best Value Report prepared by the inspectors (Essex County Council) is of use to not only Thurrock Council, but also those who provide leadership for local communities across the country. As a responsible council we seek out opportunities for learning wherever possible and apply the lessons to our system where appropriate.

## Implications for the Medium Term Financial Plan and Resource Implications:

None as a result of this report.

## Financial Risks

None as a result of this report.

## Carbon Footprint (Environmental) Implications:

None as a result of this report.

## Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

None as a result of this report.

## Appendices

\*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule of the Local Government Act 1972 by ticking the relevant</i>						
		1	2	3	4	5	6	7
	Best Value Inspection Report <a href="https://www.gov.uk/government/publications/thurrock-">https://www.gov.uk/government/publications/thurrock-</a>							

## Background papers:

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

## Sign off:

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Originating Senior Leadership Team member: Click here to enter text.											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 04/07/2023											
Cabinet Member approval: [electronic signature (or typed name and statement of 'approved by email/verbally')]											
Date approved: Date.											

## 1. Background

- 1.1. On 2 September 2022, the Government appointed Essex County Council as 'Best Value Commissioner' for Thurrock Council. This intervention was in response to concerns about levels of financial risk and debt, and clear 'Best Value' failure in relation to the Council's financial functions.
- 1.2. On 16 March 2023, the Government issued a written ministerial statement confirming further Directions for Thurrock Council, and is available:  
<https://questions-statements.parliament.uk/written-statements/detail/2023-03-16/hcws638>
- 1.3. The expanded Directions confirm the appointment of a Commissioner act as Managing Director of Thurrock Council. They also set out the Commissioners' increased powers in making decisions about:
  - Employment matters related to senior managers
  - The Council's staff structure and operating model
  - The functions relating to scrutiny and transparency of strategic decision making
- 1.4. Essex County Council were asked by the Secretary of State to undertake a Best Value inspection of Thurrock Council in September 2022. They were asked to look beyond the evident financial failings and to consider the wider operating environment of the Council within which these failings took place, and to make recommendations to the Secretary of State on managing any further risks.
- 1.5. Between 2016 and 2022 Thurrock Council pursued a strategy of borrowing large amounts of money, predominantly from other local authorities, and using this to undertake a range of investments for the purposes of securing a return. The income from this strategy enabled local political leaders to forestall or avoid difficult decisions on savings, raising council tax, and the transformation of local services for several years. But the Council failed to understand and control the risks of this investment strategy. The ultimate failure of the strategy, and the scale of the financial loss that has resulted has undermined the financial viability of the authority and will require significant external support to be provided.
- 1.6. The report states the inspection found that Thurrock Council has experienced repeated failures both in the delivery of its investment strategy, and in the delivery of major infrastructure and regeneration projects. These failures have resulted in the loss of substantial sums of public money. When initially faced with these failures, members and senior officers within the Council have attempted to conceal bad news and avoid public scrutiny.
- 1.7. This pattern of failure, and the nature of the Council's response, has been enabled by dereliction in political and managerial leadership, inadequate governance arrangements and serious weaknesses in internal control.
- 1.8. The Council's lack of openness and transparency has given rise to a culture of insularity and complacency. Internal challenge has been discouraged, and external criticism and challenge have been routinely dismissed. This has undermined the Council's ability to learn from others and from its own previous mistakes. It has placed the Council in a state of 'unconscious incompetence' and has undermined its ability to secure continuous improvement. Thurrock Council has, therefore, failed to meet the 'Best Value Duty' placed on all local authorities.

## 2. Recommendations include:

- 2.1. Directing Thurrock Council to prepare, agree and implement a recovery plan to the satisfaction of Commissioners. The extended recovery plan should set out robust actions to:
  - reconfigure council services around a set of Council approved priorities, ensure they can be delivered within the radically reduced financial resources that will be available, and put in place robust arrangements for their performance management;
  - secure the proper resourcing and functioning of the system of internal controls, including risk management and internal audit; and
  - develop and sustain more open, transparent and positive working practices and behaviours within the Council. This should be supported by actions to enhance leadership and management, and to enable employees at all levels to identify and learn from good practice across their respective professions and the sector more broadly.
- 2.2. The Secretary of State should consider directing Thurrock Council to
  - design an appropriate officer structure for the authority. This should provide sufficient resources to deliver the authority's functions in an efficient and effective way;
  - put in place the skills, capabilities and capacity necessary to lead and manage this change; and
  - develop an enhanced performance management framework for the efficient and effective operation of the Council.
  - to prepare, agree and implement a plan to address the fundamental issues that have allowed decision-making power to be drawn to a small group of members and officers.
- 2.3. Recommendation 6: The Council should move to all-out elections and if the Council does not itself make such arrangements by 31 July 2023 the Secretary of State should Best Value Inspection Report: Thurrock Council 8 consider making an order under Section 86 of the Local Government Act 2000, to secure this. This will help provide the opportunity for greater consistency and longevity in political direction, and an opportunity to enhance the Commissioners' work to embed new ways of working and a fit for purpose operating environment.
- 2.4. To prepare and agree, to the satisfaction of Commissioners, a set of arrangements and protocols by which it will embed good practice with respect to information sharing and transparency. These should reflect and support wider work to develop more open and transparent working practices and behaviours within the Council.
- 2.5. The Secretary of State may wish to commission a review of external audit for local authorities, to consider the role that external audit currently plays in the assurance framework and to make recommendations on how to strengthen the quality of the service and the reporting requirements, particularly in support of an early warning mechanism.

The Secretary of State may wish to consider issuing guidance to strengthen the role of the three statutory officers, requiring them to work together, and in an integrated way, to maintain the integrity of the governance arrangements and the control environment of their authority; and making legislation to strengthen and clarify the role of the Monitoring Officer and the Head of the Paid Service