

Thurrock - An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future

## Cabinet

The meeting will be held at **7.00 pm** on **13 September 2023**

**Council Chamber, Civic Offices, New Road, Grays, Essex RM17 6SL**

### Membership:

Councillors Andrew Jefferies (Chair), Deborah Arnold (Deputy Chair), Adam Carter, George Coxshall, Barry Johnson, Ben Maney and Graham Snell

### Agenda

Open to Public and Press

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#### Exclusion of the Public and Press

Members are asked to consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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#### Queries regarding this Agenda or notification of apologies:

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Agenda published on: **5 September 2023**

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# DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

Breaching those parts identified as a pecuniary interest is potentially a criminal offence

## Helpful Reminders for Members

- *Is your register of interests up to date?*
- *In particular have you declared to the Monitoring Officer all disclosable pecuniary interests?*
- *Have you checked the register to ensure that they have been recorded correctly?*

## When should you declare an interest *at a meeting*?

- **What matters are being discussed at the meeting?** (including Council, Cabinet, Committees, Subs, Joint Committees and Joint Subs); or
- If you are a Cabinet Member making decisions other than in Cabinet **what matter is before you for single member decision?**



Does the business to be transacted at the meeting

- relate to; or
- likely to affect

any of your registered interests and in particular any of your Disclosable Pecuniary Interests?

Disclosable Pecuniary Interests shall include your interests or those of:

- your spouse or civil partner's
- a person you are living with as husband/ wife
- a person you are living with as if you were civil partners

where you are aware that this other person has the interest.

A detailed description of a disclosable pecuniary interest is included in the Members Code of Conduct at Chapter 7 of the Constitution. **Please seek advice from the Monitoring Officer about disclosable pecuniary interests.**

**What is a Non-Pecuniary interest?** – this is an interest which is not pecuniary (as defined) but is nonetheless so significant that a member of the public with knowledge of the relevant facts, would reasonably regard to be so significant that it would materially impact upon your judgement of the public interest.

### Pecuniary

If the interest is not already in the register you must (unless the interest has been agreed by the Monitoring Officer to be sensitive) disclose the existence and nature of the interest to the meeting

If the Interest is not entered in the register and is not the subject of a pending notification you must within 28 days notify the Monitoring Officer of the interest for inclusion in the register

**Unless you have received dispensation upon previous application from the Monitoring Officer, you must:**

- **Not participate or participate further in any discussion of the matter at a meeting;**
- **Not participate in any vote or further vote taken at the meeting; and**
- **leave the room while the item is being considered/voted upon**

**If you are a Cabinet Member you may make arrangements for the matter to be dealt with by a third person but take no further steps**

### Non-pecuniary

Declare the nature and extent of your interest including enough detail to allow a member of the public to understand its nature



**You may participate and vote in the usual way but you should seek advice on Predetermination and Bias from the Monitoring Officer.**

## Our Vision and Priorities for Thurrock

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

1. **People** – a borough where people of all ages are proud to work and play, live and stay
  - High quality, consistent and accessible public services which are right first time
  - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
  - Communities are empowered to make choices and be safer and stronger together
  
2. **Place** – a heritage-rich borough which is ambitious for its future
  - Roads, houses and public spaces that connect people and places
  - Clean environments that everyone has reason to take pride in
  - Fewer public buildings with better services
  
3. **Prosperity** – a borough which enables everyone to achieve their aspirations
  - Attractive opportunities for businesses and investors to enhance the local economy
  - Vocational and academic education, skills and job opportunities for all
  - Commercial, entrepreneurial and connected public services

**Minutes of the Meeting of the Cabinet held on 12 July 2023 at 7.00 pm**

**The deadline for call-ins is Monday 24 July 2023 at 5.00pm**

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**Present:** Councillors Andrew Jefferies (Chair), Deborah Arnold (Deputy Chair), Adam Carter, Barry Johnson, Ben Maney, George Coxshall and Graham Snell

**Apologies:** Councillor Anderson

**In attendance:**

Mark Bradbury, Interim Director of Place  
Asmat Hussain, Interim Director Legal and Governance and Monitoring Officer  
Jackie Hinchliffe, Director of HR, OD & Transformation  
Steven Mair, Interim Chief Financial Officer  
Dr Dave Smith, Chief Executive and Managing Director Commissioner  
Ewelina Sorbjan, Assistant Director Housing Management  
Ian Wake, Corporate Director of Adults, Housing and Health  
Jonathan Wilson, Interim Director Finance and S151 Officer  
Rhiannon Whiteley, Senior Democratic Services Officer

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Before the start of the Meeting, all present were advised that the meeting may be filmed and was being recorded, with the audio recording to be made available on the Council's website.

**141. Minutes**

Councillor D Arnold stated that she had requested further information regarding paragraph 4.1.3 (Appendix 2) of the Appointment of Outside Bodies item regarding trustees of a trust being personally liable to third parties because unlike a company a trust has no separate identity. Councillor D Arnold requested that members be provided with assurance around this, that the wording be strengthened and confirmation provided that there is an insurance policy in place for this. The Leader confirmed the Monitoring Officer will respond to this outside of the meeting.

Councillor D Arnold highlighted that her comments in relation to the Adult Social Care items were not included in the minutes. The Chief Executive and Managing Director Commissioner clarified that the comments were contained within the exempt minutes.

Councillor D Arnold also queried that she had not received a response with regard to her request for more information about the adult social care tender

process and in particular a more detailed rationale around the scores given and why one provider was chosen over another. Councillor G Coxshall apologised that feedback had been received but had not been shared with Cabinet yet and this would be rectified.

The minutes of the Cabinet meeting held on 14 June 2023 were approved as a correct record.

***Action 1 – The Monitoring Officer to respond to Councillor D Arnold regarding her query around paragraph 4.1.3 (Appendix 2) of the Appointment of Outside Bodies report.***

**142. Items of Urgent Business**

There were no items of urgent business.

**143. Declaration of Interests**

No interests were declared.

**144. Statements by the Leader**

The Leader confirmed that he will not be making any remarks tonight as there is a heavy agenda. The Leader also noted that members of the public were present and he therefore proposed to bring the item on the Call-in for Thurrock's supported Bus Service forward on the agenda to be discussed first.

**145. Briefings on Policy, Budget and Other Issues**

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

**146. Petitions submitted by Members of the Public**

No petitions had been submitted by members of the public.

**147. Questions from Non-Executive Members**

No questions had been submitted by Non-Executive Members.

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

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

**149. Call-In to Cabinet Decision 110643 Thurrock Supported Bus Service - Report to follow**



The Leader confirmed that the decision has already been made by Cabinet and the report recommendations are to note the decision made by the Planning, Transport and Regeneration Overview and Scrutiny Committee. The Leader noted that there was a number of members of the public present at the meeting and interested in this item and therefore he would permit them to choose someone to speak on their behalf.

A resident from East Tilbury Village addressed Cabinet and explained that her son had special educational needs and used the 374 bus to attend USP Palmers college. She commented that this was an important part of his independence and other transport options would take longer and be significantly more expensive and therefore were not an option for her family. The resident also highlighted that other elderly and vulnerable residents without access to a car were dependent on the bus service to get their shopping and attend hospital appointments.

The Leader responded that the Cabinet member for Adult Social Care was present and noted that they will look into her son's eligibility for travel training and be in touch.

**RESOLVED:**

- 1.1 Note the decision made by the Planning, Transport and Regeneration Overview and Scrutiny Committee to take no further action in relation to all call-ins submitted in relation to Cabinet Decision 110643: Thurrock Supported Bus Services. The original cabinet decision will be progressed.**
- 1.2 Acknowledge and consider the public question submitted to the Planning, Transport and Regeneration Overview and Scrutiny Committee, as outlined in section 3.7 of this report, during its debate on this report.**

A second resident was also given permission to speak and she expressed concern for the vulnerable residents of East Tilbury.

The Leader clarified that the debate had taken place previously and it was the end of the matter.

**150. Housing Capital Programme Contract Modifications (Decision: 110656)**

Councillor B Johnson introduced the report and confirmed that the report sets out a recommendation for the Contract Modification to the Refurbishment of Non-Traditional Construction Properties contract awarded to Wates Property Services. The original term of the contract ran until 30 April 2023. An extension is required to increase the length of the contract term and value of the overall contract sum.

The requested increase to the value of the contract sum of approximately 1.7 million and timeframe is due to the following factors:

- Increased scope of work due to additional structural requirements
- Incorporation of new retrofit standards (PAS 2035)
- Inflationary price changes (beyond predicted levels)
- Availability of accredited supply chain

Councillor B Maney noted that the Council does need to invest in its housing stock and raised that many properties have defects. He queried that the report before Cabinet only related to a select number of properties and he would like to see more information after the meeting to confirm what is being done to ensure that all Council properties meet the legal standards.

Councillor B Johnson commented that the word 'defect' could refer to a multitude of issues but he agreed that he will get that information for Councillor B Maney.

**RESOLVED:**

- 1.1 Approve the Modification to Contract to increase the contract sum by £1,757,471.74 to the total of £5,272,415.**
- 1.2 Approve the Modification to increase the Contract term for the Refurbishment of Non-Traditional Construction Properties to April 2024.**
- 1.3 That Cabinet agrees to delegate authority to the Corporate Director of Adults, Housing and Health in conjunction with the Portfolio Holder and Section 151 Officer, to sign the contract variation.**

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

**151. Lower Thames Crossing Development Consent Order Update and Planning Performance Agreement (Decision: 110657)**

The Interim Director of Place introduced the report and confirmed that Cabinet has received regular updates from the Lower Thames Crossing Task Force on the Council's continued challenge to the crossing and to ensure any proposal benefits Thurrock's residents and businesses. He confirmed that The National Highways (NH) submission of its Lower Thames Crossing (LTC) application for a Development Consent Order (DCO) was formally accepted by the Planning Inspectorate (PINS) in October 2022. The Interim Director of Place further confirmed that the Examination commenced on 20<sup>th</sup> June and is

scheduled to be completed by 20<sup>th</sup> December 2023. The Council continues to be represented in that process.

The Interim Director of Place explained that the report seeks approval to enter into a Planning Performance Agreement. Some of the previous challenge by Thurrock Council was covered by a PPA and this covered around 50% of the costs. Officers have negotiated a new agreement to go through to December 2023, it is an improved agreement and will cover 80% of the costs except for Kings Counsel's advice and attendance at any examination hearings.

The Leader commented that it was good to hear that nearly 80% of the costs will be recovered and whilst the Council continues to object to the road going ahead in the current form proposed, if it does go ahead, it is important that the people of Thurrock get the mitigation they deserve.

Councillor Snell noted the Commissioner's commentary in the report that '*Unless properly mitigated, the LTC presents a significant risk to Thurrock, in terms of economic, environmental, and social impacts*' and stated that they all know it will be disastrous for the borough and he cannot see that any mitigation is going to make much difference to the negative impact it is going to have. Councillor Snell stated that we have to fight as much as we can to get the least bad outcome and that in his opinion Highways England have been obstructive.

The Leader agreed this was also his experience of Highways England during his time on the Lower Thames Crossing Task Force.

Councillor B Maney thanked officers for fighting the Council's corner on this and protecting residents from paying the bill for challenging something they don't want. The Leader echoed Councillor Maney's comments.

**RESOLVED:**

- 1.1 That Cabinet notes the DCO pre-examination process and draft examination timetable and the ongoing role of the Lower Thames Crossing Task Force.**
- 1.2 That Cabinet approves entering into a further Planning Performance Agreement with National Highways and delegates authority to the Director of Place to effect this decision.**

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

**152. Fees and Charges Policy Review (Decision: 110658)**

Councillor Snell introduced the report. He explained that the Council's difficult financial position is by now well-known and the Council is reviewing and

revising all financial plans as a consequence. Councillor Snell confirmed the report proposes a fees and charges policy is adopted, which sets out when they will be reviewed. The Council has around 1099 fees and charges and therefore some of the review process could take up to 3 years to complete. The review process has been broken down into 3 stages. Councillor Snell confirmed that some benchmarking has been completed already. The changes proposed will take effect from October of this year and the aim is for full cost recovery for discretionary services. The fees and charges in stage 2 of the review will take effect in April 2024. Councillor Snell confirmed that the feedback from the Overview and Scrutiny Committees was that the fee increases were not universally welcomed although the recommendations were passed through majority voting. Objections were mainly that members did not want to put any more costs on to residents who had already had a 9.99% increase to their Council Tax. Councillor Snell commented that due to previous administrations avoiding increasing fees in the past and desperately trying to find alternative forms of revenue that the Council finds itself in this position.

Councillor Carter commented that he attended the relevant Overview and Scrutiny Committee and it was noted that Thurrock are not charging as much as neighbouring Local Authorities for the same services and Thurrock has a lot less fees and charges overall. Councillor Carter noted that Thurrock may not be charging for services that other Local Authorities are charging for and queried if the portfolio holder will be looking at this later on in the review.

Councillor Snell responded that they would be looking at this but there were approximately 1000 fees and charges and although the benchmarking work had started it was a very big piece of work.

Councillor B Johnson commented that he welcomed the new policy as the previous one was not fit for purpose and urged officers to complete the review as quickly as possible.

Councillor B Maney commented that the Council should have been doing this anyway and not just because of the financial position the Council is in. If other Local Authorities are doing it, it probably is best practice.

The Leader stated that this is part of the road to recovery for the Council and he welcomed the report and the further work the finance team will be completed. It is about charging the appropriate rate and charging for things the Council should be charging for.

1. RESOLVED:

**1.1 That Cabinet agree the proposed Fees and Charges policy, Appendix 1, in particular agreeing the commitment to full cost recovery and annual CPI inflation increases as the default.**

**1.2 That Cabinet agree the proposed Fees and Charges increases for the material areas, Appendix 2.**

- 1.3 That Cabinet consider the feedback & additional information from all Overview and Scrutiny Committee meetings and additional meetings held in relation to Fees and Charges, Appendix 4.
- 1.4 That Cabinet agree the proposed new Charges in section 8 of this report.
- 1.5 That Cabinet note the requirement for a further detailed review & analysis of remaining Fees and Charges by Quarter 4 2023/24.

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

### **153. Tender of Insurance and Associated Services (Decision: 110659)**

Councillor Snell introduced the report and explained that the current contract ends on 31 March 2024. It is a limited market and an insurance broker has been appointed to manage the tender.

There were no comments or questions from Members.

#### **RESOLVED:**

- 1.1 **Agree and support the proposal to commission a tender exercise in accordance with the Public Contracts Regulations 2015 for the supply of Insurance and Associated Services; and**
- 1.2 **Approve delegation to the Section 151 Officer to enter into and award the necessary contracts following the procurement process, in consultation with the Portfolio Holder of Finance.**

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

### **154. Provisional Financial Outturn 2022/23 (Decision: 110660)**

The Leader outlined that appendix 7 to the report is exempt and therefore advised Member and Officers not to discuss the contents of it whilst the meeting is being live streamed. The Leader confirmed that recommendation 1.6 is the only recommendation that relates to appendix 7 and therefore this recommendation will be decided at the end of the meeting following a closed session where members will have an opportunity to discuss it.

Councillor Snell presented the report to Cabinet. He confirmed that there remains a budget gap of £434.595m however there has been an improvement to the Council's financial situation by £17.757m. It is a fluctuating position and may change throughout the year.

Councillor Carter commented that in his portfolio of Education and Skills they had a 13% under spend.

Councillor D Arnold commented that this is something that this is going to get harder and harder year on year.

The Leader commented that the Council is in a better position than it was 6 months ago and it sets a clear path for Thurrock Council.

Councillor Snell responded that they are taking a much more analytical approach and things are being properly planned and costed.

**RESOLVED:**

- 1.1 That Cabinet comment on the 2022/23 forecast funding gap of £434.595m and note this is balanced by the exceptional financial support from central government.**
- 1.2 That Cabinet note that the position continues to be subject to change particularly due to the ongoing assessment of the investment portfolio and pending completion of the audit of the financial accounts from 2020/21 onwards, therefore remains provisional.**
- 1.3 That Cabinet note that the 2023/24 budget remains under review to consider the impact of the 2022/23 outturn position and note the potential for further budget virements. This will form part of the budget monitoring in 2023/24.**
- 1.4 That Cabinet approve the use of reserves as set out in Appendix 3, subject to the finalisation of the audit process relating to financial years 2020/21 and 2021/22 and note balances are subject to change.**
- 1.5 That Cabinet note the use of capital receipts in 2022/23 as set out in Table 5 to partly mitigate the request for exceptional financial support from government.**
- 1.6 That Cabinet endorse the appointment of the Neil Hartley and Rob Crusher as Non-Executive Directors as Pure World Energy Holdings Ltd following the recruitment process set out in section 3.24 to 3.31 of the report and that the Leader or his nominee meets with the successful candidates prior to them taking up their appointments.**
- 1.7 That Cabinet note 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 Provision transactions.**

**1.8 That Cabinet note the position set out in respect of the capital programme and the reported reprofiling as set out in section 4 of the report.**

**1.9 That Cabinet note the positions on the Dedicated Schools Grant and the Public Health Grant as set out in section 6.**

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

**155. Review of Mail Room and Print Services (Decision: 110661)**

Councillor D Arnold introduced the report and explained that the current fleet of Multi- Functional Devices (MFD's) are now 7 years old and are at end of life. A lot of copiers are not being used enough and therefore they will also be looking to reduce the stock and change their locations. Shared use is being looked at and also change of use and going paperless where possible.

There were no questions from members. The Leader stated that he does plan to meet with the print room staff in the next week as they have requested this.

**RESOLVED:**

**1.1 That Cabinet approves carrying out a combined MFD, bulk printing & mailroom tender exercise for a contract of 3 years with an option for an extension for a further 2 years. Once the tender has been completed this will be brought back to cabinet for a decision on which option to proceed with.**

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

**156. Procurement of Substance Misuse Service (Decision: 110662)**

The Leader explained that the next three items all had exempt appendices. The Leader proposed that all three reports will be introduced and discussed. The meeting will then enter a closed session where the public and press will be excluded to discuss the appendices, the meeting will then resume and the outcome of the recommendations confirmed.

Councillor G Coxshall introduced the report, he confirmed there are currently two separate substance misuse services, one for adults and one for children. He confirmed they are looking for one service to provide for all ages as this is likely to provide a better transition for children and to ensure they are not without service support. The service is funded by the Public Health Grant. Councillor G Coxshall stated that in the future they may be looking at joint commissioning with other Local Authorities across Essex and the new procurement will give them the time to have this conversation.

**RESOLVED:**

- 1.1 That Cabinet agrees to commence the procurement of the Substance Misuse Service contract for a period of five years with the option to extend for four years in any period combination subject to performance and funding.
- 1.2 That Cabinet agrees to delegate authority to the Director of Public Health, in conjunction with the Portfolio Holder and Section 151 Officer, to award the contract following completion of the procurement process.

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

**157. Procurement of Sexual Health Service (Decision: 110663)**

Councillor G Coxshall introduced the report and confirmed they are looking to go to tender for the sexual health service. It is a statutory duty of the Local Authority. In the future, they will be looking at a County wide solution.

Councillor Snell queried why they are not looking at a County wide solution right now.

Councillor G Coxshall responded that other Local Authorities have recently re-tendered their contracts and therefore this is a long term strategy.

Councillor D Arnold stated it was an incredibly important contract and requested an update is brought to Cabinet as she would like to understand the process more.

Councillor G Coxshall confirmed that the recommendation delegated authority to the Director of Public Health, in conjunction with the Portfolio Holder and Section 151 Officer to award the contract following completion of the procurement process however he would keep Cabinet updated on the tender process.

**RESOLVED:**

- 1.1 That Cabinet agrees to commence the procurement of the Sexual Health Service contract for a period of five years with the option to extend for four years in any period combination subject to performance and funding.



- 1.2 That Cabinet agrees to delegate authority to the Director of Public Health, in conjunction with the Portfolio Holder and Section 151 Officer, to award the contract following completion of the procurement process.**

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

**158. A13 Dualling Final Outturn Report (Decision: 110664)**

Councillor B Maney introduced the report and confirmed that the A13 widening programme is substantially completed. It is an improved piece of infrastructure vital to the Council's ambitions around growth, employment and the Freeport and it is vital to the future prosperity of the Borough. Councillor B Maney confirmed that here was a 50% higher cost to the scheme and Cabinet is being asked to agree a substantial amount of money to settle the Council's liabilities. Councillor Maney stressed the need to learn lessons from this.

The Leader agreed the construction of the road was essential for economic growth and it is a shame it went so far over budget. The Leader confirmed that lessons have been learnt and the Council probably wasn't and probably will not be in a position to take on big infrastructure projects like this. Experts will need to be brought in to deliver close to or on budget.

**RESOLVED:**

- 1. Note the projected final outturn figure as set out in Table 1 of this report and approve the allocation of £49.637m to meet Thurrock Council's commitment to scheme costs.**
- 2. Delegate authority to the Director of Place, in conjunction with the Portfolio Holder for Regeneration, to conclude the Settlement Agreement and all outstanding compensation claims.**
- 3. Note the lesson learnt recommendations and instruct that these are incorporated into Council's Improvement & Recovery Plan.**

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

**The meeting finished at 20.26pm**

Approved as a true and correct record

**CHAIR**

**DATE**

**Any queries regarding these Minutes, please contact  
Democratic Services at [Direct.Democracy@thurrock.gov.uk](mailto:Direct.Democracy@thurrock.gov.uk)**

<b>13 September 2023</b>	<b>ITEM: 10</b>
<b>Cabinet</b>	
<b>Progress on Thurrock Council’s Improvement and Recovery</b>	
<b>Wards and communities affected:</b> N/A	<b>Key Decision:</b> Non-Key
<b>Report of:</b> Cllr Andrew Jefferies, Leader of the Council	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> N/A	
<b>This report is</b> 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

N/A.

## **1. Recommendation(s)**

**That Cabinet:**

- 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 Refer this report to Full Council for all Members to consider and comment on the progress to date.**

## **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 Cabinet on progress towards the Council's improvement and recovery.
- 4.2 Cabinet 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 refer the report to Full Council to ensure all Members are sighted on the progress to-date.

#### **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**

- None

**Report Author:**

Luke Tyson

Chief Intervention Officer

<b>13 September 2023</b>	<b>ITEM: 11</b> <b>Decision: 110665</b>
<b>Cabinet</b>	
<b>Re-Procurement of Contract - Managed Services for Temporary Agency Resources</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key – Spending above £750k
<b>Report of:</b> Cllr Graham Snell - Portfolio Holder for Finance, HR and Payroll	
<b>Accountable Assistant Director:</b> Wendy Jackson – Interim Strategic Lead HR, Resourcing & Improvement	
<b>Accountable Director:</b> Jackie Hinchliffe - Director of HR, OD and Transformation	
<b>This report is Public</b>	

## Executive Summary

This report sets out the options and recommendations for the re-procurement of the Council's agency worker contract.

Since 2011 the Council has worked with a 'Managed Service Provider' (MSP) for the provision of its agency resources. This model was procured as it realised best value for the Council with significant cost reductions and ensured a consistent approach to the management of good quality agency workers. The contract was originally awarded to Comensura as MSP in 2011, then following mini competition was awarded to Matrix SCM in December 2015 who have remained the Council's MSP to date.

The current service model of 'neutral vendor' MSP provides the best mix of cost certainty, ability to include local agencies and tier specialist providers for hard to recruit positions. The current contract performance has been good with consistent pricing, cost reductions and useful management information - however the contract expires on 15 December 2023 and this creates an opportunity to consider alternative arrangements to be in place by this date to ensure continuity of agency worker provision of suitable quality and for best value.

The re-procurement must be considered in the context of the Council's current position, having issued a Section 114 Notice as it was unable to balance the budget, its financial position is unprecedented and Government support will be required for many years. There are considerable concerns over the governance and scrutiny of strategic decision making, performance management and the pace of change and transformation. In this challenging content it is essential the Council retains the ability

to attract specialist skills and capacity needed to drive improvement and the agency workforce will be a key part of this.

Spend on agency workers will remain unavoidable as there is an ongoing requirement for a flexible workforce. It is critical that this is procured in a way that ensures the Council gets best value for money, continues to make tangible cost reductions and keeps the process of procuring agency workers as streamlined as possible.

The value and nature of this contract requires full compliance with EU Procurement Directives and as such this report sets out options for the re-procurement through either the Eastern Shires Purchasing Organisation (ESPO) MSTAR4 Framework 653F\_23 (Managed Services for Temporary Agency Resources) or direct award to Essex County Council through the use of their DPS (Dynamic Purchasing System) and through the utilisation of ECC Recruitment Team.

## **1. Recommendations**

### **Cabinet is asked to:**

- 1.1 Agree to progress the re-procurement of an agency worker contract using the ESPO MSTAR4 Framework 653F\_23 or direct award to Essex County Council through the use of their DPS (Dynamic Purchasing System) and through the utilisation of ECC Recruitment Team.  
The new contract to commence on 15 December 2023, for a period of three years with an option to extend for one year.**
- 1.2 Approve delegation to award to the Director of HR, OD and Transformation in consultation with the Chief Finance Officer and Portfolio Holder in order to ensure maximum lead in time should service transfer be necessary.**

## **2. Introduction and Background**

- 2.1 The current model and contract that the Council has in place for the provision and management of agency worker resources is a neutral vendor 'Managed Service Provider' (MSP), currently Matrix SCM with the contract due to expire 15 December 2023. The current contract was awarded in 2015 following a mini-competition exercise undertaken through the Eastern Shires Purchasing Organisation (ESPO). The current contract is unable to be extended further.
- 2.2 The provision of cost effective and quality agency workers is critical to enabling the Council to use resources effectively alongside its existing permanent and fixed-term staff.
- 2.3 Prior to the current arrangements, back in 2010 the Council allowed managers to liaise directly with recruitment agencies to source agency workers. This option was high risk and high cost as in many cases the terms and conditions and margins agreed with the agencies were up to 30%.



Around 45 different agencies were being used at that time, requiring 45 different invoices, timesheet systems which led to a high administrative burden and an ineffective use of resource with spend in the region of £9million.

- 2.4 The lack of an overarching corporate contract also meant it was difficult to accurately forecast the amount being spent on agency workers and the transparency of information on total Council spend was resource intensive, including for FOI requests.
- 2.5 The decision to move forward with a MSP model was made to ensure value for money, to ensure legislative requirements were met and a consistent approach taken by Directorates in engaging agency workers. This also allowed the ability to provide detailed management information to ensure the effective management of spend across the Council.

### Agency Staff Spend and Usage

- 2.6 Spend on agency workers in each financial year since 2015/16 is shown in table 1 below. Spend on agency workers by directorate since 2015 is included at appendix 1.

Financial Year	Total Spend (£)
2015/16	8,350,656
2016/17	9,828,491
2017/18	9,233,500
2018/19	8,348,373.42
2019/20	9,357,547.64
2020/21	8,348,373.42
2021/22	11,281,668.74
2022/23	13,129,650

**Table 1 - Agency spend FY 2015/16 to 2022/23**

- 2.7 An increase in salary costs and on-costs (circa 30%) including statutory costs in line with AWR (Agency Worker Regulations) since the start of the MSP contract is a major factor for increased expenditure. The reduction in spend in 2020/21 reflected the reduction of agency worker resources during the initial Covid lockdowns.
- 2.8 Restrictions on recruitment of permanent and fixed-term staff from 2021 onwards, initially due to Covid then due to the S114 Notice, has resulted in additional agency resource filling critical workforce needs.
- 2.9 There are also several posts that were either externally grant funded or income generating, that provides some mitigation on actual spend including NATIS which is fully income generating and was primarily resourced through agency. In the Place directorate there were several senior roles that were Capital funded.

- 2.10 The use of Agency Workers has decreased in some areas due to efforts being made to control and reduce the usage through permanent recruitment, the provision of internal bank (casual) staff arrangements and scrutiny at recruitment panels to ensure roles are only being covered if they deliver a statutory service or roles to build capacity due to organisational change.
- 2.11 However, there will remain a need for an agency arrangement to meet peaks and troughs in demand as well as for time limited projects where it is not possible to secure staff through a fixed-term contract especially those individuals being brought in as part of the resource and capacity plan during the intervention process for an interim period.
- 2.12 The table below shows agency spend based on the interim structure in 2022/23 and how some of the spend was either grant or income funded.

<b>Interim Directorate</b>	<b>Spend (£)</b>	<b>Grant / Income (£)</b>	<b>Spend minus Grant / Income (£)</b>
Place	1,937,240	0	1,937,240
Public Realm	4,440,394	1,666,960	2,773,434
Adults, Housing & Health	566,438	22,808	543,630
Children's Services	3,782,844	74,533	3,708,311
HR, OD & Transformation	543,064	488,834	54,230
Strategy, Engagement & Growth	216,938	0	216,938
Legal	1,093,700	0	1,093,700
Finance	549,032	0	549,032
<b>Total Council</b>	<b>13,129,650</b>	<b>2,253,135</b>	<b>10,876,515</b>

Table 2 – Agency spend for 2022/23 based on interim structure

- 2.13 The categories of agency workers used in 2022/23 is show in table 3 below. This shows that the majority of spend on agency is within qualified social care, general industrial (waste) and interims.

<b>Job Category</b>	<b>Client Net 22/23</b>
Social Care Qualified	£ 3,211,564.57
Interims	£ 2,843,911.29
Legal	£ 2,328,449.30
Manual Labour / General Industrial	£ 1,761,266.47
Technical	£ 816,892.18
Admin & Clerical	£ 467,353.65
Engineering & Surveying	£ 416,145.91
Childrens Services	£ 326,215.40
Housing	£ 202,257.03
Housing & Planning	£ 117,136.39
Financial	£ 114,010.33

Procurement	£	94,907.77
IT	£	92,383.67
Commercial	£	92,032.13
Facilities & Environmental Services	£	81,104.97
Management	£	54,332.58
Human Resources	£	54,292
Sales / Marketing	£	31,076.38
Social Care & Health Non-Qualified	£	10,986.30
Catering / Hospitality	£	8,466.47
Planning	£	4,865.93
<b>Total Spend for 22/23</b>	<b>£</b>	<b>13,129,650</b>

**Table 3 – Agency spend for 2022/23 based on Matrix category**

- 2.14 Agency spend is not budgeted separately, costs are generally met through existing staffing budgets where permanent or fixed-term vacancies are unfilled. There is also a need to cover long-term sickness or other absences using agency workers in frontline services.
- 2.15 Using a managed service provider has been the easiest and most robust way of ensuring compliance with Agency Worker Regulations (AWR) 2010 which gives agency workers the entitlement to the same basic employment and working conditions as if they had been recruited directly, if and when they complete a qualifying period of 12 weeks in the same job. It also enables the Council to comply with changes regarding IR35 (also known as ‘off-payroll’ working), brought in April 2017, that required Public Sector bodies to determine the employment status of a worker increasing the risk to the Council if tax responsibilities were not appropriately managed for agency workers.
- 2.16 For the reasons outlined above, using a managed service provider is the preferred option of the majority of Local Authorities; examples of current clients of Matrix SCM alone include Westminster City Council, Barnet Council, and The Royal Borough of Greenwich. However, Essex County Council have in place a Temporary worker recruitment offer similar to the MSP model that could offer improved value for money. ECC work in partnership with Matrix and currently have 350 agencies within their supply chain compared with approximately 50 suppliers in our current arrangement.

### **3. Issues, Options and Analysis of Options**

- 3.1 The current contract with Matrix SCM is unable to be extended further and it is therefore critical that options are considered moving forward.
- 3.2 The majority of costs in the provision of agency resource is the direct pay to workers and on costs (National Insurance, Holiday Pay and Pension, typically in region of 30%). The cost of the MSP, agency margins and ESPO framework charge are minimal, accounting to an average of 8.94% of the total spend of the contract each year. Appendix 2 details the agency margins payable against each job category that agency workers are provided for through the contract. The ESPO framework cost is currently 1p per hour worked. The cost to the MSP (currently Matrix SCM) is between 10p to 13p per hour worked.
- 3.3 An example fee structure is set out below showing what elements comprise a total hourly charge rate cost.

Level 1	Job Category	Job Title	Item Category	Current Pay Rate	Supply Fee	Matrix Management Fee	Current Charge Rate
Resources and Place Delivery	Interims	Strategic Lead Regeneration	Days	£561.80	£88.11	£1.04	£836.81
Public Realm	Manual Labour / General Industrial	Area Operative	Hours	£10.62	£0.50	£0.11	£14.36
Children's Services	Childrens Services	PA - Children Services	Hours	£15.76	£2.00	£0.14	£22.94

**Table 3 – Example Fee Structure**

### **Cost Reductions**

- 3.5 The original decision to move to a neutral vendor MSP option in 2011 was partially driven by assumed significant cost reductions.
- 3.6 Since contracting with Matrix they have provided regular updates on cost reductions realised through the contract compared with costs provided to them at the start of the contract. The total cost reductions Matrix calculated for 2022/23 totalled £207,715. These cost reductions as based on the pre-contract charge rates provided to Matrix SCM, so if we had remained with the previous provider we would have incurred this additional cost for the same usage of agency workers.
- 3.7 Despite spend on agency increasing overall, due to the reasons mentioned in 2.7 to 2.10 of this report, the Council achieves best value through the MSP model and continues to see cost reductions on margins. This is helped by work from the MSP who ensure margins with the agencies are minimised and further reduced in cases when agency workers are engaged longer term.
- 3.8 Therefore, whilst a new agency worker contract is unlikely to deliver significant further cost reductions, the following should be prioritised in order to maximise financial control and avoid increased costs that would highly likely be incurred from not having a contract in place. The contract will look to support this as well as:

- Management of staff pay rate demands
- Control of usage of agency workforce overall
- Minimising agency margins for ongoing agency worker placements
- Ensuring off contract spend (spend on agency workers outside the MSP contract) remains minimal through ensuring that the new contract is fully able to meet all specialist requirements.

As part of the Council's improvement programme there are planned reductions in the use of agency staff through effective workforce planning.

3.9 Although the current MSP arrangement has worked well for the past twelve years it is appropriate at this stage to reconsider all options available to the Council. These are as follows:

Option	Approach	Benefits	Risks
A	Council runs its own <b>in-house managed service</b> for the provision of agency workers utilising a technology platform available via ESPO MSTAR4 Framework.	<p>Council has full oversight and control of agency worker resources and costs</p> <p>Build direct relationships with agency worker resource over time and establish reliable pool of resource</p> <p>Technology platform will enable workers to be automatically matched to jobs put forward by hiring managers.</p>	<p>Not able to have same coverage as existing agencies so may be difficult to source agency worker with skills and experience needed, likely resulting in a need to engage with other agencies direct at higher margins</p> <p>Investment in resources for in-house team to establish and run would not be cost effective</p> <p>Would need significant investment in systems and expertise to manage the payroll of agency workforce and mitigate risks of AWR and IR35</p>
B	<b>Master Vendor MSP</b> – operates with the view to providing all workers from their own agency base, only going to additional agencies (including local providers) when the roles cannot be filled	<p>Potentially a slightly cheaper option as master vendor margin could be lower</p> <p>Single point for management</p>	<p>Time consuming if agency resources cannot be identified through the master vendor</p> <p>Could lead to off-contract spend if</p>

		information and invoicing	Directorates unable to find appropriate workers via this route
C	<b>Neutral Vendor MSP</b> – current arrangement where MSP does not directly provide staff but filled via supply chain with multiple agencies signed up to consistent margins	<p>Minimal resources needed from Council to manage and administer</p> <p>Favours wide range of agencies to provide best opportunity to fill roles</p> <p>Single point for management information and invoicing</p> <p>Existing model for Thurrock that has worked effectively for twelve years</p>	Some specialist agencies may not sign up to supply to this model which can impact availability of skilled workers needed and could result in off-contract spend
D	<b>Neutral Vendor Model – Direct award Council work in partnership with Essex County Council</b> - ECC will provide a direct hire approach that may reduce expenditure against agency rates.	<p>Minimal resource needed from Council to manage and administer</p> <p>Able to utilise a wider range of agencies to provide best opportunity to fill roles</p> <p>Reduction in cost</p>	Some specialist agencies may not sign up to supply to this model which can impact availability of skilled workers needed and could result in off-contract spend

**Table 4 – Options**

- 3.10 The ESPO MSTAR4 Framework 653F\_23 procurement route includes a number of providers within the neutral vendor model (Lot 1a). Call off is by mini competition (structured selection). Mini competition ensures that the Council is able to test the providers on service delivery and value for money and this is therefore the recommended procurement option in the event that direct award to Essex County Council is not approved, deemed PCR compliant or financially viable.
- 3.11 A full in-house procurement process would require a UK Procurement Regulation tender process to the open market which would be resource intensive and is unlikely to achieve a significantly better outcome than mini competition via ESPO.

3.12 It is recommended that Cabinet approve a competitive procurement process via the MSTAR 4 Framework to put in place a Neutral Vendor (option C). In the event of analysis showing that direct award to Essex County Council would be the most economically advantageous solution for the Council and is Public Contract Regulations 2015 compliant it is recommended that option D is approved.

#### **4. Reasons for Recommendation**

4.1 This report is provided to Cabinet in accordance with the Council's Contract Procedure rules to seek approval to proceed to tender for a contract with a whole life cost valued above £500,000. The total estimated spend on this contact over the maximum four-year period could be in the region of £40million with an average of 8.94% of this total cost paid directly to the agencies, MSP and ESPO framework. The fee percentage is based upon workers currently utilised via Matrix as of 18<sup>th</sup> August 2023.

4.2 The procurement exercise will enable to the Council to ensure:

- Best value is achieved, giving the Council the largest possible cost reduction opportunity
- Quality agency worker resources are easily available
- Simplify oversight and control of spend through management information
- Council resources to engage agency workers and to manage the contract are minimised.

4.3 The recommended option C or D as set out within section 3.9 of this report.

#### **5. Consultation**

5.1 An Officer group of directorate representatives will be set up to discuss the performance of the current contract to help review and further inform the procurement specification. This will ensure specific directorate needs relating to agency resources are considered.

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

6.1 The provision of agency workers impacts directly on directorate operations and priority activity. A quality and cost-effective provision ensures that agency workers are available to fill urgent frontline need and the required skills and experience can be brought in to ensure the ongoing delivery of Council priorities.

#### **7. Implications**

##### **7.1 Financial**

Implications verified by: **Rosie Hurst**  
**Interim Senior Management Accountant**

As set out in the report, effective provision of an agency worker contract ensures that the Council secures best value in the employment of contingent labour. Spend will vary according to directorate need and be funded from the relevant budgets. The majority of cost is in direct pay and on costs for the agency workers; however the procurement exercise will seek to ensure that any available cost savings in agency fees are maximised.

This procurement activity must be considered in the context of the Council's current financial position and S114 Notice. As identified in the options set out within the report the risk of not having a contract for the provision of agency workers could expose the Council to significantly higher spend through a lack of robust control and management reporting.

## 7.2 **Legal**

Implications verified by: **Kevin Molloy**  
**Principal Solicitor Contracts Team**

Use of the ESPO MSTAR4 Framework as outlined above will allow the Council to discharge its obligations and comply with the Public Contracts Regulations 2015 with respect to national and internal procurement requirements. Legal Services should be kept informed as the procurement progresses to ensure compliance is maintained and any issues are flagged at an early stage.

## 7.3 **Diversity and Equality**

Implications verified by: **Becky Lee**  
**Team Manager, Community Development and Equalities**

The provision of temporary staff through a Managed Service Provider and all agencies will be required to be compliant with equalities legislation including the Council's principles, policy and practices with regard to equalities and diversity, ensuring fair recruitment and employment for all.

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

The Council will continue to utilise the appropriate measures to ensure that agency workers do not substitute permanent opportunities for extended periods of time. However, where it is necessary to engage a worker for a period longer than 12 weeks they are protected by the Agency Worker Regulations (AWR) which ensure that they are receiving comparable pay to



those that are permanent employees. The recommended approach set out within this report helps ensure the Council is fully compliant with AWR.

**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):

- None

**9. Appendices to the report**

- Appendix 1 – Agency Spend  
<https://www.thurrock.gov.uk/sites/default/files/assets/documents/agency-spending-202209-v01.pdf>
- Appendix 2 – Stage 1 Form

**Report Author:**

Wendy Jackson – Interim Strategic Lead - HR, Resourcing and Improvement  
HR, OD and Transformation

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# Thurrock Council spending on agency staff

## Agency spending from April 2022 to March 2023

Business area	April to June	July to September	October to December	January to March	Total
Adults, Housing and Health	£154,927	£141,343			
Children's Services	£858,803	£989,811			
Human Resources, Organisational Development and Transformation	£31,402	£12,978			
Public Realm	£1,248,607	£1,127,805			
Resources and Place Delivery	£840,541	£809,065			
Strategy, Engagement and Growth	£55,137	£70,473			
<b>Total spend on all agency staff, including social care</b>	<b>£3,189,417</b>	<b>£3,151,475</b>			
<b>Total spend on social care-qualified agency staff only – children's</b>	<b>£678,793</b>	<b>£801,057</b>			

Within these amounts:

- the total spending on children's social care qualified agency roles is part of – not additional to – the total overall spending, and relates to Social Worker, Senior Practitioner, Practice Manager and Team Manager roles
- Resources and Place Delivery incorporates Commercial Services, Finance and Legal
- Strategy, Engagement and Growth incorporates Communications and Customer Services
- Public Realm spending includes Counter Fraud services, which generate significant income for the authority
- figures include spending on hours and expenses
- figures are rounded up to the nearest pound (£)
- figures do not include capital spending

## Agency spending from April 2021 to March 2022

Business area	April to June	July to September	October to December	January to March	Total
Adults, Housing and Health	£252,698	£231,842	£238,992	£185,422	£908,954
Children's Services	£558,439	£735,984	£880,865	£756,231	£2,931,519
Human Resources, Organisational Development and Transformation	£735	£3,928	£6,834	£18,306	£29,803
Public Realm	£1,173,526	£995,376	£1,002,304	£1,047,504	£4,218,710
Resources and Place Delivery	£525,223	£502,107	£673,325	£755,291	£2,455,946
Strategy, Engagement and Growth	£55,050	£66,609	£100,314	£99,305	£321,278
<b>Total spend on all agency staff, including social care</b>	<b>£2,565,671</b>	<b>£2,535,846</b>	<b>£2,902,634</b>	<b>£2,862,059</b>	<b>£10,866,210</b>
<b>Total spend on social care-qualified agency staff only – children's</b>	<b>£453,993</b>	<b>£589,361</b>	<b>£666,632</b>	<b>£631,148</b>	<b>£2,341,134</b>

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 Within these amounts:

- the total spending on children's social care qualified agency roles is part of – not additional to – the total overall spending, and relates to Social Worker, Senior Practitioner, Practice Manager and Team Manager roles
- Resources and Place Delivery incorporates Commercial Services, Finance, Legal and Place Delivery
- Strategy, Engagement and Growth incorporates Communications, Customer Services and Economic Growth
- Public Realm spending includes Counter Fraud services, which generate significant income for the authority
- figures include spending on hours and expenses
- figures are rounded up to the nearest pound (£)
- figures do not include capital spending

## Agency spending from April 2020 to March 2021

Business area	April to June	July to September	October to December	January to March	Total
Adult Social Care and Public Health	£65,393	£51,057	£81,353	£186,724	£384,527
Children's Services	£618,697	£553,770	£554,093	£594,623	£2,321,183
Environment, Highways and Counter Fraud	£246,458	£420,092	£524,212	£879,401	£2,070,163
Finance, Governance and Property	£320,779	£303,855	£356,567	£362,443	£1,343,644
Housing	£120,713	£135,612	£104,871	£114,361	£475,557
Human Resources, Organisational Development and Transformation	£41,061	£27,391	£17,764	£8,413	£94,629
Place	£257,682	£288,409	£213,820	£160,431	£920,342
Strategy, Communications and Customer Services	£28,669	£15,011	£19,331	£45,795	£108,806
<b>Total spend on all agency staff, including social care</b>	<b>£1,699,452</b>	<b>£1,795,197</b>	<b>£1,872,011</b>	<b>£2,352,191</b>	<b>£7,718,851</b>
<b>Total spend on social care-qualified agency staff only – children's</b>	<b>£537,372</b>	<b>£515,865</b>	<b>£520,031</b>	<b>£537,459</b>	<b>£2,110,727</b>

Within these amounts:

- the total spend on children's social care qualified agency roles is part of – not additional to – the total overall spend, and relates to Social Worker, Senior Practitioner, Practice Manager and Team Manager roles
- Finance, Governance and Property figures incorporate Commercial Services, Finance, IT and Legal
- figures include spending on hours and expenses
- figures are rounded up to the nearest pound (£)
- figures do not include capital spending

## Agency spending from April 2019 to March 2020

Business area	April to June	July to September	October to December	January to March	Total
Adult Social Care and Public Health	£149,447	£117,881	£129,291	£97,849	£494,468
Children's Services	£847,185	£1,024,499	£1,022,800	£871,759	£3,766,243
Environment, Highways and Counter Fraud	£450,663	£500,988	£332,117	£234,234	£1,518,002
Finance, Governance and Property	£275,941	£313,113	£288,525	£359,242	£1,236,821
Housing	£90,067	£106,320	£113,286	£117,348	£427,021
Human Resources, Organisational Development and Transformation	£96,792	£84,321	£115,164	£75,870	£372,147
Place	£172,699	£228,307	£223,621	£271,221	£895,848
Strategy, Communications and Customer Services	£82,924	£55,181	£39,353	£57,017	£234,475
<b>Total spend on all agency staff, including social care</b>	<b>£2,165,718</b>	<b>£2,430,610</b>	<b>£2,264,157</b>	<b>£2,084,540</b>	<b>£8,945,025</b>
<b>Total spend on social care-qualified agency staff only – children's</b>	<b>£616,118</b>	<b>£744,590</b>	<b>£809,862</b>	<b>£730,572</b>	<b>£2,901,142</b>

Within these amounts:

- the total spend on children's social care qualified agency roles is part of – not additional to – the total overall spend, and relates to Social Worker, Senior Practitioner, Practice Manager and Team Manager roles
- Finance, Governance and Property incorporates Commercial Services, Finance and IT and Legal
- a full OFSTED inspection of Children's Services was undertaken in November 2019
- figures are rounded up to the nearest pound (£)

## Agency spending from April 2018 to March 2019

Business area	April to June	July to September	October to December	January to March	Total
Adult Social Care and Public Health	£197,216	£180,390	£269,026	£216,998	£863,630
Children's Services	£918,108	£959,758	£939,607	£857,938	£3,675,409
Commercial Services	£0	£0	£0	£0	£0
Environment and Highways	£464,717	£454,504	£373,080	£293,059	£1,585,360
Finance and IT	£66,697	£52,378	£46,771	£58,175	£224,021
Housing	£176,558	£182,719	£79,383	£69,319	£507,979
Human Resources, Organisational Development and Transformation	£49,683	£56,667	£44,955	£83,498	£234,804
Legal	£193,966	£139,739	£109,018	£106,760	£549,483
Place	£254,177	£226,503	£194,676	£262,880	£938,236
Strategy, Communications and Customer Services	£59,773	£85,992	£49,870	£76,026	£268,661
<b>Total spend on all agency staff, including social care</b>	<b>£2,380,895</b>	<b>£2,338,649</b>	<b>£2,106,385</b>	<b>£2,024,653</b>	<b>£8,850,583</b>
<b>Total spend on social care-qualified agency staff only – children's</b>	<b>£630,253</b>	<b>£625,402</b>	<b>£657,589</b>	<b>£609,329</b>	<b>£2,522,573</b>

Within these amounts:

- there was a decrease in spend across all quarters within the financial year 2018/19, and in comparison to the last financial year 2017/18
- the increase in spending on qualified children's social care staff from October to December was expected due to an Ofsted inspection
- the total spend on children's social care qualified agency roles is part of – not additional to – the total overall spend

## Agency spending from April 2017 to March 2018

Business area	April to June	July to September	October to December	January to March	Total
Adult Social Care and Public Health	£373,886	£357,698	£423,389	£360,043	£1,515,016
Children's Services	£1,014,872	£1,007,057	£912,122	£894,480	£3,828,531
Commercial Services	£43,009	£0	£0	£0	£43,009
Environment and Place	£584,123	£563,718	£425,381	£473,856	£2,047,078
Finance and IT	£87,508	£96,788	£83,925	£81,596	£349,817
Housing	£50,828	£72,979	£80,016	£89,420	£293,243
Human Resources, Organisational Development and Transformation	£39,270	£5,676	£12,602	£23,818	£81,366
Legal	£239,390	£273,329	£269,729	£256,720	£1,039,168
Strategy, Communications and Customer Services	£24,798	£2,543	£1,656	£7,275	£36,272
<b>Total spend on all agency staff, including social care</b>	<b>£2,457,684</b>	<b>£2,379,788</b>	<b>£2,208,820</b>	<b>£2,187,208</b>	<b>£9,233,500</b>
<b>Total spend on social care-qualified agency staff only – children's</b>	<b>£786,315</b>	<b>£769,879</b>	<b>£621,834</b>	<b>£646,110</b>	<b>£2,824,138</b>

Within these amounts:

- increased spend in April to June was due to the absorption of critical care staff roles as part of provider difficulties in adult social care, a need for additional staff due to revised IR35 legislation, and a need for additional staff to fulfil the council's 'clean it, cut it, fill it' initiative
- a trend of reduction from July onwards means total agency spend in 2017/18 is significantly lower than in the 2016/17 financial year
- the total spend on children's social care qualified agency roles is part of – not additional to – the total overall spend



## Agency spending from April 2016 to March 2017

Business area	April to June	July to September	October to December	January to March	Total
Adult Social Care and Public Health	£140,714	£142,425	£175,059	£258,805	£717,003
Children's Services	£1,290,754	£1,246,946	£1,208,805	£1,053,712	£4,800,217
Commercial Services	£42,246	£58,449	£65,371	£45,881	£211,947
Environment, Planning, Growth, Transportation and Assets	£506,910	£537,243	£604,329	£558,347	£2,206,829
Finance and IT	£117,668	£63,840	£82,982	£63,419	£327,909
Housing	£83,064	£83,466	£119,116	£68,909	£354,555
Human Resources, Organisational Development and Transformation	£70,508	£86,483	£158,576	£140,859	£456,426
Legal	£168,911	£172,339	£220,431	£191,924	£753,605
Strategy, Communications and Customer Services					
<b>Total spend on all agency staff, including social care</b>	<b>£2,420,775</b>	<b>£2,391,191</b>	<b>£2,634,669</b>	<b>£2,381,856</b>	<b>£9,828,491</b>
<b>Total spend on social care-qualified agency staff only</b>	<b>£817,155</b>	<b>£919,370</b>	<b>£937,464</b>	<b>£940,260</b>	<b>£3,614,249</b>

## Agency spending from April 2015 to March 2016

Business area	Total
Adult Social Care and Public Health	£549,640
Children's Services	£4,813,225
Commercial Services	£79,792
Environment, Planning, Growth, Transportation and Assets	£1,260,609
Finance and IT	£249,513
Housing	£830,841
Human Resources, Organisational Development and Transformation, including Strategy, Communications and Customer Services	£192,511
Legal	£374,525
<b>Total spend on all agency staff, including social care</b>	<b>£8,350,656</b>
<b>Total spend on social care-qualified agency staff only</b>	<b>£3,850,988</b>

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## STAGE 1 FORM - APPROVAL TO PROCEED TO TENDER

Following the introduction of new Spend Control Processes, this form must be completed for all procurements above £25,000. If contract value is over Cabinet approval threshold (£500,000) this form shall be appended to the Cabinet report - this form will be "open" for publication.

Once completed, this form must be sent to the relevant Category Manager.

<b>1.</b>	<b>CONTRACT DETAILS</b>		
1.1	Contract title	Temporary (Agency) Worker Resources Contract	
1.2	Reference number	PS-2023-102	
1.3	Responsible Officer	Suzanne Hawthorne	
1.4	Directorate	HR, OD & Transformation	
1.5	Contract description	Procurement of a new Agency Worker Contract to replace the current arrangement with Matrix SCM which expires on 15th December 2023.	
1.6	Applicability of off payroll working (IR35) rules*	Is this an applicable contract?	No
		Employment status for tax**	N/A
1.7	Proposed contract start	16/12/2023	
1.8	Proposed contract end	15/12/2026	
1.9	Proposed extension options	One Year	
1.10	Estimated contract value	Excluding VAT	£ 40M including extension period
		Including VAT <sup>1</sup>	£ 40M
<b>2.</b>	<b>BUSINESS CASE</b>		
2.1	Business case	<p>The Council currently contracts with Matrix SCM "the Managed Service Provider" for the supply of contingent labour which expires on 15th December 2023. The contract will have been in place for four years and was awarded following a mini-competition undertaken through ESPO (Eastern Shires Purchasing Organisation).</p> <p>Provision for cost and quality effective contingent labour is key to effective use of resources for Thurrock alongside the mix of permanent staff.</p> <p>The current arrangement cannot be extended further and therefore it is necessary to embark on a re-commissioning exercise to put in place a new contract for December 2023.</p> <p>The option to progress with a mini competition for a neutral vendor through the ESPO framework will allow the Council to</p>	

<sup>1</sup> Required solely to determine whether the contract value exceeds the UK public procurement threshold (which includes VAT)

		ensure maximum spread of agencies including local providers, deliver consistent pricing and fee structure and develop a bespoke service that fully meets Thurrock's requirements.  Employment of local people (and the engagement of local agencies) will be key in this procurement..
2.2	Expenditure control criteria	The spend is for essential statutory services, goods and/or works
2.3	Expenditure control justification	The supply of agency workers is crucial to respond to changes in the economy and employment market. Using a managed service provider will continue to support, across the period of the previous contract, to mitigate the risks associated with revised legislation including tax implications such as IR35.
2.4	Award criteria	40:60 Quality & Price
2.5	Social Value	As part of our current contract Matrix SCM provide social value for Thurrock through the provision of employment workshops and engaging with our careers team to help increase employability of local people in the borough. Social Value will play a key part in the re-procurement of the contract with us looking to enhance and build upon the current offering received.
2.6	Previous contract	PS-2019-222

<b>3.</b>	<b>FINANCIAL CONSIDERATIONS</b>	
3.1	Previous contract spend	£33M
3.2	Scope of changes	Build in flexibility around margins for potential specialist agency requirements to avoid off contract spend.
3.3	Budget considerations	Budget will be from hiring manager staff costs. Bulk are payroll costs. A small percentage is attributed to SCM and Agency Costs. This is current done as a fixed amount depending upon job role.
3.4	Expenditure type	Revenue
3.5	Cost centre	DZ200-0410-DZ007
3.6	Anticipated savings	No savings anticipated.

<b>4.</b>	<b>PROCUREMENT ROUTE</b>	
4.1	Procurement route	Further competition under framework
4.2	Rationale	ESPO MStar Framework has been successfully utilised in the past. ESPO has just launched the latest version of the frameworks MStar4 which has separate lots including Neutral Vendor and also incorporates a specific modular build option that will enable Thurrock to tailor the core specification to meet requirements.

<b>5.</b>	<b>PROPOSED PROCUREMENT TIMETABLE</b>		
5.1	Procurement timetable	Publish Contract Notice	N/A
		Selection Questionnaire return	N/A
		Invitation to Tender issue	25/09/2023
		Tender return	13/10/2023
		Notification of result	27/10/2023
		Standstill period	06/11/2023

	Expected award	08/11/2023
	Contract commencement	15/12/2023

<b>6.</b>	<b>RISKS, CONSULTATION AND MANAGEMENT</b>	
6.1	Risk management	See attached risk register
6.2	Contingency	In the event the tender process is delayed, permission will be sought to extend the existing contract with the incumbent supplier for the intervening period.
6.3	Consultation	An Officer group of directorate representatives will be set up to discuss the performance of the current contract to help review and further inform the procurement specification. This will ensure specific directorate needs relating to agency resources are considered
6.4	Data Protection**	No personal data will be used during the tender process.
6.5	Project and contract management <sup>2</sup>	Tier 1 - High Level Contract Management
		The project and contract will be managed by the Strategic Lead within HR, OD & Transformation Directorate. It is anticipated there will be quarterly and annual reviews.
6.6	Will TUPE apply to the proposed contract?	No
		N/A
6.7	Community and Equalities Impact Assessment****	This will be part of the tender process and agencies will need to demonstrate their commitment to Equal Opportunities.
6.8	Exit strategy	There is an exit strategy within the contract with the incumbent supplier that ensures continuity of service and minimises disruption as part of any new contract implementation procedures.
6.9	Collaboration	N/A

<b>7.</b>	<b>PROCUREMENT IMPLICATIONS</b>	
7.1	Category Manager comments	The contract is due to expire with no permissible extensions available. A review of potential routes to market shows that utilisation of the ESPO framework offers the best solution for the Council to undertake a competitive process. Most costs within the contract are payroll and WTR costs, with the remaining costs attributed to agency and SCM fees. As part of this procurement exercise, it intended that flexibility will be built in to allow agencies to supply staff in hard to recruit positions.

<b>8.</b>	<b>APPROVALS</b>	
8.1	Authorised Signatory	In accordance with the Contract Procedure Rules, I confirm the accuracy of the information contained within this form and authorise this request to proceed to tender.
		Comments
		Delegation level Cabinet delegated authority to Corporate Director in consultation with the Portfolio Holder (over £500,000)

<sup>2</sup> Refer to the contract management framework or your category manager for guidance

		Name	Jackie Hinchliffe
		Signed	
		Date	
8.2	Strategic Approval Panel	Decision	
		Panel members	
		Date of decision	
		Comments	
		Decision sent by	
8.3	Procurement	I confirm that I have been consulted and agree with the information contained in this report in so far as it relates to Procurement implications	
		Name	Vanessa John
		Signed	
		Date	
8.4	Legal (only required if spend is above £75k)	I confirm that I have been consulted and agree with the information contained in this report in so far as it relates to Legal implications	
		Name	Kevin Molloy
		Signed	
		Date	
8.5	Finance (only required if spend is above £75k)	I confirm that I have been consulted and agree with the information contained in this report in so far as it relates to Financial implications	
		Name	Rosie Hurst
		Signed	
		Date	
8.6	Responsible Officer	I confirm that this procurement will be carried out in accordance with Rule 5 of the Council's Contract Procedure Rules (Chapter 9, Part 2 of the Constitution).	
		Name	Wendy Jackson
		Signed	
		Date	
8.7	Cabinet (only applicable if £500k or over)	Minute number	Enter approval / delegation minute reference
		Date	<a href="#">Click here to enter a date.</a>

\*Guidance on the rules surrounding contractor employment status for tax can be found on the below link:  
<https://www.gov.uk/guidance/understanding-off-payroll-working-ir35>

\*\*The Check Employment Status for Tax (CEST) tool can be found on the below link:  
<https://www.gov.uk/guidance/check-employment-status-for-tax>

\*\*\*Information on Data Protection and the DPIA form can be found on the following link:  
<https://intranet.thurrock.gov.uk/services/information-management/data-protection/>

\*\*\*\*You can search for Community and Equalities Impact Assessment guidance using the following link:  
<https://intranet.thurrock.gov.uk/document-store/>

## Section 6.1 – Risk Management

<b>Tender Process Risks</b>	<b>Risk Level</b>		<b>Negative Impact</b>	<b>Mitigation</b>
Lack of interest	Likelihood - Low	Limited Impact	Lack of Competition	Direct award is possible via ESPO MStar4 Framework and extend contract with existing provider.
Challenge from losing bidder	Likelihood - Very Low	High Impact	Contract set aside.	Direct award is possible via ESPO MStar4 Framework and extend contract with existing provider and run a new competitive process
<b>Contract Performance Risks</b>	<b>Risk Level</b>		<b>Negative Impact</b>	<b>Mitigation</b>
Significant increase in spend	Likelihood - Low	High Impact	Budget overspend	Strong performance management and control
Failure to supply/fulfil roles	Likelihood - Medium	Medium Impact	Lack of staff to carry out essential services	Ensure specification includes flexible options to ensure contract compliance.

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<b>13 September 2023</b>	<b>ITEM: 12</b> <b>Decision:110666</b>
<b>Cabinet</b>	
<b>2023/24 Quarter 1 Forecast Revenue and Capital Outturn</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Councillor Graham Snell, Cabinet Member for Finance	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> Jonathan Wilson, Acting Director of Finance and S151 Officer/Steve Mair, Chief Financial Officer	
<b>This report is Public</b>	

## Executive Summary

This report sets out the estimated forecast revenue outturn position for 2023/24 for the General Fund, Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and Public Health Grant.

## General Fund

The month 3 general fund position is a forecast underspend of £1.036m including the current assumed capitalisation directive of £180.159m as set out below:

General Fund	Current Budget £'000	Period 3 Forecast £'000	Period 3 Forecast Variance £'000
Directorate position	168,591	171,196	<b>2,605</b>
Intervention & Transformation	18,721	18,721	<b>0</b>
Central Financing	<b>(158,768)</b>	<b>(158,768)</b>	<b>0</b>
Treasury	154,616	150,975	<b>(3,641)</b>
Capitalisation Direction	<b>(180,159)</b>	<b>(180,159)</b>	<b>0</b>
Use of general reserves	<b>(3,001)</b>	<b>(3,001)</b>	<b>0</b>
<b>Quarter 1 General Fund position</b>	<b>0</b>	<b>(1,036)</b>	<b>(1,036)</b>

The directorate position is forecast to overspend by £2.605m against a revised budget of £168.591m, equivalent to 1.5%.

An estimated underspend within the Treasury management function of £3.641m reduces the overall position to £1.036m less than the assumed general fund budgeted levels.

It is noted this projected underspend would reduce the planned capitalisation direction by £1.036m.

The financial accounts of the Council remain open from 2020/21 onwards and further issues could be identified which impact on the current position.

### **Housing Revenue Account (HRA)**

The HRA is forecast to break even for the year as set out in section 5 of the report.

### **Dedicated Schools Budget (DSG)**

The current projected outturn for 2023/24 is a breakeven position as set out in section 6 of the report.

### **Public Health**

The current projected outturn for 2023/24 is a breakeven position as set out in section 7 of the report.

### **Capital Programme**

The General Fund (GF) and HRA Capital Programme positions are set out in section 8. There is forecast slippage on the GF programme of £7.46m against a budgeted programme of £75m. There is a further £119m of GF projects that are currently on hold. The HRA capital programme remains on track for delivery.

## **1. Recommendation(s)**

**1.1. That Cabinet note the overall forecast general fund outturn position for period 3 is an underspend of £1.036m.**

**1.2. That Cabinet note that directors with significant adverse variances will continue to review directorate budgets and identify mitigating actions to resolve the forecast pressure against the 2023/24 budget.**

**1.3. That Cabinet note the potential risks to the position listed noted in section 4 and the following specific risks noted within the report:**

- a) There are an ongoing assessment of the investment portfolio values which will need to be reflected on an ongoing basis with the next update scheduled for Quarter 2.**

- b) The requirement to change the accounting for cloud-based IT costs continues to be assessed in both the current and prior years and is likely to have a material short-term impact.**
- c) There are ongoing wider financial accounting assessments related to prior periods which may also need to be considered.**

**1.4. That Cabinet note the HRA, DSG and Public Health project to deliver the budget within the existing funding envelopes.**

**1.5. That Cabinet note and comment on the capital programme, the current projected slippage of £7.46m and the impact on MRP.**

**1.6. That Cabinet note that the position will remain provisional as further substantive work is undertaken, notably in preparation of historic accounts, which could have an impact on current or future years.**

## **2. Introduction and Background**

- 2.1 On 1 March 2023, Full Council agreed the 2023/24 budget proposals which enabled a balanced budget to be set based on the following key assumptions:
- 9.99% council tax increase, including a hardship fund of £0.616m,
  - £8.146m of service savings, including £2m vacancy factor,
  - 4% staff pay award for 2023/24 and budget adjustment to reflect the change to the 22/23 pay policy,
  - Exceptional Financial Support from Central Government in the form of a capitalisation direction of £180m.
- 2.2 The budget was set in the context of the scale of the financial risk faced by the Council which had been provisionally quantified as part of the 2022/23 Quarter 2 financial report presented to Cabinet on 14 December 2022. This confirmed the need for exceptional financial support from government. This is because the actions the Council can take to mitigate the scale of financial losses reflected will not be sufficient to address these losses. Consequently, there was, and remains, no clear path to financial sustainability without exceptional support from government and discussions continue with officials at DLUHC to consider this position.
- 2.3 The current economic climate provides further relevant context for this report. The Bank of England has announced interest rates will be rising to 5% and inflation is still exceeding 7%. The cost-of-living crisis is a well-publicised national issue impacting residents and businesses. The Council

is not immune to the effects of the wider economic position and accurately forecasting for income and expenditure remains difficult in these challenging times.

### 3. Quarter 1 General Fund Budget monitoring

#### Overall Position

3.1 The quarter 1 forecast outturn position for 2023/24 is set out in the table below. There is a pressure within the directorate position of £2.605m, against a revised budget of £168.591m, this is equivalent to 1.5%:

**Table 1 Quarter 1 General Fund forecast outturn:**

Interim Directorate Structure	Current Budget £'000	Period 3 Forecast £'000	Period 3 Forecast Variance £'000
Adult Social Care	54,771	54,099	(672)
Children's Services	44,020	45,060	1,040
Finance	6,480	6,660	102
Housing General Fund	2,208	2,267	59
HR, OD, and Transformation	8,960	10,136	1,176
Legal & Governance	3,906	3,983	77
Place	11,893	12,891	998
Public Realm	31,593	31,546	(47)
Strategy, Communication & Customer Services	2,776	2,648	(128)
Corporate Costs	1,985	1,907	0
<b>Directorate position</b>	<b>168,591</b>	<b>171,196</b>	<b>2,605</b>
Additional resource & capacity	5,889	5,889	0
Commissioner support	317	317	0
<b>Intervention and Commissioners Process</b>	<b>6,206</b>	<b>6,206</b>	<b>0</b>
<b>Transformation Implementation (one-off)</b>	<b>12,515</b>	<b>12,515</b>	<b>0</b>
Use of reserves	(3,001)	(3,001)	
Treasury	154,616	150,975	(3,641)
Central Financing	(158,320)	(158,320)	0
Housing Benefits	(448)	(448)	0
Capitalisation Directive	(180,159)	(180,159)	0
Funding	(187,312)	(190,953)	(3,641)
<b>MONTH 3 POSITION</b>	<b>0</b>	<b>(1,036)</b>	<b>(1,036)</b>

## Directorate Position

Key variances are set out below for each directorate:

### 3.2 Table 2 Adult Social Care

Service	Current Budget £'000	Quarter 1 Forecast £'000	Variance to budget £'000	% Variance to budget
Assistive Equipment & Technology	699	699	0	0%
Commissioning & Service Delivery	(1,129)	(1,123)	6	-1%
Community Development	2,175	2,133	(41)	-2%
External Placements	38,843	38,281	(562)	-1%
Fieldwork Services	5,014	5,022	8	0%
Provider Services	9,170	9,087	(83)	-1%
	<b>54,771</b>	<b>54,099</b>	<b>(672)</b>	<b>-1%</b>

3.2.1 Forecast underspend of £0.672m (1%) against a revised budget of £54.8m. The key variances are:

3.2.2 **£0.562m** forecast underspend within the provision for External Placements. This budget represents the biggest expenditure item within the ASC budget (£38.8m). This is a demand-led budget, which is held at client need level and includes care packages for residential and nursing care, domiciliary homecare and supported living. This is the current projected outturn position and includes planned expenditure for uplifts in the contract cost for working age adults, which are agreed on an individual basis.

3.2.3 Furthermore, this also takes into account assumed packages where children are transitioning into adulthood, and subsequently their care costs are transferred over to Adult Social Care throughout the year. Both will be subsumed into the outturn position once formalised and will form part of the core budget.

3.2.4 **£0.083m** forecast underspend within internal Provider Services. This is a demand-led service and includes Collins House Residential Home and the Caring for Thurrock team. At present, this has a significantly reduced spend on overtime, additional bank usage and agency staff. There is also an element of one-off income that improves the forecast outturn.

3.2.5 **£0.41m** underspend within Community Development. An operational underspend due to current vacancies, all savings within community development are on target to be achieved. This service area includes the provision of libraries and community hubs.

### 3.3 Table 3 Children's Services

Service	Current Budget £'000	Quarter 1 Forecast £'000	Variance to budget £'000	% Variance to budget
Children and Family Services	34,851	35,891	1,040	3%
Education & Skills	4,624	4,624	0	0%
School Transport	4,545	4,545	0	0%
	<b>44,020</b>	<b>45,144</b>	<b>1,040</b>	<b>3%</b>

3.3.1 Forecast overspend of £1.040m (3%) against a revised budget of £44m. The key variances are:

3.3.2 **£0.656m** (5%) overspend within Placement Support as shown in the below table:

*Table 4 Placements Support*

Placement Type	Current Budget £'000	Quarter 1 Forecast £'000	Variance to budget £'000
Placed with Parent / Adoption	0	0	0
Supported Accommodation	1,000	1,288	288
External Fostering	5,054	4,045	(1,009)
External Residential	7,960	6,166	(1,794)
Secure Placement	0	193	193
Unregulated	0	2,993	2,993
Joint Funded Contribution	(500)	(624)	(124)
Contingency Inflation / Demand	0	109	109
<b>Total</b>	<b>13,514</b>	<b>14,170</b>	<b>656</b>

3.3.3 There are currently 10 high-cost placements with a total forecast of £5.381m. The 2022/23 outturn position was £4.690m. The Directorate, as part of placement panel meetings, has an ongoing review of all high-cost placements. Pressures are being experienced across the South-east with current pressures forecast up to the range of 12%. The directorate, with support from Finance will keep under review the sector position in what is a very volatile care system.

- 3.3.4 **£0.346m** overspend within the Brighter Futures Prevention Service – children with disabilities (CWD) short breaks. The overspend is a result of an increase in Direct payments and short break packages to support young people remaining in their home. This is essential early intervention that supports the child to remain with parents and prevent them from becoming looked after.
- 3.3.5 **£0.443m** overspend within Unaccompanied Asylum-Seeking Children (UASC). There are currently 47 UASC. The Home Office have advised that a higher rate of £143 will be paid for qualifying UASC as of the 31<sup>st</sup> of March 2023. However, at this stage detailed information on eligibility has not been received from the Home Office to allow this increase in rates to be included in the forecast.
- 3.3.6 There is currently a substantial shortfall between the funding local government receives and the actual cost of caring for UASC, as well as costs associated with providing age assessments. This is an area that the East of England Director of Children Services are to explore further to understand the issues regionally and facilitate national discussions.
- 3.3.7 **£0.324m** underspend in Children and Family Services. Included in agreed savings plans are a review of the Social Care operating model, with a full year impact of £0.311m. Delays have also been experienced in the recruitment to posts and posts being held vacant to support the delivery of the planned reduction to be implemented from September 2023.
- 3.3.8 **£0.081m** forecast underspend within Aftercare Services. This is predominantly a demand-led service and includes supporting young people to live independently. There is also an element of one-off additional grant income that improves the forecast outturn.
- 3.3.9 Home to School Transport is currently forecasting a break-even position. The MTFs 2023/24 provided £1.243m for budget realignment and inflationary pressures. In September there will be changes in routes and the number of children being transported due to new routes starting for the academic year and children leaving schools. Inflation and contingency of £0.879m is available to support this change.

### 3.4 Finance

Table 5 Finance

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget	% Variance to budget
Chief Executive's Support Services	502	524	22	4%
Contract & Procurement Management	869	839	(30)	-3%
Corporate Finance	1,719	1,745	26	1%
Insurance	828	857	29	4%
Revenues and Benefits	2,640	2,695	55	2%
	<b>6,558</b>	<b>6,660</b>	<b>102</b>	<b>2%</b>

3.4.1 Forecast overspend of £0.102m (2%) against a revised budget of £6.6m. The key variances are:

3.4.2 **£0.075m** Accounting software licenses which can no longer be capitalised were unbudgeted within the revenue account. This follows a confirmed change of approach to the accounting treatment of cloud-based software licenses. This is partly mitigated by additional income within the corporate finance team.

3.4.3 Other pressures include increased postage costs and subscriptions to professional bodies across the various teams.

### 3.5 Housing General Fund:

Table 6 HGF

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget	% Variance to budget
Homelessness	986	1,045	59	6%
Private Sector Housing	1,169	1,169	0	0%
Travellers	53	53	0	0%
	<b>2,208</b>	<b>2,267</b>	<b>59</b>	<b>3%</b>

3.5.1 Forecast overspend of £0.059m (3%) against a revised budget of £2.2m. The key variances are:

3.5.2 **£0.059m** overspend against the homelessness budget due to the high level of demand for temporary accommodation above and beyond the utilisation of more cost-effective temporary accommodation portfolio. This is a demand led service supporting some of the most vulnerable people and the cost-of-living



and high levels of inflation continues to impact the number of people requiring support.

3.5.3 It is likely the number of cases will continue to grow steadily throughout the year, currently there are on average 329 placements per month. Significant investment has been made into the service to find alternative accommodation solutions to bed and breakfast by offering people furnished lettings within the Council owned stock as an alternative to privately owned nightly lets. The ongoing utilisation of the council existing stock is one of the few ways in which the department can manage costs in the face of rising demand. It also offers a better solution to people that are in need of temporary accommodation.

### 3.6 HR, OD & Transformation

Table 7 HROD

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000	% Variance to budget
HR; OD and Transformation	4,800	5,022	222	5%
ICT	4,160	5,113	954	23%
	<b>8,960</b>	<b>10,136</b>	<b>1,176</b>	13%

3.6.1 Forecast overspend of £1.176m (13%) against a revised budget of £8.96m. The key variances are:

3.6.2 **£0.954m** overspend against the ICT budget of £4.1m because of £0.550m Microsoft License costs and £0.633 pressure from unachieved capitalisation target, partly offset against (£0.200m) ICT service's mitigating actions resulting in savings on rationalisation of other contracts and further efficiencies.

3.6.3 This reflects the consequence of accounting for IT expenditure through revenue rather than capital. The technical accounting treatment remains under review and the associated impact on corresponding MRP is also being assessed. The service will continue to review the wider directorate position to mitigate part of this cost but acknowledge that it will be difficult to contain this additional significant cost within the 2023/24 directorate budget allocation. Work has been instigated to review this and seek to identify mitigating options. An update will be provided at quarter 2.

3.6.4 There remains further risk from the assessment of prior years as part of the financial accounting work which will reconsider costs back to 2018/19. Once complete the impact will be considered.

3.6.5 **£0.044m** overspend Corporate Programme Team reflects unachievable capitalisation of programme staff costs linked to cloud-based projects that can

no longer be capitalised. As above, finance and the service continue to review all capitalisation assumptions and will update at quarter 2.

3.6.6 **£0.178m** reflects full utilisation of the HR staffing budget to deal with increasing demands on the service, therefore impacting on the achievement of the vacancy factor target.

### 3.7 Legal & Governance

Table 8 Legal

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000	% Variance to budget
Democratic Services	264	277	14	5%
Electoral Services	457	471	14	3%
Legal Services	2,281	2,356	74	3%
Members Services	904	880	(24)	-3%
	<b>3,906</b>	<b>3,984</b>	<b>78</b>	<b>2%</b>

3.7.1 Forecast overspend of £0.078m (2%) against a revised budget of £3.9m. The key variances are:

3.7.2 **£0.074m** This represents the element of the allocated vacancy factor target of £0.110m that is at risk. Staffing underspends of £0.026m have been identified but there remains a wider review of the structure for which the budgetary impact is yet to be quantified.

### 3.8 Place

Table 9 Place

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000	% Variance to budget
Economic Growth & Partnerships	643	654	12	2%
Lower Thames Crossing & Transport Infrastructure Service	145	462	317	219%
Place Delivery	286	286	0	0%
Planning; Transportation and Public Protection	5,869	5,925	56	1%
Property	4,950	5,563	613	12%
	<b>11,893</b>	<b>12,891</b>	<b>998</b>	<b>8%</b>

- 3.8.1 Forecast overspend of £0.998m (12%) against a revised budget of £11.9m. The key variances are:
- 3.8.2 **£0.317m** Lower Thames Crossing is forecast to overspend. This is due to (predominantly legal) costs which cannot be funded from the National Highways PPA. These costs are estimated at £0.594m but they will be partly mitigated with the Lower Thames Crossing core budget and the dedicated reserve leaving the remaining pressure as £0.317m
- 3.8.3 It should be noted that without this pressure the overall Place position would be £0.681m overspent, an improvement of £0.268m on the period 2 reported position.
- 3.8.4 **£0.613m** forecast overspend for the Property budget:
- o **£0.236m** pressure from Asset management team costs. There has been a large turnover of staff and a heavy reliance on agency personnel. A programme of recruitment is being progressed to reduce the number of agency staff, but this is a sector that remains difficult to recruit to.
  - o **£0.364m pressure** due to delays in making a decision on the use of the Thameside complex – this relates to the ongoing cost of running the building against a reduced budget. The running of the theatre is reflected within the Economic Development service and assumes a breakeven position now that approval has been given to hold the pantomime later in the year. This is always the theatre’s most popular show, costs and sales will need to be monitored as the arrangements are finalised to determine any further budgetary impact.
  - o **£0.203m** running costs for the Civic Offices. The offices have been subject to a business rates revaluation following completion of the CO3 building works and there has been an increase of £0.056m pa. The current forecast includes 2 years charges, last year and current. In addition to this a tenant in CO2 (the NHS CCG) has just vacated the space they were renting and so the current projected in-year income shortfall is £75k. Use of the building is currently under review to identify opportunities for new lettings.
  - o **£0.209m** underspend against the Land & Buildings budget, this includes £0.323 increased income generated through leasing commercial properties. There has been a review of existing leases and new tenants secured. This position continues to be closely monitored as the time taken to complete the legal process associated with this activity can impact the in-year position.

### 3.9 Public Realm

Table 10 Public Realm

Service	Current Budget £'000	Month 3 Forecast £'000	Variance to budget £'000	% Variance to budget
Counter Fraud & Enforcement	(1,197)	(1,060)	137	-11%
Emergency Planning and Resilience	479	468	(11)	-2%
Environment and Highways	1,553	1,489	(64)	-4%
Highways; Fleet and Logistics	8,196	8,397	201	2%
Street Scene and Leisure	22,562	22,253	(310)	-1%
	<b>31,593</b>	<b>31,547</b>	<b>(46)</b>	<b>0%</b>

3.9.1 Forecast underspend of £0.046m (0.1%) against a revised budget of £31.6m. The key variances are:

3.9.2 £0.137m Counter Fraud & Enforcement overspend largely due to a forecast under-recovery on Penalty Charge Notices (income). This service requires a full staffing establishment to generate income and is currently in the process of recruiting to vacancies.

3.9.3 £0.201m Highways, Fleet & Logistics forecast overspend primarily due to traffic management costs including pothole repairs.

3.9.4 £0.310m Street Scene & Leisure underspend primarily due to a positive waste disposal position and reduced staff costs in Cleaner Greener. The changes to the Waste service continue to be monitored. There remains a variable element to disposal contracts which can be impacted by volume and type of waste being disposed of. Bi-weekly collections have commenced for garden and recycling and budgetary impacts continue to be monitored to manage the budgetary impact.

### 3.10 Strategy, Communication & Customer Service

Table 11 Strategy

Sub-service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000	% Variance to budget
Social Care Performance	726	726	(1)	0%
Corporate Communications	341	336	(6)	-2%
Customer Services	1,502	1,341	(162)	-11%
Registrars	(45)	(2)	43	
Strategy Team	251	248	(3)	-1%
	<b>2,776</b>	<b>2,648</b>	<b>(128)</b>	<b>-5%</b>

3.10.1 Forecast underspend of £0.128m (5%) against a revised budget of £2.8m: The key variance is:

3.10.2 **£0.150m** Staffing underspends within Customer Services

3.10.3 **£0.017m** income shortfall for the Registrars service due to a reduction in the number of ceremonies that the service has been able to accommodate.

### 3.11 Other Corporate Costs

3.11.1 Forecast to contain costs within the budgeted allocation of £1.9m. This covers items such as audit fees, pension/overheads, and levies.

### 3.12 Savings

3.12.1 Extensive work has been undertaken by the Change Team and service areas to provide clarity on the position of the 70 savings initiatives agreed by Full Council on 1 March 2023.

3.12.2 As has been reported previously, proposed changes to the original proposals will require a formal change control process. This will include documentation to capture the justification for the change as well as a business case for the replacement saving.

3.12.3 This work is ongoing; the quarter 1 review shows 93% of the savings have either been achieved or are on track to be achieved by the end of the financial year.

### 3.13 Intervention & Commissioner Support

3.13.1 There is a £6.2m budget for the Resources & Capacity Plan –this covers commissioner costs, additional capacity to support the recovery plan and

specialist advice regarding the investment’s portfolio. The period 3 position currently assumes this allocation will be spent in full. The plan remains under review and will be updated to respond to the demands of the business. Indicative spend is set out below:

*Table 12 Indicative Intervention & Commissioner costs*

<b>Theme</b>	<b>Estimated cost £'000</b>
Financial Sustainability	3,363
Place Leadership & Growth	1,102
Leadership & Culture	540
Improvement & Recovery	432
Governance & Scrutiny	350
Strategic Direction	102
<b>Total Resource &amp; Capacity</b>	<b>5,889</b>
Commissioners & BVI	317
<b>Total Commissioner support</b>	<b>317</b>
<b>Total Intervention &amp; Commissioner support costs</b>	<b>6,206</b>

3.13.2 There is the potential for costs associated with the legal action/administration process to be recouped but at this stage remain a cost to the council. These costs are included within the Financial Sustainability theme in the above table.

### **3.14 Transformation Implementation**

3.14.1 There is a one-off £12m Transformation Implementation budget for 2023/24. This allocation is intended to meet the cost of implementing wider transformational change – the Change Team are in place and have commenced the programme of work and potential requirements against this budget for 2023/24 will be identified.

3.14.2 Alongside the Change Team, external resource has been procured to determine wider opportunities for transformational change and ongoing budgetary savings. Invest-to-save projects may be identified as part of this workstream.

3.14.3 The projected position is prudently forecast to spend this allocation in full whilst work continues to confirm requirements. There are current quantified commitments to the value of £1.3m in the first quarter. The budget is under review and any remaining balance will be placed into an earmarked reserve and carried forward to 2024/25 to further support the Authority through this period of change.

### 3.15 Treasury

3.15.1 The in-year treasury position is shown below. It is assumed that £3.6m will be placed into the Treasury Equalisation Reserve to provide further protection from adverse pressures arising in this area:

Table 13 Treasury

	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000
<b>MRP on Capital Programme</b>			
MRP - Asset Life (Supported)	1,488	2,229	741
MRP - Asset Life (Unsupported)	8,632	6,960	(1,671)
	<b>10,120</b>	<b>9,189</b>	<b>(931)</b>
<b>Borrowing Costs</b>			
Interest - PWLB - Existing		38,057	
Interest - PWLB - Refinancing	50,501	18,279	
Less HRA Recharges		(7,534)	
	<b>50,501</b>	<b>48,802</b>	<b>(1,699)</b>
Interest - Market Loans	1,810	1,911	101
Interest - CD Premium	950	837	(113)
	<b>53,261</b>	<b>51,551</b>	<b>(1,710)</b>
<b>Total Costs</b>	<b>63,380</b>	<b>60,740</b>	<b>(2,641)</b>
<b>Investment Income</b>	<b>(9,114)</b>	<b>(13,714)</b>	<b>(4,600)</b>
<b>Other Treasury Costs</b>			
Brokerage Fees	1,928	1,928	0
Internal Deposits	405	405	0
Premiums and Discounts	421	421	0
	<b>2,754</b>	<b>2,754</b>	<b>0</b>
MRP on Investments	74,976	74,976	0
MRP on CD	22,619	22,619	0
	<b>97,595</b>	<b>97,595</b>	<b>0</b>
<b>Total Treasury</b>	<b>154,616</b>	<b>49,780</b>	<b>(7,241)</b>
<b>Contribution to Reserves</b>			<b>3,600</b>
<b>Treasury Outturn Forecast</b>			<b>(3,641)</b>

3.15.2 Key variances have been explained below:

MRP on existing capital programme

3.15.3 A reduction in the projected capital expenditure in the previous financial year has resulted in a reduction in associated MRP charges in 2023/24.

#### Borrowing Costs

3.15.4 Interest expenditure costs are forecast to be £1.710m under budget during the financial year. The reasons for this variance are as follows:

- Deferral of the dates for which the Council expected to draw down borrowing based on an improved cash flow position.
- Management of the cash flow position ensures the most efficient use of borrowing.
- Improvement in the investment income position at the end of the previous financial year which further reduced the borrowing requirement of the Council.

#### Investment Income

3.15.5 - An additional level of investment income of £4.6m, above the budget is predicted for 2023/24. This is largely linked to one specific investment in the renewable energy sector which has made a higher level of equity distribution than planned. This was based on improved performance of the underlying assets. The additional income is planned to be transferred to the Treasury Equalisation reserve, to provide further contingency against potential treasury pressures in future years.

#### Investment Valuations

3.15.6 The valuation of the investment portfolio remains under ongoing review. There are no further changes to report as part of the quarter 1 reporting but there will be further updates in quarter 2. There remains potential for both upside and downside risk from the position reported as part of the provisional outturn for 2022/23. These will ultimately impact on the final balance of the capitalisation direction sought from government.

### **3.16 Central Financing**

3.16.1 There are currently no significant variances identified within the central financing allocation which covers council tax, NNDR and government grants. The collection fund will continue to be monitored throughout the year.

### **3.17 Capitalisation Direction**

3.17.1 The current budget assumes £180.159m of further exceptional support in 2023/24 and this position continues to be monitored alongside wider reviews of the financial position. It is noted the projected underspend would reduce the planned capitalisation direction for 2023/24 by £1.036m.

### **3.18 Use of General Reserves**



3.18.1 The 2023-24 budget assumes that £3m of reserves would be used to support the delivery of the general fund base budget. The funding is available and the current assessment of the planned use of earmarked reserves will be presented as part of the quarter 1 position to cabinet.

## 4. Risk

4.1 The period 3 forecast outturn position is based on several assumptions, and it is noted there are several risks which could affect the position as the year progresses and these are set out below:

*Table 14 Key risks*

Risk Area	Concern
Inflation	<ul style="list-style-type: none"> <li>• Inflation remains high (over 7%) and continues to impact supply chain costs across many services. Whilst there is some evidence that this has tailed off recently, it remains an area of focus for the authority.</li> <li>• Energy costs continue to fluctuate impacting Corporate Landlord services.</li> </ul>
Provider Failure	<ul style="list-style-type: none"> <li>• There are significant additional financial pressures on external providers to deliver core services commissioned by the Council, around energy costs, inflation, and wage pressures. Fee uplifts required to maintain care packages for vulnerable people could exceed budgeted levels.</li> </ul>
Ongoing Demand Volatility	<ul style="list-style-type: none"> <li>• Following the pandemic the level of demand for key services within the system and particularly within the Social Care services has risen.</li> <li>• Increases in the level of need for people being discharge from hospital requiring continuing social care support to live independently outside of residential care.</li> <li>• Increased complexity and the associated requirement for additional care support for Looked After Children</li> <li>• Demand of people facing potential homelessness including mental health issues, substance abuse, domestic violence, as well as people experiencing financial hardship in the current economic climate</li> </ul>
Delivery Risk	<ul style="list-style-type: none"> <li>• Savings which were applied to the 2023/24 budget allocation need to be achieved and further savings identified, effective monitoring through the DRA process needs to remain in place and mitigating action taken where non-delivery of savings is identified.</li> </ul>
Interest rates	<ul style="list-style-type: none"> <li>• Changes to the Bank of England interest rate may further impact the cost of borrowing.</li> </ul>
Waste Collection	<ul style="list-style-type: none"> <li>• There have been several changes to the waste collection service and the wider strategy is under review which could impact staff requirements and disposal costs.</li> </ul>
School Transport	<ul style="list-style-type: none"> <li>• New academic year changes to routes, contracts, numbers, and inflation uplift, based on September RPI. Funds available to support but a risk until pupil movement and value of contracts is known.</li> </ul>

## 5. Housing Revenue Account

5.1 The summary position of the Housing Revenue Account is shown in the Table below, there is a breakeven position forecast for the year:

Table 15 HRA

Service	Current Budget	Period 3 Forecast	Variance to Budget	Comments
	£'000	£'000	£'000	
Housing Development	288	288	0	Development Team projects funded by available reserves and TRL Ltd (through SLAs).
Financing and Recharges	26,469	25,965	(504)	Cost of borrowing, Central Charges and Revenue Contribution to Capital
Rent and Income	(54,955)	(54,955)	0	Forecast on-line currently. Impact of rent loss on Voids and RTB sales factored into the position
Repairs and Maintenance	13,207	13,410	203	Forecast a small overspend on void repairs. No further significant additional demands at present
Operational Activities	14,991	15,142	151	Position includes a (£0.547m) vacancy factor applied to budget, funded through the savings on staff turn-over
Additional Revenue Contribution to Capital		150	150	Any revenue surplus could be used as a contribution to Capital to reduce the prudential borrowing requirement
<b>Grand Total</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	

## 6. Dedicated schools Budget

6.1 The current projected outturn for 2023/24 is a breakeven position as shown below:

Table 16 DSG

DSG 2023/24	Funding Settlement	Academy Recoupment	Funding Block Transfer	Final DSG	Projected Outturn	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Schools	156,834	(150,641)	(742)	5,450	5,174	(276)
Central Services	1,632	0	0	1,632	1,581	(51)
High Needs	36,714	(6,985)	742	30,471	30,826	355
Early Years	13,679	0	0	13,679	13,650	(28)
<b>Total</b>	<b>208,858</b>	<b>(157,626)</b>	<b>0</b>	<b>51,232</b>	<b>51,232</b>	<b>(0)</b>

6.2 At this stage pupil movement, within the schools and high needs block, for the new academic year is not fully known. This will be included in the information to be reported in September and allow a more accurate picture of the projected outturn to be known. It is expected that this can be contained within the funding available.

6.3 Grays Convent High School is reporting a breakeven position.

## 7. Public Health Grant

7.1 The Public Health Grant was increased by £0.384m in 2023/24, to give an overall allocation of £12.295m for the main grant. This is supplemented by the planned use of reserves as set out below.

7.2 The increase in funding has been allocated to meet the costs of rising contractual arrangements for the provision of services relating to staffing and treatment contracts, and in the main, has been passported directly to primary care providers to ensure continuity in our services for residents.

7.3 There is active discussion underway to identify any savings though the assessment of contracts that are due to be re-commissioned at the end of the financial year. Contracts are progressing through the tender and approval processes.

## Public Health Reserves

7.4 In the current year, it is planned to fully use the health inequalities and the specific grant funding reserve.

Table 17 Public Health Reserves

Reserve	Opening Reserve 2023/24
Public Health Grant	(684)
Health inequalities funding	(350)
Specific Grant Funding	(226)
<b>Total</b>	<b>(1,260)</b>

## 8. Capital Programme

8.1 Capital schemes and resources are identified in two specific categories:

- Mainstream schemes – capital expenditure funded through prudential (unsupported) borrowing, from capital receipts, from the capital contribution from revenue budget or from earmarked capital reserves; and
- Specific schemes – capital expenditure funded through external funding sources, for example, government grants and Section 106 monies which are ring fenced for specific projects.

### General Fund Schemes

8.2 The current position for the General Fund schemes 2023/24 is summarised in the below table:

Table 18 Capital Programme – Projected Outturn as at Quarter 1

Summary of the 2023/24 General Fund Capital Programme - by Directorate	Latest Agreed Budget	Projected Outturn	Projected Outturn Variance
<b>Expenditure:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adults; Housing and Health	1,438	1,427	(11)
Children's Services	14,025	14,006	(19)
HR; OD and Transformation	3,335	2,196	(1,139)
Place	44,960	39,430	(5,530)
Public Realm	11,179	10,428	(751)
Strategy; Engagement & Growth	139	129	(10)
<b>Total Expenditure</b>	<b>75,076</b>	<b>67,616</b>	<b>(7,460)</b>
<b>Resources:</b>			
Prudential Borrowing	(32,826)	(29,228)	3,598
Capital Receipts	(18)	0	18
Government Grants	(35,716)	(33,558)	2,158
Other Grants	(4,648)	(4,354)	294
Developer Contributions (S 106)	(1,868)	(476)	1,392
<b>Total Resources</b>	<b>(75,076)</b>	<b>(67,616)</b>	<b>7,460</b>
<b>Forecast Deficit/(Surplus) in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 8.3 The table above also shows a projected outturn at the end of the financial year of £67.616m, which is £7.460m less than the latest agreed budget of £75.076m for the year.
- 8.4 The in-year underspend is principally due to slippage on current schemes (£6.7m). Consequently, the funding remains allocated to specific current schemes and will be re-profiled into subsequent years. The impact of the reprofiling will be an ongoing exposure to inflationary pressures on costs and hence capital budgets. This continues to be assessed on a project-by-project basis.

Table 19 stage

Project Stage	Slippage Amount £'000	Reason
Projects on hold	2,100	Projects on hold pending a Council wide review on viability to proceed.
Early Design Stages	1,600	Projects at an early stage of design/feasibility where decisions to proceed will be taken later in the financial year for implementation at a future date.
Projects Commenced	3,000	Projects include works on the highways network and IT infrastructure which are expected to complete in the next financial year.

8.5 Following the quarter 1 review, projects that have either completed under budget or are no longer proceeding (£0.770m) will have their associated budgets removed from the programme.

### Slippage on Capital Programme

8.6 The slippage on the capital programme schemes over £1m is shown in the table below. A full schedule is shown in appendix 4 and the most significant projects are set out below:

Table 20 Slippage

Description	Carry Forward £'000
A126 Improvements	1,713
Purfleet Land Assembly Development Agreement (R0501)	1,500
B186 West Thurrock Way - Road Capacity and Efficiency Improvement Project (E0915)	1,138

8.7 A126 Improvements – Several quick win improvements are due to be delivered in this financial year. The more complex improvements are being scheduled for future years.

8.8 Further land acquisitions for the Purfleet project are currently on hold with any new purchases unlikely to happen in this financial year.

8.9 Feasibility and design works are being undertaken on the B186 West Thurrock Way project during 2023/24, with the expected works to be undertaken during 2024/25.

- 8.10 The financial impact resulting in the delay of the projects will be assessed and included within the 2024/25 programme. This will range across the schemes and will be subject to further viability assessment.
- 8.11 A schedule of General Fund projects is included in Appendices 1 and 3.
- 8.12 Several capital schemes are expected to complete construction in future years with expenditure totalling £53.196m. Budgets for these schemes have already been profiled accordingly.
- 8.13 Major projects are reported within the current annual budget envelopes as part of this report. The wider detailed updates on project progress will be shared with Cabinet by the lead officers as soon as practicable.

### Projects on Hold

- 8.14 As part of a high-level review of capital activities, several projects have been put 'on hold' meaning that the budgets and financing for these have been temporarily removed from the programme pending a decision on whether they can be reinstated. This will be continued, in conjunction with a review of the remaining programme, in greater detail throughout the year as part of the wider review of the Council's finances and impact of proposed government support. A revised position will be reported to Members as early as is practical in the new financial year. It is noted that should projects be reinstated to the programme there will need to be further consideration of the impact on prudential borrowing and, where this relates to a general fund project, the associated interest, and Minimum Revenue Provision charges to revenue.

*Table 21 Projects currently on hold*

<b>Summary of the 2023/24 Projects on Hold - by Directorate</b>	<b>Budget on Hold</b>
<b>Expenditure:</b>	<b>£'000</b>
Adults; Housing and Health	9,661
Chief Executive's Office	7,000
HR; OD and Transformation	3,208
Place	45,922
Public Realm	53,248
<b>Total Expenditure on Hold</b>	<b>119,039</b>
<b>Resources:</b>	
Prudential Borrowing	(62,958)
Capital Receipts	(4,528)
Government Grants	(46,500)
Other Grants	(5,053)
<b>Total Resources on Hold</b>	<b>(119,039)</b>



8.15 A full schedule of projects on hold is shown in appendix 2

### Housing Revenue Account Capital Schemes

8.16 The out-turn position for Housing Revenue Account schemes for 2023/24 is summarised below.

Table 22 HRA schemes

Summary of the 2023/24 HRA Capital Programme	Latest Agreed Budget	Projected Outturn	Outturn Variance
	£'000	£'000	£'000
<b>Expenditure:</b>			
Housing Development	1,782	1,782	0
Transforming Homes	43,271	43,271	0
<b>Total Expenditure</b>	<b>45,053</b>	<b>45,053</b>	<b>0</b>
<b>Resources:</b>			
Prudential Borrowing	(31,417)	(31,417)	0
Reserves	(230)	(230)	0
Government and Other Grants	(2,237)	(2,237)	0
Major Repairs Reserve	(11,169)	(11,169)	0
<b>Total Resources</b>	<b>(45,053)</b>	<b>(45,053)</b>	<b>0</b>
<b>Forecast under/overspend in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

### HRA Capital Programme

#### Transforming Homes

8.17 The budget for Transforming Homes in 2023/24 is £43.271m and the out-turn spend is £43.271m.

8.18 The Capital programme is being updated as part of the 2023/24 budget review process and will be reported in due course. Consideration will be given to the financial impacts of future slippage on a project-by-project basis.

#### HRA New Build Schemes

8.19 The outturn position for 2023/24 for HRA New Build Schemes are set out in Appendix 2 and primarily covers Loewen Road and feasibility and design works for Teviot Avenue. Projects will utilise receipts held under Right to Buy sharing agreement between the Council and the DLUHC and are forecast to be delivered with the current timeframes and budgets allocations.

Impact on MRP for General Fund scheme slippage and projects removed from the programme.

## **9. Reasons for Recommendation**

- 9.1 The Council has a statutory requirement to set and deliver a balanced budget annually and this can include the use of reserves.
- 9.2 This report sets out the budget pressures in 2022/23 and notes that exceptional financial support is required to deliver a breakeven position.

## **10. Consultation (including Overview and Scrutiny, if applicable)**

- 10.1 This report is based on consultation with the services, Senior Leadership Team, and Commissioners (Essex County Council).

## **11. Impact on corporate policies, priorities, performance, and community impact**

- 11.1 The budget gap identified in the report requires ongoing engagement with the Department for Levelling-up Housing and Communities (DLUHC) regarding exceptional financial support. The outcome of this engagement in terms of conditions applied to the support may require further savings within budgets to be made, potentially impacting on the ability to deliver services to the current levels.

## **12. Implications**

### **12.1 Financial**

Implications verified by: **Jo Freeman**  
**Finance Manager**

The financial implications are set out in the body of the report.

### **12.2 Legal**

Implications verified by: **Mark Bowen**  
**Interim Project Lead - Legal**

There are no specific legal implications set out in the report. There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget.

Under section 28 of the Local Government Act 2003, the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring

establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. The Council is facing a challenging situation in relation to its budgetary position.

All information regarding Community Equality Impact Assessments can be found here: <https://intranet.thurrock.gov.uk/services/diversity-and-equality/ceia/>

### 12.3 Diversity and Equality

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

The Equality Act 2010 places a public duty on authorities to consider the impact of proposals on people with protected characteristics so that positive or negative impacts can be understood and enhanced or mitigated as appropriate. Services will be required to consider the impact on any proposals to reduce service levels through a community equality impact assessment which should seek to involve those directly affected.

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

None

### 13. 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):

There are various working papers retained within the finance and service sections.

### 14. Appendices to the report

- Appendix 1 – Capital Programme – General Fund – Projected Outturn
- Appendix 2 – Capital Programme – HRA – Projected Outturn
- Appendix 3 – Capital Programme – General Fund – Projected Outturn (Portfolio Analysis)
- Appendix 4 – General Fund Capital Project Slippage
- Appendix 5 – General Fund Projects on Hold

#### Report Author:

Jonathan Wilson

Acting Director of Finance & S151 Officer





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Summary of the 2023/24 General Fund Capital Programme by Directorate	Latest Agreed Budget	Projected Out-turn	Projected Out-turn Variance	Future Years Budget		
	2023/24	2023/24	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Childrens Service</b>						
<i>Beynon Primary - Expansion (B0750)</i>	267	267	0	0	0	0
<i>Capital Maintenance Schemes (to be identified) (B0997)</i>	110	110	0	0	0	0
<i>Emergency Health and Safety Works (B0719)</i>	22	22	0	0	0	0
<i>Priority Suitability and Condition Programme (B0661)</i>	58	58	0	0	0	0
<i>SEN Capital (B0800)</i>	4,267	4,267	0	3,266	0	0
<i>Secondary and Primary Schemes (to be Identified) (B0998)</i>	4,452	4,452	0	7,000	0	0
<i>St Cleres Expansion (B0744)</i>	99	99	0	0	0	0
<i>Temporary Classrooms (B0725)</i>	884	884	0	0	0	0
<i>Universal infant free school meals (B0738)</i>	222	222	0	0	0	0
<i>Grays Convent High School - Additional Classroom</i>	32	32	0	0	0	0
<i>Headstart Housing</i>	18	0	18	0	0	0
<i>Thames Park Secondary School</i>	37	37	0	0	0	0
<i>Abbotts Hall Improvements</i>	425	425	0	0	0	0
<i>Oaktree Centre Feasibility Study and Surveys</i>	39	39	0	0	0	0
<i>Family Hubs</i>	93	93	0	53	0	0
<i>Tilbury Pioneer</i>	3,000	3,000	0	0	0	0
<b>Total Childrens Service</b>	<b>14,025</b>	<b>14,006</b>	<b>18</b>	<b>10,319</b>	<b>0</b>	<b>0</b>
<b>Adults; Housing and Health</b>						
<i>Aspirational Capital Pot - Feasibilities - Culver Centre (R1000-AP006)</i>	28	28	0	0	0	0
<i>Aveley Community Hub (R0740)</i>	130	130	0	0	0	0
<i>Community Hubs (T3100)</i>	11	0	11	0	0	0
<i>South Ockendon Community Hub Phase 2 (09/50035/TTGOUT)</i>	9	9	0	0	0	0
<i>South Ockendon Community Hub Phase 2 (09/50035/TTGOUT)</i>	49	49	0	0	0	0
<i>Travellers Site Refurbishment Works</i>	6	6	0	0	0	0
<i>Blackshots Regeneration Study</i>	1	1	0	0	0	0
<i>Well Homes Offers (G0600)</i>	111	111	0	0	0	0
<i>Disabled Facility Grant (G0604)</i>	1,094	1,094	0	500	0	0
<b>Total Adults; Housing and Health</b>	<b>1,438</b>	<b>1,427</b>	<b>11</b>	<b>500</b>	<b>0</b>	<b>0</b>
<b>Public Realm</b>						

Bridge Repair and Strengthening (E2828)	2	0	2	0	0	0
Environmental Enhancements at Play Sites (N0277)	110	110	0	100	0	0
Footway Maintenance (E2876)	199	199	0	0	0	0
Grays Riverside Park - Replace Splash Pool & Water Features	35	5	30	30	0	0
Leisure Centre Works (L0410)	1,072	1,072	0	0	0	0
Other Infrastructure (Drainage) (E2878)	110	110	0	0	0	0
Pot Holes & Challenge Fund (E2840)	1,793	1,793	0	0	0	0
Rights of Way (E1841)	28	35	-7	0	0	0
Safety Fencing (E2831)	126	126	0	0	0	0
Street Lighting (E2877)	135	135	0	0	0	0
Structural Maintenance A Class Roads (E2826)	503	503	0	0	0	0
Structural Maintenance B and C Class Roads (E2827)	263	263	0	0	0	0
Structural Maintenance Unclassified Roads (E2874)	293	293	0	0	0	0
Thurrock Park Way Environmental Improvements (78/00601/OUT)	51	0	51	51	0	0
Traffic Signals (E2833)	92	92	0	0	0	0
Upgrades to the Drainage System; Gully Frames and Lids (E2882)	24	24	0	0	0	0
Vehicle & Plant Replacement Programme (N0256)	538	538	0	0	0	0
White Lining (E2832)	6	0	6	0	0	0
Street Lighting LED Completion	25	25	0	0	0	0
Carriageway Summer Damage Treatments	485	485	0	0	0	0
VMS Purchases and Installation	72	72	0	0	0	0
Vehicle Restraint System	65	65	0	0	0	0
Replacement of Wheeled Containers	455	455	0	471	494	0
Other Road Markings	46	52	-6	0	0	0
Traveller Injunction	46	46	0	0	0	0
Principal Bridge Inspections and Remedial Works	248	248	0	0	0	0
High Risk Concrete Lamp Column Replacement	207	207	0	0	0	0
Footway Slab Replacement Programme (2020-2025)	301	301	0	0	0	0
Flats Recycling	330	130	200	0	0	0
Deployment of overt 4G CCTV camera systems	56	0	56	0	0	0
Urgent repairs to road leading between Tilbury Port and Tilbury2	2	0	2	0	0	0
Highways Lit signage replacement programme	387	387	0	0	0	0
A1014 The Manorway - Footway Protection	265	265	0	0	0	0
Wharf Road, SLH - Drainage scheme	49	49	0	0	0	0
Food Caddies	500	500	0	0	0	0
Tree Fund	151	151	0	62	0	0
1934 Fort Road Tilbury - Bridge repairs	757	357	400	400	0	0
Junction 31 Electrical Repairs	187	187	0	170	0	0
Orchard Footbridge renewal	602	602	0	0	0	0
Grover Walk Street Lighting Refurbishment	3	0	3	0	0	0
Carriageway Concrete Slab Replacement	146	146	0	0	0	0
Public Rights of Way - FP36 SLH	59	59	0	0	0	0
Walking and Cycling	7	0	7	0	0	0



	<i>Works to Council Car Parks and Pay and Display Machines</i>	44	44	0	0	0	0
	<i>Surface Renewal Oliver Close Depot</i>	6	0	6	0	0	0
	<i>Carriageway Micro Surfacing Programme</i>	300	300	0	0	0	0
	<b>Total Public Realm</b>	<b>11,178</b>	<b>10,428</b>	<b>750</b>	<b>1,284</b>	<b>494</b>	<b>0</b>
<b>Place</b>							
	<i>A13 Widening (Works) (E2910)</i>	2,251	2,251	0	0	0	0
	<i>B186 West Thurrock Way - Road Capacity and Efficiency</i>	1,192	54	1,138	1,138	0	0
	<i>East Tilbury 1st payment (CCTV / Anti-Skid / VAS / Bus Stop upgrade)</i>	92	92	0	0	0	0
	<i>Grays South and Rail Station Regeneration (R0670)</i>	358	358	0	0	0	0
	<i>Implementation of Corporate Property Database (T0702)</i>	27	27	0	0	0	0
	<i>Improvement works between Thurrock Park Way and Manor Road</i>	287	0	287	287	0	0
	<i>Improvements to Village Halls (D0010)</i>	183	183	0	0	0	0
	<i>Improvements to the Manorway Interchange (E0911)</i>	65	0	65	65	0	0
	<i>Kerb It - Highways (E1870)</i>	208	208	0	0	0	0
	<i>Mayflower Road parking management and capacity improvements</i>	421	421	0	0	0	0
	<i>PRS - Borough wide Disabled Bays (E1843-T3429)</i>	18	18	0	0	0	0
	<i>PTI - Local Bus Infrastructure (E1838)</i>	51	51	0	0	0	0
	<i>Pupil Referral Unit Relocation (D0020)</i>	300	300	0	0	0	0
	<i>Purfleet Centre Fees Budget (R0500)</i>	317	317	0	300	0	0
	<i>Purfleet Land Assembly Development Agreement (R0501)</i>	1,680	180	1,500	1,500	0	0
	<i>Purfleet SELEP Land Acquisition (R0502)</i>	119	19	100	100	0	0
	<i>Purfleet Thurrock School Contribution (R0503)</i>	21	21	0	0	0	0
	<i>RSF - Node 4 - North Stifford Int (E1830-T3031)</i>	259	259	0	0	0	0
	<i>Replacement of Bus Passenger Shelters (E1839)</i>	447	447	0	0	0	0
	<i>South Road / Stifford Road Junction Improvements (E0908)</i>	190	0	190	190	0	0
	<i>Stanford Le Hope Interchange (E2920)</i>	10,867	10,867	0	5,000	0	0
	<i>Unallocated Budget Traffic Management (E9999-T7001)</i>	48	48	0	0	0	0
	<i>CON - Aveley Village Freight Management</i>	187	0	187	0	0	0
	<i>PRS - Ad-Hoc Parking Requests</i>	13	13	0	0	0	0
	<i>TFM - Road Safety Audits - Scheme Development</i>	10	10	0	0	0	0
	<i>TFM - Ad-Hoc Minor Works</i>	35	35	0	0	0	0
	<i>Corporate Landlord Compliance</i>	1,928	1,928	0	0	0	0
	<i>Investment Portfolio Compliance</i>	1,136	1,136	0	0	0	0
	<i>New River Development</i>	84	0	84	0	0	0
	<i>Investment Portfolio Spend to Save</i>	1,233	1,233	0	0	0	0
	<i>Corporate Landlord Spend to Save</i>	1,586	1,586	0	0	0	0
	<i>A1013 School Access Improvements (Treetops)</i>	1,763	1,763	0	0	0	0
	<i>Emergency Active Travel Plan</i>	174	178	-4	0	0	0
	<i>PRS - EV Charging Upgrade and Expansion</i>	318	318	0	0	0	0
	<i>CON - Fort Road Bus Lane</i>	50	0	50	50	0	0
	<i>Traffic Management Salary Capitalisation</i>	147	147	0	0	0	0

Tilbury Towns Fund - Accelerated Funding	89	89	0	0	0	0
Grays Towns Fund - Accelerated Funding	19	19	0	0	0	0
N13 Cycle Route	272	272	0	0	0	0
A126 Improvements	2,213	500	1,713	1,713	0	0
Trading Standards Facility at London Gateway (DPW)	4	0	4	0	0	0
SRS - East Tilbury Primary School	270	457	-187	0	0	0
AIP - Area XX - Tilbury (East of St Chads)	49	49	0	0	0	0
ATF - Corringham Road/Billet Lane	8	8	0	0	0	0
ATF - Purfleet Road	4	0	4	0	0	0
ATF - A128 Junction Signal Scheme	17	17	0	0	0	0
Property Demolitions	1	0	1	0	0	0
Grays Town Fund (General)	295	295	0	0	0	0
TTF Heart - Civic Square	4,842	4,842	0	400	400	0
TTF Heart - Youth Zone	1,651	1,651	0	2,348	751	0
TTF Heritage - Riverside	8	8	0	100	0	0
TTF Hub - Station Gateway	3,529	3,529	0	6,180	900	0
RSE - London Road West Thurrock	432	32	400	400	0	0
AIP Chadwell South and Grays Riverside areas	386	386	0	0	0	0
AIP - 3 Villages - Orsett Ward	75	75	0	0	0	0
Demolition of Buildings	15	15	0	0	0	0
Civic Offices Tenanted Areas Alterations	7	7	0	0	0	0
RSE - A13 (Five Bells to Manorway Interchange)	20	20	0	0	0	0
RSE - B186 West Thurrock Way	23	23	0	0	0	0
SRS - 20mph Speed Zones Around Schools	50	50	0	0	0	0
AIP - Area 27 - Ockendon West	100	100	0	0	0	0
AIP - Area 04 - Stanford Le Hope West	100	100	0	0	0	0
Grays TF Project 3: Grays Riverfront	680	680	0	1,729	6,141	0
Grays TF Project 4: Grays Beach Park & Kilverts Field - Leisure	496	496	0	1,920	2,904	0
Grays TF Project 5: Riverfront Activities Centre	486	486	0	1,806	2,743	0
UK Shared Prosperity Fund	54	54	0	155	0	0
Transformational Capital Funds To Support The Ongoing 3Rs Review	700	700	0	500	0	0
<b>Total Resources and Place Delivery</b>	<b>44,960</b>	<b>39,428</b>	<b>5,532</b>	<b>25,880</b>	<b>13,839</b>	<b>0</b>
<b>HR; OD and Transformation</b>						
ICT Infrastructure Refresh and Extension (T0505)	35	35	0	0	0	0
ICT Operating Software System Upgrades (T0506)	190	0	190	190	0	0
Oracle Improvement / Cloud Upgrade (T0015)	10	10	0	0	0	0
Oracle Improvement / Cloud Upgrade - Evosys (T0015-TC050)	113	113	0	0	0	0
The Central Grays Civic Buildings Optimisation project (T3010)	235	235	0	0	0	0
Thurrock On-Line Phase 2 (T1001)	589	189	400	400	0	0
Transformation Programme Management Support (T3050)	21	21	0	0	0	0
Strategic Wi-Fi - non Civic Offices	47	7	40	0	0	0

<i>Agile Working</i>	22	0	22	0	0	0
<i>Customer Contact Centre</i>	126	0	126	0	0	0
<i>CO1 Infrastructure Decommissioning</i>	212	212	0	0	0	0
<i>School Transport – Synergy Project</i>	6	6	0	0	0	0
<i>Microsoft 365 Design, Build and Delivery (Phase 2)</i>	538	538	0	0	0	0
<i>Data Analytics - Phase 4</i>	301	301	0	0	0	0
<i>Robotic Process Automation</i>	348	171	177	177	0	0
<i>Oracle Cloud Recruitment (OCR)</i>	57	57	0	0	0	0
<i>4Me Service Desk Self Service Enhancement</i>	12	12	0	0	0	0
<i>Core Licencing</i>	28	28	0	0	0	0
<i>Applications Alignment to Office 2019</i>	8	8	0	0	0	0
<i>Thurrock Adult Community College Tech Refresh</i>	2	0	2	0	0	0
<i>Softphone capability</i>	30	30	0	0	0	0
<i>Teams Enabled Meeting Rooms</i>	1	0	1	0	0	0
<i>Thurrock WAN Upgrade</i>	231	48	183	0	0	0
<i>Core Website Rebuild (Drupal 7 to Drupal 9)</i>	20	20	0	0	0	0
<i>Liquidlogic Hosting</i>	154	154	0	113	0	0
<b>Total HR; OD and Transformation</b>	<b>3,335</b>	<b>2,196</b>	<b>1,139</b>	<b>880</b>	<b>0</b>	<b>0</b>
<b>Strategy, Engagement and Growth</b>						
<i>SEND Synergy Upgrade/Improvement</i>	10	0	10	0	0	0
<i>Education Health Care Plan (EHCP) Hub</i>	129	129	0	0	0	0
<b>Total Strategy, Engagement and Growth</b>	<b>139</b>	<b>129</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Expenditure</b>	<b>75,076</b>	<b>67,615</b>	<b>7,461</b>	<b>38,863</b>	<b>14,333</b>	<b>0</b>

Appendix 2

Summary of the 2023/24 HRA Capital Programme by Directorate	Latest Agreed Budget	Projected Out-turn	Projected Out-turn Variance	Future Years Budget		
	2023/24	2023/24	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Housing Development</b>						
<i>Aspriational Capital Pot - Feasibilities - Loewen Road</i>	11	11	0	0	0	0
<i>Redevelopment of Council Offices For Residential Accommodation</i>	83	83	0	0	0	0
<i>Blackshots Housing Development</i>	14	14	0	43,375	28,930	0
<i>Broxburn Drive Housing Development</i>	21	21	0	0	0	0
<i>Vigerons Way Housing Development</i>	32	32	0	0	0	0
<i>Teviot Avenue Housing Development</i>	269	269	0	11,078	7,619	0
<i>Aveley Library Housing Development</i>	93	93	0	0	0	0
<i>Loewen Road Construction</i>	1,258	1,258	0	0	0	0
<b>Total Housing Development</b>	<b>1,782</b>	<b>1,782</b>	<b>0</b>	<b>54,453</b>	<b>36,548</b>	<b>0</b>
<b>Transforming Homes</b>						
<i>Thurrock New Standard - Wates (H2000)</i>	10,088	10,088	0	11,307	0	0
<i>HRA Fire Safety Works (H2805)</i>	2,552	2,552	0	1,000	0	0
<i>Non Traditional Properties (H2815)</i>	3,843	3,843	0	0	0	0
<i>HRA Garages (H2820)</i>	917	917	0	500	0	0
<i>Sheltered Housing Improvements Works (H2825)</i>	186	186	0	0	0	0
<i>Major Adaptations (H2827)</i>	265	265	0	200	0	0
<i>Tower Block Refurbishment (H2828)</i>	17,426	17,426	0	0	0	0
<i>Heating Replacement Programme (H2832)</i>	658	658	0	600	0	0
<i>Lifts Refurbishment (H2829)</i>	288	288	0	190	0	0
<i>Door Entry Installation (H2830)</i>	761	761	0	500	0	0
<i>Water Mains (H2831)</i>	176	176	0	160	0	0
<i>Transforming Homes Programme Support (H2840)</i>	176	176	0	160	0	0
<i>Stock Condition Survey (H2851)</i>	77	77	0	0	0	0
<i>Carbon Reduction Requirements (3 blocks) (H2852)</i>	4,142	4,142	0	2,766	0	0
<i>Electrical infrastructure Testing (H2855)</i>	774	774	0	250	0	0
<i>HRA Highways and Lighting (H2856)</i>	839	839	0	300	0	0
<i>Pram Sheds Buy Backs (H2902)</i>	5	5	0	0	0	0
<i>HRA Property Purchases (H2910)</i>	3	3	0	0	0	0
<i>HRA Phi Property Purchases (H2920)</i>	95	95	0	0	0	0
<b>Transforming Homes</b>	<b>43,271</b>	<b>43,271</b>	<b>0</b>	<b>17,933</b>	<b>0</b>	<b>0</b>
<b>Total Expenditure</b>	<b>45,053</b>	<b>45,053</b>	<b>0</b>	<b>72,386</b>	<b>36,548</b>	<b>0</b>

Summary of the 2023/24 Capital Programme by Portfolio (General Fund Projects)	Latest Agreed Budget	Projected Out-turn	Projected Out-turn Variance	Future Years Budget		
	2023/24	2023/24	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adults and Health</b>						
<i>Thurrock Adult Community College Tech Refresh</i>	2	0	2	0	0	0
<b>Total Adults and Health</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Culture and Communities</b>						
<i>Aveley Community Hub (R0740)</i>	130	130	0	0	0	0
<i>Community Hubs (T3100)</i>	11	0	11	0	0	0
<i>Improvements to Village Halls (D0010)</i>	183	183	0	0	0	0
<i>Leisure Centre Works (L0410)</i>	1,072	1,072	0	0	0	0
<i>South Ockendon Community Hub Phase 2 (09/50035/TTGOUT)</i>	9	9	0	0	0	0
<i>South Ockendon Community Hub Phase 2 (09/50035/TTGOUT)</i>	49	49	0	0	0	0
<i>Travellers Site Refurbishment Works</i>	6	6	0	0	0	0
<i>Traveller Injunction</i>	46	46	0	0	0	0
<b>Culture and Communities</b>	<b>1,505</b>	<b>1,494</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Children and Education</b>						
<i>Beynon Primary - Expansion (B0750)</i>	267	267	0	0	0	0
<i>Capital Maintenance Schemes (to be identified) (B0997)</i>	110	110	0	0	0	0
<i>Emergency Health and Safety Works (B0719)</i>	22	22	0	0	0	0
<i>Priority Suitability and Condition Programme (B0661)</i>	58	58	0	0	0	0
<i>Pupil Referral Unit Relocation (D0020)</i>	300	300	0	0	0	0
<i>SEN Capital (B0800)</i>	4,267	4,267	0	3,266	0	0
<i>Secondary and Primary Schemes (to be Identified) (B0998)</i>	4,452	4,452	0	7,000	0	0
<i>St Cleres Expansion (B0744)</i>	99	99	0	0	0	0
<i>Temporary Classrooms (B0725)</i>	884	884	0	0	0	0
<i>Universal infant free school meals (B0738)</i>	222	222	0	0	0	0
<i>Grays Convent High School - Additional Classroom</i>	32	32	0	0	0	0
<i>SEND Synergy Upgrade/Improvement</i>	10	0	10	0	0	0
<i>Thames Park Secondary School</i>	37	37	0	0	0	0
<i>School Transport – Synergy Project</i>	6	6	0	0	0	0
<i>Abbotts Hall Improvements</i>	425	425	0	0	0	0

<i>Oaktree Centre Feasibility Study and Surveys</i>	39	39	0	0	0	0
<i>Education Health Care Plan (EHCP) Hub</i>	129	129	0	0	0	0
<i>Family Hubs</i>	93	93	0	53	0	0
<i>Tilbury Pioneer</i>	3,000	3,000	0	0	0	0
<b>Total Children and Education</b>	<b>14,452</b>	<b>14,442</b>	<b>10</b>	<b>10,319</b>	<b>0</b>	<b>0</b>
<b>Central Services</b>						
<i>ICT Infrastructure Refresh and Extension (T0505)</i>	35	35	0	0	0	0
<i>ICT Operating Software System Upgrades (T0506)</i>	190	0	190	190	0	0
<i>Implementation of Corporate Property Database (T0702)</i>	27	27	0	0	0	0
<i>Oracle Improvement / Cloud Upgrade (T0015)</i>	10	10	0	0	0	0
<i>Oracle Improvement / Cloud Upgrade - Evosys (T0015-TC050)</i>	113	113	0	0	0	0
<i>The Central Grays Civic Buildings Optimisation project (T3010)</i>	235	235	0	0	0	0
<i>Thurrock On-Line Phase 2 (T1001)</i>	589	189	400	400	0	0
<i>Transformation Programme Management Support (T3050)</i>	21	21	0	0	0	0
<i>Corporate Landlord Compliance</i>	1,928	1,928	0	0	0	0
<i>Investment Portfolio Compliance</i>	1,136	1,136	0	0	0	0
<i>Strategic Wi-Fi - non Civic Offices</i>	47	7	40	0	0	0
<i>Investment Portfolio Spend to Save</i>	1,233	1,233	0	0	0	0
<i>Agile Working</i>	22	0	22	0	0	0
<i>Corporate Landlord Spend to Save</i>	1,586	1,586	0	0	0	0
<i>Customer Contact Centre</i>	126	0	126	0	0	0
<i>CO1 Infrastructure Decommissioning</i>	212	212	0	0	0	0
<i>Microsoft 365 Design, Build and Delivery (Phase 2)</i>	538	538	0	0	0	0
<i>Data Analytics - Phase 4</i>	301	301	0	0	0	0
<i>Robotic Process Automation</i>	348	171	177	177	0	0
<i>Oracle Cloud Recruitment (OCR)</i>	57	57	0	0	0	0
<i>4Me Service Desk Self Service Enhancement</i>	12	12	0	0	0	0
<i>Deployment of overt 4G CCTV camera systems</i>	56	0	56	0	0	0
<i>Core Licencing</i>	28	28	0	0	0	0
<i>Applications Alignment to Office 2019</i>	8	8	0	0	0	0
<i>Softphone capability</i>	30	30	0	0	0	0
<i>Teams Enabled Meeting Rooms</i>	1	0	1	0	0	0
<i>Thurrock WAN Upgrade</i>	231	48	183	0	0	0
<i>Property Demolitions</i>	1	0	1	0	0	0
<i>Core Website Rebuild (Drupal 7 to Drupal 9)</i>	20	20	0	0	0	0
<i>Surface Renewal Oliver Close Depot</i>	6	0	6	0	0	0
<i>Demolition of Buildings</i>	15	15	0	0	0	0
<i>Civic Offices Tenanted Areas Alterations</i>	7	7	0	0	0	0
<i>Transformational Capital Funds To Support The Ongoing 3Rs Review</i>	700	700	0	500	0	0
<i>Liquidlogic Hosting</i>	154	154	0	113	0	0

<b>Total Central Services</b>	<b>10,022</b>	<b>8,822</b>	<b>1,200</b>		<b>1,380</b>	<b>0</b>	<b>0</b>
<b>Environment</b>							
<i>Environmental Enhancements at Play Sites (N0277)</i>	110	110	0		100	0	0
<i>Grays Riverside Park - Replace Splash Pool &amp; Water Features</i>	35	5	30		30	0	0
<i>Thurrock Park Way Environmental Improvements (78/00601/OUT)</i>	51	0	51		51	0	0
<i>Vehicle &amp; Plant Replacement Programme (N0256)</i>	538	538	0		0	0	0
<i>Replacement of Wheeled Containers</i>	455	455	0		471	494	0
<i>Flats Recycling</i>	330	130	200		0	0	0
<i>Food Caddies</i>	500	500	0		0	0	0
<i>Tree Fund</i>	151	151	0		62	0	0
<b>Total Environment</b>	<b>2,170</b>	<b>1,889</b>	<b>281</b>		<b>714</b>	<b>494</b>	<b>0</b>
<b>Growth</b>							
<i>Aspirational Capital Pot - Feasibilities - Culver Centre (R1000-AP006)</i>	28	28	0		0	0	0
<i>Grays South and Rail Station Regeneration (R0670)</i>	358	358	0		0	0	0
<i>Purfleet Centre Fees Budget (R0500)</i>	317	317	0		300	0	0
<i>Purfleet Land Assembly Development Agreement (R0501)</i>	1,680	180	1,500		1,500	0	0
<i>Purfleet SELEP Land Acquisition (R0502)</i>	119	19	100		100	0	0
<i>Purfleet Thurrock School Contribution (R0503)</i>	21	21	0		0	0	0
<i>New River Development</i>	84	0	84		0	0	0
<i>Tilbury Towns Fund - Accelerated Funding</i>	89	89	0		0	0	0
<i>Grays Towns Fund - Accelerated Funding</i>	19	19	0		0	0	0
<i>Grays Town Fund (General)</i>	295	295	0		0	0	0
<i>TTF Heart - Civic Square</i>	4,842	4,842	0		400	400	0
<i>TTF Heart - Youth Zone</i>	1,651	1,651	0		2,348	751	0
<i>TTF Heritage - Riverside</i>	8	8	0		100	0	0
<i>TTF Hub - Station Gateway</i>	3,529	3,529	0		6,180	900	0
<i>Grays TF Project 3: Grays Riverfront</i>	680	680	0		1,729	6,141	0
<i>Grays TF Project 4: Grays Beach Park &amp; Kilverts Field - Leisure</i>	496	496	0		1,920	2,904	0
<i>Grays TF Project 5: Riverfront Activities Centre</i>	486	486	0		1,806	2,743	0
<i>UK Shared Prosperity Fund</i>	54	54	0		155	0	0
<b>Total Growth</b>	<b>14,757</b>	<b>13,072</b>	<b>1,684</b>		<b>16,538</b>	<b>13,839</b>	<b>0</b>
<b>Housing</b>							
<i>Headstart Housing</i>	18	0	18		0	0	0
<i>Blackshots Regeneration Study</i>	1	1	0		0	0	0

<i>Well Homes Offers (G0600)</i>	111	111	0	0	0	0
<i>Disabled Facility Grant (G0604)</i>	1,094	1,094	0	500	0	0
<b>Total Housing</b>	<b>1,224</b>	<b>1,206</b>	<b>18</b>	<b>500</b>	<b>0</b>	<b>0</b>
<b>Transport and Public Safety</b>						
<i>A13 Widening (Works) (E2910)</i>	2,251	2,251	0	0	0	0
<i>B186 West Thurrock Way - Road Capacity and Efficiency</i>	1,192	54	1,138	1,138	0	0
<i>Bridge Repair and Strengthening (E2828)</i>	2	0	2	0	0	0
<i>East Tilbury 1st payment (CCTV / Anti-Skid / VAS / Bus Stop upgrade)</i>	92	92	0	0	0	0
<i>Footway Maintenance (E2876)</i>	199	199	0	0	0	0
<i>Improvement works between Thurrock Park Way and Manor Road</i>	287	0	287	287	0	0
<i>Improvements to the Manorway Interchange (E0911)</i>	65	0	65	65	0	0
<i>Kerb It - Highways (E1870)</i>	208	208	0	0	0	0
<i>Mayflower Road parking management and capacity improvements</i>	421	421	0	0	0	0
<i>Other Infrastructure (Drainage) (E2878)</i>	110	110	0	0	0	0
<i>PRS - Borough wide Disabled Bays (E1843-T3429)</i>	18	18	0	0	0	0
<i>PTI - Local Bus Infrastructure (E1838)</i>	51	51	0	0	0	0
<i>Pot Holes &amp; Challenge Fund (E2840)</i>	1,793	1,793	0	0	0	0
<i>RSF - Node 4 - North Stifford Int (E1830-T3031)</i>	259	259	0	0	0	0
<i>Replacement of Bus Passenger Shelters (E1839)</i>	447	447	0	0	0	0
<i>Rights of Way (E1841)</i>	28	35	-7	0	0	0
<i>Safety Fencing (E2831)</i>	126	126	0	0	0	0
<i>South Road / Stifford Road Junction Improvements (E0908)</i>	190	0	190	190	0	0
<i>Stanford Le Hope Interchange (E2920)</i>	10,867	10,867	0	5,000	0	0
<i>Street Lighting (E2877)</i>	135	135	0	0	0	0
<i>Structural Maintenance A Class Roads (E2826)</i>	503	503	0	0	0	0
<i>Structural Maintenance B and C Class Roads (E2827)</i>	263	263	0	0	0	0
<i>Structural Maintenance Unclassified Roads (E2874)</i>	293	293	0	0	0	0
<i>Traffic Signals (E2833)</i>	92	92	0	0	0	0
<i>Upgrades to the Drainage System; Gully Frames and Lids (E2882)</i>	24	24	0	0	0	0
<i>White Lining (E2832)</i>	6	0	6	0	0	0
<i>Street Lighting LED Completion</i>	25	25	0	0	0	0
<i>Carriageway Summer Damage Treatments</i>	485	485	0	0	0	0
<i>VMS Purchases and Installation</i>	72	72	0	0	0	0
<i>Vehicle Restraint System</i>	65	65	0	0	0	0
<i>Other Road Markings</i>	46	52	-6	0	0	0
<i>Unallocated Budget Traffic Management (E9999-T7001)</i>	48	48	0	0	0	0
<i>CON - Aveley Village Freight Management</i>	187	0	187	0	0	0
<i>PRS - Ad-Hoc Parking Requests</i>	13	13	0	0	0	0
<i>TFM - Road Safety Audits - Scheme Development</i>	10	10	0	0	0	0
<i>TFM - Ad-Hoc Minor Works</i>	35	35	0	0	0	0
<i>Principal Bridge Inspections and Remedial Works</i>	248	248	0	0	0	0



High Risk Concrete Lamp Column Replacement	207	207	0	0	0	0
Footway Slab Replacement Programme (2020-2025)	301	301	0	0	0	0
A1013 School Access Improvements (Treetops)	1,763	1,763	0	0	0	0
Emergency Active Travel Plan	174	178	-4	0	0	0
PRS - EV Charging Upgrade and Expansion	318	318	0	0	0	0
CON - Fort Road Bus Lane	50	0	50	50	0	0
Traffic Management Salary Capitalisation	147	147	0	0	0	0
N13 Cycle Route	272	272	0	0	0	0
A126 Improvements	2,213	500	1,713	1,713	0	0
Trading Standards Facility at London Gateway (DPW)	4	0	4	0	0	0
Urgent repairs to road leading between Tilbury Port and Tilbury2	2	0	2	0	0	0
Highways Lit signage replacement programme	387	387	0	0	0	0
A1014 The Manorway - Footway Protection	265	265	0	0	0	0
Wharf Road, SLH - Drainage scheme	49	49	0	0	0	0
SRS - East Tilbury Primary School	270	457	-187	0	0	0
AIP - Area XX - Tilbury (East of St Chads)	49	49	0	0	0	0
ATF - Corringham Road/Billet Lane	8	8	0	0	0	0
ATF - Purfleet Road	4	0	4	0	0	0
ATF - A128 Junction Signal Scheme	17	17	0	0	0	0
1934 Fort Road Tilbury - Bridge repairs	757	357	400	400	0	0
Junction 31 Electrical Repairs	187	187	0	170	0	0
Orchard Footbridge renewal	602	602	0	0	0	0
Grover Walk Street Lighting Refurbishment	3	0	3	0	0	0
Carriageway Concrete Slab Replacement	146	146	0	0	0	0
Public Rights of Way - FP36 SLH	59	59	0	0	0	0
RSE - London Road West Thurrock	432	32	400	400	0	0
AIP Chadwell South and Grays Riverside areas	386	386	0	0	0	0
AIP - 3 Villages - Orsett Ward	75	75	0	0	0	0
Walking and Cycling	7	0	7	0	0	0
Works to Council Car Parks and Pay and Display Machines	44	44	0	0	0	0
RSE - A13 (Five Bells to Manorway Interchange)	20	20	0	0	0	0
RSE - B186 West Thurrock Way	23	23	0	0	0	0
SRS - 20mph Speed Zones Around Schools	50	50	0	0	0	0
AIP - Area 27 - Ockendon West	100	100	0	0	0	0
AIP - Area 04 - Stanford Le Hope West	100	100	0	0	0	0
Carriageway Micro Surfacing Programme	300	300	0	0	0	0
<b>Total Transport and Public Safety</b>	<b>30,945</b>	<b>26,690</b>	<b>4,254</b>	<b>9,413</b>	<b>0</b>	<b>0</b>
<b>Total Expenditure</b>	<b>75,076</b>	<b>67,615</b>	<b>7,461</b>	<b>38,863</b>	<b>14,333</b>	<b>0</b>



## Appendix 4

### Slippage on Capital Programme

Description	Carry Forward
	£'000
A126 Improvements	1,713
Purfleet Land Assembly Development Agreement (R0501)	1,500
B186 West Thurrock Way - Road Capacity and Efficiency Improvement Project (E	1,138
Thurrock On-Line Phase 2 (T1001)	400
1934 Fort Road Tilbury - Bridge repairs	400
RSE - London Road West Thurrock	400
Improvement works between Thurrock Park Way and Manor Road (E0895)	287
South Road / Stifford Road Junction Improvements (E0908)	190
ICT Operating Software System Upgrades (T0506)	190
Robotic Process Automation	177
Purfleet SELEP Land Acquisition (R0502)	100
Improvements to the Manorway Interchange (E0911)	65
Thurrock Park Way Environmental Improvements (78/00601/OUT) (T3506)	51
CON - Fort Road Bus Lane	50
Grays Riverside Park - Replace Splash Pool & Water Features (N0274)	30
<b>All Directorate</b>	<b>6,691</b>

## Appendix 5

Summary of the 2023/24 Projects on Hold - by Directorate		Budget On Hold
<b>Expenditure:</b>		<b>£'000</b>
Adults; Housing and Health	21st Century Care Home (S0220)	6,841
	Community Hubs (T3100)	1,002
	Libraries Services Technology	112
	Modernisation	
	Ship Lane Day Room	1,448
	Travellers Site Refurbishment Works	243
	Upgrade Day Centres	15
Chief Executive's Office	Coastal Path - Coalhouse Fort to Shoeburyness	7,000
HR; OD and Transformation	Corporate Payments	522
	Digital Pot	2,012
	DR SAN Replacement	315
	Increased protection against cyber threats	168
	IPAM Implementation	21
	The Intelligent Notification System	120
	Windows/SQL Server 2012 Upgrades	50
Place	Grays South and Rail Station Regeneration (R0670)	24,235
	Grays Underpass Land Acquisitions	6,600
	Purfleet Thurrock School Contribution (R0503)	9,215
	Tilbury Integrated Medical Centre (R0913)	5,103
	Property Pot	769
Public Realm	A1014 Manorway - Pony and Trap racing measures	50
	A13 Eastbound Slip Roads	50,107
	Air Quality Modelling for Thurrock	60
	Community Safety Hub / Integrated Centre for Crime & Enforcement (ICCE)	500
	Principal Bridge Inspections and Remedial Works	1,128
	Unattended Traffic Watch PTZ Cameras	21
	Service Review Board Pot	1,382
<b>Total Expenditure on Hold</b>		<b>119,039</b>
<b>Resources:</b>		
Prudential Borrowing		(62,958)
Capital Receipts		(4,528)
Government Grants		(46,500)
Other Grants		(5,053)
<b>Total Resources on Hold</b>		<b>(119,039)</b>

<b>13 September 2023</b>	ITEM: 13 Decision: 110667
<b>Cabinet</b>	
<b>Asset Disposals Programme – Recommended next tranche of properties for disposal</b>	
<b>Wards and communities affected:</b> All Wards	<b>Key Decision:</b> Key
<b>Report of:</b> Rob Large, Programme Director Asset Disposals	
<b>Accountable Assistant Director:</b> N/a	
<b>Accountable Director:</b> Mark Bradbury, Director of Place	
<b>The Report is</b> Public with exempt appendices  Appendices 1, 2 and 3 contain exempt information which falls within schedule 12A of the Local Government Act 1972 - <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> . In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	
<b>Date of notice given of exempt or confidential report:</b> 5 September 2023	

## Executive Summary

This report seeks Cabinet Approval for a tranche of Property Assets to be placed on the market and sold, in line with the Improvement and Recovery Plan.

- 1. Recommendation(s)**
  - 1.1 We recommend that the attached schedule (Exempt) of property assets are now put on the market and sold.**
  - 1.2 This recommendation for disposal is following recommendation by Strategic Property Board and Finance Recovery Board (FRB). Cabinet will delegate authority to agree the method and terms of disposals to the Director of Place in consultation with Property Board and FRB.**
- 2. Introduction and Background**
  - 2.1 The December 2022 Cabinet approved the Disposals Strategy of a report dated 25<sup>th</sup> November 2022.

2.2 The dedicated Asset Disposals team is in place and has assets previously approved on the market for disposal. This tranche is the next identified for disposal with the intention to complete sales and achieve resultant capital receipts during the current financial year.

### **3. Issues, Options and Analysis of Options**

3.1 These properties will be marketed by Commercial Property agents. This tranche comprises properties where sales at good prices can be achieved within the current financial year. This is following due diligence by the Asset Disposals team and advisors.

3.2 Avison Young, a leading firm of Property Consultants are also undertaking an independent review of the majority of the council's property assets which will assist and inform the Asset Disposals team in bringing forward the next tranches of assets for disposal approval in the coming months.

### **4. Reasons for Recommendation**

4.1 These property disposals are required to meet the capital receipts required in 23/24 under the Improvement and Recovery Plan.

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

5.1 This report will have undertaken full consultation processes including Corporate Scrutiny.

5.2 The process also includes Strategic Property Board, Place DMT, and FRB.

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

6.1 These disposals are required as part of the IRP.

6.2 Where the properties have a rental income, best value analysis has been carried out to ensure best value in disposals accounting for loss of income and any other related matters.

### **7. Implications**

#### **7.1 Financial**

Implications verified by: **Mark Terry**  
**Senior Financial Accountant**

As part of the Improvement and Recovery Plan, capital receipts generated from the asset sales will be utilised to help reduce our outstanding debt level, with a reduction in future year MRP, borrowing and interest costs.

This tranche of property sales will produce capital receipts in the order of £16 million, to be added to the current proposed capital receipts of £30 million giving a total of £46 million in '23/24. This allows for a margin for any delayed real estate transactions whilst giving a reasonable assurance of reaching the current budgeted capital receipts, in accordance with the approved budget and plan, for the current financial year of £42 million of capital receipts from asset disposals.

## 7.2 Legal

Implications verified by: **Helen Graydon**  
**Principal Property Lawyer**

The Council has a legal duty under section 123 Local Government Act to secure the best consideration reasonably obtainable when it disposes of property unless it has the consent of the Secretary of State. The Secretary of State has given a general consent for local authorities to dispose of property at an undervalue of up to £2m where the disposal is for the promotion or improvement of the economic, social or environmental well-being of its area (the 'Local Government Act 1972: General Disposals Consent 2003'). A disposal of property at an undervalue can still amount to a public subsidy so there remains a need to ensure compliance with the provisions of the Subsidy Control Act 2022.

The valuation assessments contained in the Schedule of Disposals appended to this Report have been made by the Council's appointed valuers and must be achieved to satisfy the requirements of Section 123.

## 7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**  
**Team Manager - Community Development Team**

The proposals for disposal set out in this have been developed with due regard to the council's Disposals Policy and in line with the Improvement and Recovery Plan. Properties approved for sale will be available for purchase on the open market.

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

None

**8. Background papers used in preparing the report:**

None

**9. Appendices to the report (all exempt Part 2)**

- Cabinet September 2023 - Schedule of Property Assets for Disposal
- Cabinet September 2023 – Property Assets Information
- Cabinet September 2023 - Best Value Considerations

**Report Author:**

Rob Large

Programme Director, Asset Disposals

Asset Disposals Team, Place Directorate



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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<b>13 September 2023</b>	<b>ITEM: 14</b> <b>Decision: 110668</b>
<b>Cabinet</b>	
<b>Delivery of Thames Freeport as the Accountable Body</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Cllr Deborah Arnold, Deputy Leader and Cabinet Member for Transformational Change, Communications and Governance	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> Asmat Hussain Interim Director of Law and Governance	
<b>This report is</b> Public with exempt appendices Appendices 2,4,5,6,7,8,9 contain exempt information which falls within schedule 12A of the Local Government Act 1972 - <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> . In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	
<b>Date of notice given of exempt or confidential report:</b> 5 September 2023	

## Executive Summary

Thames Freeport is a core feature of Britain’s Trading Future and will drive economic growth across the Thames Estuary. It is forecast to deliver 21,000 + jobs, £4.6bn of public and private investment and to support regeneration and levelling up activity in line with Freeport policy objectives using retained business rates over the next 25 years. Thames Freeport has the potential to be a game changer for Thurrock provided the partners can drive delivery and maximise benefits for local residents and businesses.

The Freeport is led by the private sector (by Forth Ports, Dubai Ports World and Ford UK) and Thurrock Council. Thurrock Council has a key, dual, role to play, to act as the Accountable Body and to be an active partner on the Thames Freeport Governing Board driving delivery of the Freeport and maximising the economic and social benefits for the people and businesses of Thurrock and the wider freeport area. In addition, Thurrock Council is a billing authority for retained business rates.

This report sets out proposals for delivering the Council's role as the Accountable Body for Thames Freeport. The workstream relating to the Council's role as Accountable Body will be managed through the Improvement Recovery Plan process, reporting to the Senior Leadership Team and Cabinet. The appropriate governance and management systems in place will enable the Council to play its role in Freeport delivery effectively, efficiently, and in compliance with the Directions under the Local Government Act 1999 which directs the Council to take steps to ensure that the role of the Accountable Body to the Thames Freeport is exercised to the satisfaction of the Commissioners.

### **Commissioner Commentary**

Given the very specific direction to Thurrock relating to Commissioners' oversight of the freeport it is important that Commissioners are fully engaged in the creation of the freeport and its governance arrangements, including the detailed risk management arrangements. The freeport has the ability to bring great benefits to Thurrock but must do so in a way that risks to the Council are minimised.

In order to be satisfied as to how Thurrock Council is correctly operating the Freeport it will need to ensure:

- (i) the Council has identified its accountabilities and responsibilities under the legislation and the MoU with DLUHC
- (ii) appropriate legally binding agreements are in place to set out responsibilities and accountabilities with
  - a. the Freeport Board
  - b. the Freeport operating company
  - c. the landowners
  - d. the other billing authorities
- (iii) the freeport board has been constituted formally with a constitution approved by the Council with clear powers and appropriate governance dealing with conflicts, interests and fair decision-making arrangements.

### **1. Recommendation(s)**

**Cabinet is asked to:**

- 1.1 Approve the proposed arrangements of the Council to oversee the delivery of Thames Freeport**
- 1.2 Note the resource implications associated with delivery of Thames Freeport; £1m DHLUC capacity funding, £2.257m retained business rates and £25m Seed Capital funding**
- 1.3 Note the progress made to merge the Thames Freeport Final Business Case and Addendum (previous approved by Cabinet) into a single document, a consolidated Thames Freeport Business Case for submission to Government to prepare the Memorandum of Understanding between Government and Thames Freeport Partners.**



- 1.4 Delegate authority to the Chief Financial Officer (Section 151 Officer) in agreement with Commissioners and in consultation with the interim Director of Law and Governance (Monitoring Officer) the Chief Executive and the Leader to:**
- (i) finalise the consolidated Thames Freeport Business case;**
  - (ii) sign the finalised consolidated Thames Freeport Business Case on behalf of the Council;**
  - (iii) submit the consolidated Thames Freeport Business Case to Government on behalf of the Council.**
- 1.5 Approve the establishment of the Thames Freeport Committee as a Cabinet subcommittee, as set out in paragraph 3.7 .**
- 1.6 Note the progress made in developing Business Cases for Thames Freeport Seed Capital Projects and that a further report will be brought back to Cabinet in relation to Thames Freeport Seed Capital Projects.**
- 1.7 Note that legally binding agreements will need to be established between the Council, Thames Freeport Governing Body, Thames Freeport Operating Company and recipients of grant funding. These agreements are to support the Council to effectively discharge its obligations as the Accountable Body and Billing Authority, and also to effectively manage and monitor how money is spent in relation to Thames Freeport Projects and the operation of Thames Freeport. These issues will be brought back to Cabinet in a further report.**

## **2. Introduction and Background**

- 2.1** Thames Freeport is a government initiative led by the private sector that will drive economic growth across the Thames Estuary. The three private sector partners - DP World, Forth Ports and Ford - are supported by Thurrock Council, London Borough of Barking and Dagenham, London Borough of Havering. The three landowners and the three local authorities together form the Freeport Partners. The Thames Freeport Governing Board also includes representation from the Thames Estuary Growth Board, the Port of London Authority, an independent Chair and three external strategic advisors. The combined administrative boundary of the three local authorities makes up the outer boundary of Thames Freeport however most economic, environmental and social activity (approximately 90%) will be within Thurrock.
- 2.2** The Freeport is a defined area with tax, customs and other associated benefits designed to attract inward investment and deliver three Government objectives:
- To establish Freeports as national hubs for global trade and investment
  - To create hotbeds for innovation
  - To promote regeneration

- 2.3 An Outline Business Case for the freeport was submitted to DLUHC in July 2021 and, following an extensive review, Government approved the tax sites and gave the initial go-ahead for the Freeport to operate in December 2021. The Full Business Case (FBC) was submitted in January 2022 and updated in April 2022. An addendum to the FBC (Addendum) which addresses a number of critical actions identified by DLUHC in the FBC was submitted to the Government in November 2022.
- 2.4 At a meeting of Cabinet on 7 December 2022, Cabinet approved the Thames Freeport governance structure, the appointment of the Leader of the Council or nominated representative to the Thames Freeport Governance Board. Authority was delegated to the Acting Chief Executive to appoint Council Officers to Freeport sub-committees, and in consultation with the Leader of the Council to enter any Memoranda of Understanding (MOU) with government and Freeport bodies to deliver the activities of Thames Freeport. Cabinet also noted the approach to investing business rates into regeneration and infrastructure projects as the rates become available to Council.
- 2.5 On 20 March 2023 Government announced Thames Freeport had been given final go ahead to formally constitute its board and start operating fully.
- 2.6 During the bid process and until formal announcement, a Freeport Board working group has been in place that included the three private sector partners and Thurrock Council. Within the Council a working group led by the former CEO and including representation from relevant Council departments including Economic Development, Finance and Legal Services oversaw the Council's involvement.
- 2.7 Now the Freeport has been approved by DLUHC, the Council has a number of functions: -
- to act as Accountable Body for the Freeport. Details of the role of the Council in its capacity as the Accountable body is set out in paragraph 3.4 of this report.
  - to be an active partner on the Freeport Board driving delivery and maximising benefits for local residents and businesses
  - to be the rating authority to the Freeport for those elements of the Freeport that fall into Thurrock Council's geography.

### **3. Issues, Options and Analysis of Options**

#### **Freeport Governance Arrangements**

- 3.1 The diagrams at **Appendix 1** sets out the proposed arrangements of the Council to oversee the delivery of Thames Freeport, and the Freeport Governance Structure. The consolidated Business Case for the Freeport sets out proposed Governance arrangements in the Management Case Section 5, This document is required to be submitted to Government for Government to

prepare a Memorandum of Understanding between Government and Freeport Partners and the Council. The Memorandum of Understanding sets out the principles under which the Freeport will operate and the roles and responsibilities of Thames Freeport Partners.

- The Thames Freeport Governing Board (TFGB) has overall accountability to Government for the achievement of the freeport objectives and will provide leadership for the Freeport. The Council Leader (or nominated representative) will join the Board as a partner in the Freeport. The Council as the Accountable Body to Thames Freeport will be responsible inter alia for ensuring the good functioning of the Governing Body and will be required to be a member of the Governing Body.
- Thames Freeport Limited is the Operating Company (OpCo) for the Freeport which will be a limited company whose members will be the Freeport Private Sector Partners. No Council officers or Councillors will be members or Directors of the OpCo. The OpCo has been established to deliver the strategies, policies, and projects of the TFGB and will take direction and instruction from the TFGB. However, the only lever the TFGB will have over the OpCo, is that it will have the ability to approve its Annual Business Plan and Annual Financial Plan. The TFGB will receive reports against the delivery of the Business Plan along with its Financial management at TFGB meetings. The OpCo will also be responsible for providing Monitoring and Evaluation reports and Risk Assessment reports to the TFGB. In addition, a legally unenforceable Memorandum of Understanding between the TFGB and the OpCo partners, will set out their commitments to the freeport's objectives. The OpCo as a corporate structure will have a Board which will have full control over the OpCo. OpCo activities will be determined annually when its business plan is prepared by the OpCo and submitted to the TFGB for approval. The objectives of the OpCo are to be aligned with those of the TFGB with an emphasis on supporting the furtherance and implementation of the Freeport strategy and its core projects. As such it will be able to employ staff and contractors, procure goods and services and enter into contracts on behalf of the Freeport. Currently, the Council has no legal relationship with the OpCo. There will need to be formal arrangements between the Council and the OpCo to enable the Council to undertake its Accountable Body functions effectively and also with regard to the use of public money. It is envisaged that these will take the form of a collaboration agreement and separate funding agreements in respect of public money for projects undertaken by the Freeport.
- The Council as the Accountable Body will need to work with and alongside officers of the OpCo to ensure that public funded projects are delivered efficiently and effectively. Further details on the OpCo including draft Articles of Association are included in the consolidated FBC. The draft

shareholders' agreement in the consolidated FBC see pages 312- 339 includes some freeport specific detail, e.g. references to the annual business plan. However, there are also some provisions which could potentially raise issues to work on, including those relating to the shareholders' ability to transfer ownership of the company without input from other Freeport Partners.

3.2 The Secretary of State in Directions to the Council has directed the Council to take steps to ensure that the role of Accountable Body to the Thames Freeport is exercised to the satisfaction of the Commissioners and that delivery of the Accountable body function should be reflected in the Improvement and Recovery Plan. This report sets out a proposed structure that will be implemented subject to the approval of the Commissioners and to the satisfaction of the Government, the Council's Monitoring Officer and Chief Financial Officer.

3.3 This approach will enable the Council to:

- Ensure that any public money the Freeport receives is used to maximise the public benefit for Thurrock;
- By approval of the business plan ensure that the Freeport continues to deliver in line with Freeport policy objectives;
- Maximise the economic benefits and ensure they are targeted towards Thurrock residents and businesses and the catalytic impact of the Freeport is used to best effect to promote Thurrock internationally and attract further inward investment;
- Demonstrate that good governance arrangements are in place.

### **Accountable Body Function**

3.4 The Council's role as the Accountable Body will include, but not be limited to the following functions:

- Establish and maintain a financial system to account for all funding received and disbursed on behalf of the Freeport;
- Review and approval of business cases for seed capital projects by the Council's Cabinet. It was always envisaged and is set out in the consolidated Business Case that any financial risk if the cost of the projects overrun is the responsibility of the project promoter. The outline business cases for the proposed seed capital projects are set out in **Exempt Appendices 5-9**. These Business Cases are in draft form with further work required before approval. The Council, along with LBBD and LBH are the project promoters for the Active Travel project. Onside and the Council are the project promoters for Thurrock Youth Zone. Further information is required on the seed capital projects to meet the outline business case requirements that the Council will need before it can be recommended to Cabinet to approve the projects. Steps have been taken to obtain the required information, and a further report will be brought

back to Cabinet with full details relating to the proposed seed capital projects.

- Receive funding on behalf of the Freeport for example capacity funding and / or seed capital funding from Government and be responsible for its proper administration;
- Ensure, that funding received by the Council in its capacity of Accountable Body is used appropriately in accordance with the law, good financial management any applicable grant conditions and Freeport objectives;
- Through the MOU and annual sign off of the business and financial plans to Government providing assurance that decisions and activities of the Freeport will be taken transparently, will be evidence based and do represent value for money, and compliance with the Nolan principles, the National Assurance Framework; legal requirements; the principles of probity or sound financial practice; applicable funding terms and agreement on scrutiny arrangements. As Accountable Body for Thames Freeport Council will also be required to sign an annual assurance statement for submission to Government;
- Ensure that the checks and reporting requirements of Thurrock Council's Section 151 Officer are met; this includes retaining appropriate documentation on decisions around funding;
- Ensure appropriate control and reporting mechanisms are in place and that all required information on expenditure, activities, outputs and outcomes are properly recorded and reported to the Freeport;
- Retaining necessary information and ensuring all required information on expenditure, activities and outcomes are properly recorded and reported;
- Escalating in the first instance concerns around non-delivery and/or mismanagement to TFGB;
- A support function: providing technical advice on the relevant law, identifying risks associated with pursuing a particular course of action for the TFGB to consider; and
- Responsibility for assessing the overall delivery risk and associated financial risk (up to an agreed level) on behalf of the Freeport.

3.5 The Memorandum of Understanding to be entered into with Government and Freeport Partners sets out non legally binding obligations imposed on the Council acting as the Accountable Body for the Freeport. A summary of those obligations is set out in **Appendix 3** and will form part of the work undertaken by the Accountable Body Officer Group within the Council. This Group is chaired by the Director of Law and Governance supported by the S151 Officer. The membership of this Group includes senior officers representing each directorate and/or service significantly linked to supporting the Council discharge its obligations as the Accountable body. A subgroup has been set up with a Finance lead to oversee matters relating to Thames Freeport Seed Capital Projects, and to provide regular reports to the Accountable Body Officer Group. A report will come back to Cabinet relating to Thames Freeport Seed Capital projects.

3.6 The focus of the officer group is:

- to provide oversight, advice, support and challenge to help the Council develop and implement processes to effectively discharge responsibilities in its capacity as the Accountable Body for the Thames Freeport.
  - Consider how the Council can best deliver its role as the Accountable Body.
  - Ensure that the Council has the necessary resources it needs to operate effectively in accordance with obligations set out in DLUHC's Memorandum of Understanding.
  - Arrangements and processes are proportionate for the assessment and approval of business cases, and formal approval of projects and establishing a funding agreement with recipients of public funds.
  - To test the effectiveness of the Council's governance arrangements and the strategic risk facing the council, primary responsibility for this resting with the Cabinet.
  - Review processes set up by the S151 officer for The Accountable Body to establish a monitoring process to identify possible weaknesses or risks in the operation of projects and provide for corrective action to be taken.
- 3.7 In addition to the above, it is recommended to establish a Thames Freeport Committee as a Cabinet subcommittee to oversee Thames Freeport. The committee to consist of a minimum of three Members, with attendance by key senior members of the Accountable Body Group, the Council's Chief Financial Officer and Director of Law and Governance. The Terms of Reference of the committee and any independent technical support that may be required to support it to be agreed at the committee's first meeting. The Council's Constitution to be updated as required.

### **Thames Freeport Consolidated Full Business Case**

- 3.8 DLUHC has requested that the Full Business Case for the Freeport and the updated Addendum to the Full Business Case which were previously approved by Cabinet be brought together into a single document. The document will then be used by DLUHC to populate the Memorandum of Understanding between Government and all Thames Freeport Partners.
- 3.9 Exempt Appendix 2 sets out the progress that has been made to date to finalise the consolidated the Thames Freeport Final Business Case. Further work is required to finalise this document prior to submission to DLUHC. It is recommended that Cabinet delegate authority to the Chief Financial Officer (Section 151 Officer) in agreement with Commissioners and in consultation with the interim Director of Law and Governance (Monitoring Officer), the Chief Executive and the Leader to finalise the Thames Freeport Consolidated Business Case, to sign it and then to submit to DLUHC on behalf of the Council.

### **Retained Business Rates**

- 3.10 In addition, it is estimated the Freeport will generate approximately £966m in retained business rates over 25 years for Thurrock Council (£956m) and London Borough of Barking and Dagenham (£10m) (billing authority for the entire Ford site)/ London Borough of Havering to invest in regeneration and levelling up initiatives across the Freeport outer boundary and in line with Freeport policy objectives. The Council as Accountable Body will have obligations together with the rating authorities on the use and management of retained business rates in line with the Full Business Case, investment plan and principles contained within Managing Public Money. Final decisions on the use of retained business rates will be for the relevant billing authority to take in line with the final business case.
- 3.11 The rates must be used to support the operation of the Freeport and delivery of Freeport policy objectives. The amount of Business Rates retained will be assessed and reported annually to the TFGB and to the Accountable Body. The TFGB will assess proposals for use of the retained business rates and make recommendations to the billing authorities. The decisions are not binding on the billing authorities however they may uphold recommendations where a proposed projects has clear internal governance requirements and aligns with the Freeport Annual Business Plan, supporting its investment plan or the FBC and taking into account all other relevant considerations.

## **Resources**

- 3.12 The Freeport will access funding to pay for its day-to-day operations by submitting an annual costed business plan which is assessed by the TFGB and the Council in its role as Accountable Body. Once a business plan has been agreed the Freeport is able to draw down the funding approved. The Freeport is currently preparing a business plan for the 2023/4 financial year.
- 3.13 As set out in the FBC section 5.4 the Freeport partners have agreed to contribute to the operating costs of the Freeport, with the costs in the longer term to be borne by the public sector from the retained business rates which have been confirmed for 2023/4. The Freeport itself has prepared a draft Financial Business Plan which is being reviewed and will be finalised for reporting to the 26 September TFGB Board for approval in advance of being reported to Cabinet for approval. It is anticipated that the total cost can be contained within the £2.257m retained business rates now received from DLUHC. Further work will need to be undertaken to identify what these costs are likely to be. However, it is not proposed that the Council will have a legal liability under the MOU to meet these costs.
- 3.14 The risk to the Council is managed through the annual business planning and financial planning process. As part of the assessment process the Council will need to ensure that costs are within the budget envelope for the forecast retained business rates and that appropriate contingencies and mechanisms are in place to mitigate any shortfall in funding.

3.15 The resources required by the Council to fulfil its role as Accountable Body will be met by retained business rates. Work is underway to assess the additional resource requirement and cost associated with the Council's role in Thames Freeport. The Freeport itself has now prepared its costed business plan which is being reviewed ready for approval by the TFGB at its meeting on 26 September 2023 in advance of being reported to Cabinet for their approval. It is anticipated that the total cost can be contained within the £2.257m retained business rates now received from DLUHC, however full due diligence on the operating costs is currently being carried out. A final budget will need to be agreed through the annual business plan and financial plan to be approved by the Council as Accountable Body.

#### **4. Reasons for Recommendations**

4.1 The Freeport has been given final approval.

4.2 Ensuring appropriate governance and management systems are in place will enable the Council to fulfil the requirements of its role as the Accountable Body and to play its role in Freeport delivery effectively, efficiently and in a timely manner.

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

5.1 Not applicable.

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

6.1 Thames Freeport is a corporate priority and referenced in the Directions to Council from the Secretary of State.

#### **7. Implications**

##### **7.1 Financial**

Implications verified by: **Jonathan Wilson**  
**Acting Director of Finance and S151 Officer**

#### **Freeport Funding**

<b>Description</b>	<b>Budget</b>	<b>Actual</b>
Capacity Funding	£1,000,000	£1,000,000
S31 Retained Business Rates funding	£2,257,000	£2,257,000 -
Seed Capital Funding – pending	£25,000,000	-
<b>TOTAL</b>	<b>£28,257,000</b>	<b>£3,257,000</b>



The Council has received Capacity Building funding totalling £1m from DLUHC over the period 2021 – 2023. This has been used, and is being used, to fund the development and set-up of the Freeport and the arrangements required to ensure that the Council can fulfil its role as Accountable Body. This includes commissioning external advisors to ensure that the requisite legal agreements are in place with the relevant partners.

The council has received a further £2.257m which will be used to fund the operating costs of the council and the Op Co in the initial phase of the Freeport programme. The council as Accountable Body will oversee the disbursement of these funds. The draft financial business plan submitted by Freeport is currently being reviewed before being submitted to TFGB for approval on 26 September. This will be reported to Cabinet for approval once finalised.

The Seed Capital funding of £25m will be disbursed based upon Outline Business Cases which will be subject to approval by DLUHC and Cabinet. These are on the forward plan for the October cabinet meeting.

Over the life of the Freeport programme, it is estimated that retained business rates of £956 million for Thurrock will be raised for reinvestment to deliver the objectives of the Freeport programme. All costs of the programme will be met from retained business rates.

Monthly financial monitoring of all aspects of the programme will be reported by the CFO (s151) to the Capital Board. The TFGB Board will also receive monthly financial reports.

The Accountable Body duties carry financial risks should these duties not be fulfilled satisfactorily, DLUHC has the right to clawback Freeport Seed Capital Grant monies totalling £25m as well as s31 grants. The Council is mitigating these risks by ensuring that the Accountable Body arrangements are robust and fully set up.

## 7.2 Legal

Implications verified by: **Gina Clarke**  
**Governance Lawyer and Deputy Monitoring Officer**

Some of the legal implications relating to the Council's role as the Accountable Body for Thames Freeport are set out in the main body of the report.

As part of the process in establishing the Freeport, it will be necessary for the Council (acting as Accountable Body), the Thames Freeport Governing Body, and the rating authorities connected to the Freeport (the Council, London Borough of Barking and Dagenham, London Borough of Havering) to enter

into a Memorandum of Understanding (MOU) with DLUHC. The MOU will be updated with certain aspects of the consolidated Thames Freeport Final Business Case prior to the MOU's execution to cover membership, powers & decision-making mechanisms of the Thames Freeport Governing Body; the role and responsibilities of the Council as the Accountable Body; and the role and responsibilities of the billing authorities ( the Council London Borough of Barking and Dagenham, London Borough of Havering).

The MOU will govern the working relationship between the parties to the agreement and sets out the mutual understanding of the governance model, grant funding arrangements/financial arrangements, strategic and Freeport delivery, reporting requirements and performance management of the Freeport.

The most recent version of the MOU received from DLUHC, version 10, which DLUHC has expressed as being the final form of MOU sets out the principles under which the Freeport is to operate. These principles are not legally binding on the Government and Freeport Partners.

A memorandum of understanding is a document which is usually seen as not legally binding. Case law suggests that the signing of a memorandum of understanding does not create a binding agreement, nor does it create a binding agreement when the parties begin to carry out its terms. DLUHC have confirmed in their feedback to issues raised on the MOU that they are satisfied that it remains an MOU and not a legal document. However, although not legally enforceable, it is agreed and expected that all parties to the MOU will conduct themselves in accordance with its terms in delivering the Freeport.

Regardless of the legal standing of the MOU, at all times DLUHC will have discretion to intervene if the Freeport fails to meet its obligations. The ultimate sanction for persistent failure being DLUHC's right to withdraw/withhold funding and/or other Freeport benefits.

The MOU places a number of direct non-binding obligations on the Council in its capacity as Accountable Body. The governance structure for Thames Freeport and contents of the MOU have been reviewed by external legal and they have identified several potential risks it may present to the Council acting in its capacity as Accountable Body, which are set out in **exempt Appendix 4**.

This highlights the need to ensure that appropriate mechanisms are in place for the Council to have sufficient oversight of Freeport operations and a level of control in certain circumstances beyond that which it is currently afforded through its membership of the Governing Body and the MOU. This relates to external additions to those arrangements, such as exploring putting in place additional agreements with Thames Freeport Partners and the OpCo.

The proposed recommendations set out in the report aim to ensure that the adequate structures are established within the Council to ensure that its role as the Accountable Body can be carried out effectively.

### 7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**  
**Team Manager – Community Development and Equalities**

A full Equalities Impact Assessment (EQIA) was completed as part of the FBC process considered by Government and aligned with Council's Community Equality Impact Assessment process. This provided a focus on the extent to which Thames Freeport will positively impact on reducing inequalities overall, not least those related to employment, income, health, and well-being. The EQIA/CEIA is a live document owned by the council working both in its role as accountable body and with partners to maximise benefits for residents overall.

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

None

### 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):

- Thames Freeport Full Business Case and Addendum - EXEMPT
- Cabinet Report: Thames Freeport: Governance Structure, 7 December 2022 [Thames Freeport: Governance Structure](#)

### 9. Appendices to the report

- Appendix 1: Council Governance and Freeport Governance Structure
- Appendix 2: Freeport Consolidated Business Case - Exempt Appendix comprising of 475 pages will be sent to members
- Appendix 3: Obligations imposed on the Council acting as the Accountable Body for the Freeport
- Appendix 4: Legal risks – Exempt Appendix
- Appendix 5: Seed Capital Project – Exempt Appendix
- Appendix 6: Seed Capital Project – Exempt Appendix
- Appendix 7: Seed Capital Project – Exempt Appendix
- Appendix 8: Seed Capital Project – Exempt Appendix
- Appendix 9: Seed Capital Project – Exempt Appendix

### Report Author:

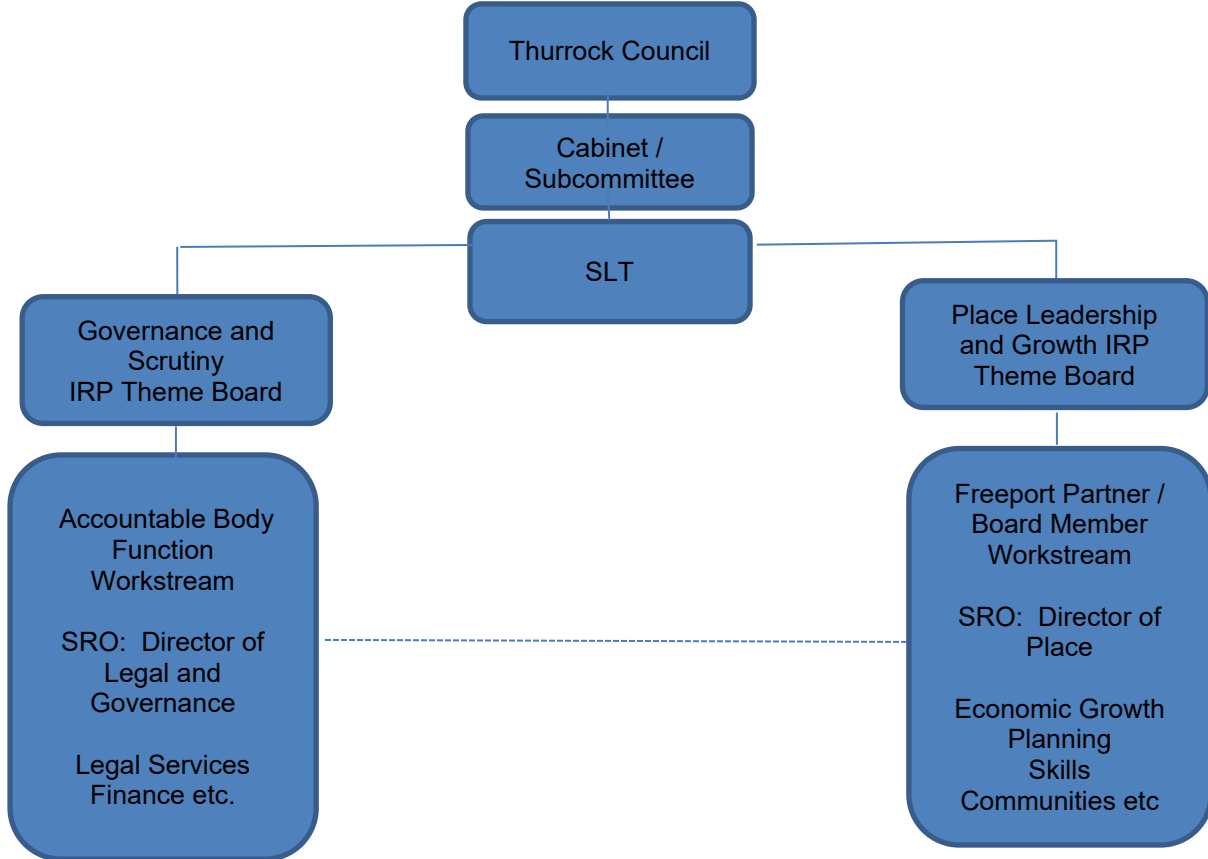
Gina Clarke  
Corporate Governance Lawyer and Deputy Monitoring Officer



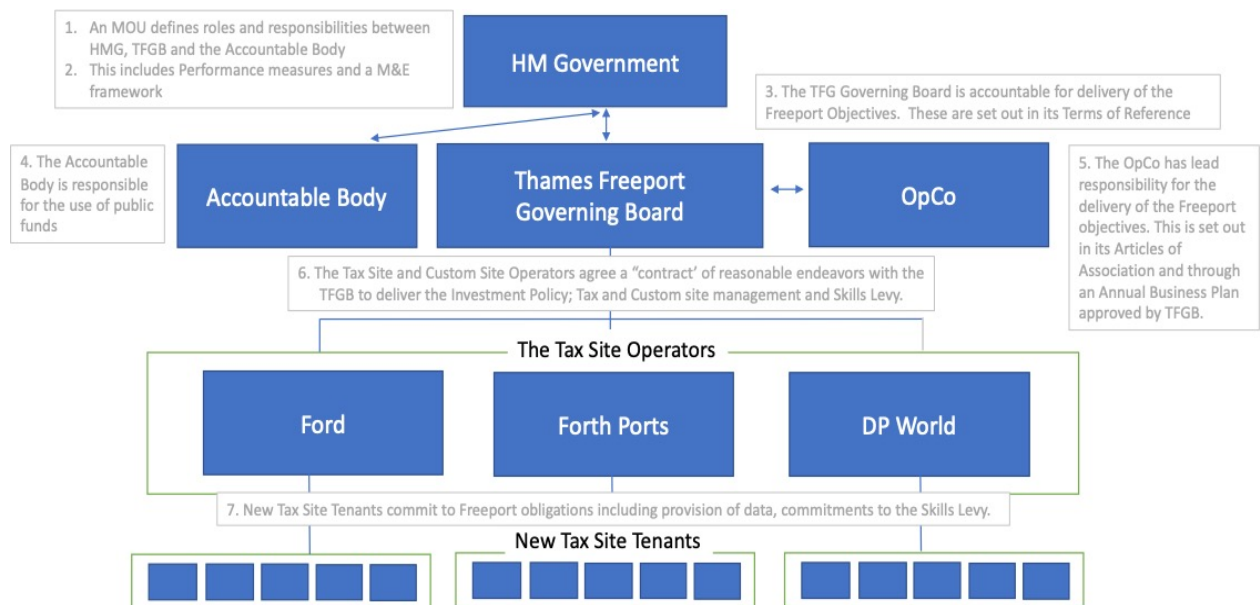
## Appendix 1: Council Governance and Freeport Governance Structure

The diagrams below set out the Council’s governance arrangements and the Freeport governance structure

### Council Governance Structure



### Freeport Governance Structure



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## **Appendix 3 - Obligations on the Council acting as the Accountable Body**

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### **Accountable Body Function Obligations under the Government Memorandum of Understanding**

The MoU sets out the Council's obligations acting as the Accountable Body for the Freeport:

#### *Section 2 - Governance*

##### *Roles & Responsibilities*

- is accountable to DLUHC for the use of Seed Capital and Capacity Funding grants and for ensuring the good functioning of the Governing Body. (2.1.2)
- is required to be a member of the Governing Body (2.1.2)
- data retention and intellectual property- obligation for all documents and data to be retained by the relevant parties (i.e., the Council, Governing Body and rating authorities) for a minimum of seven years. ( 2.6.1).

##### *Freeport Governance*

- obligation to set out a process for determining the publication criteria for commercial confidential information, which should be aligned with Schedule 12A of the Local Government Act 1972 and information Commissioner's principles (2.2.2)
- responsible for the Freeport specific grant funding, i.e., Seed Capital and Capacity Funding, including monitoring and reporting against the use of these funds, and maintaining appropriate records relating to Freeport delivery, including project plans and risk registers for HMG funded activity. Ensure that the Governing Body operates in line with appropriate levels of transparency, propriety and inclusivity, and abides by the Nolan Principles. (2.2.4)
- To agree with the Governing Body and rating authorities a local process to manage any disputes which may arise in relation to section 2.2 of the MOU ( Freeport Governance) (2.2.7).

## *Public Sector Equality Duty*

- to ensure the Governing Body complies with the Public Sector Equality Duty, and to use data to ensure that the Freeport is optimised to advance equality and foster good relations, by highlighting any areas for improvement and ensuring adverse aspects of Freeport delivery relating to equality are mitigated and limited (2.4.1 2.4.2).

## *Section 3 – Financial Arrangements*

- to use the funding as agreed within the FBC and evidence the spend in accordance with the MOU's reporting requirements (see below).( 3.3.1).
- to develop and appraise project business cases for all Seed Capital Funded projects (including undeveloped projects and notify DHLUC once that have been approved (3.3.4, 3.3.5 & 3.3.6)
- managing grant payments to deliver and operate the Freeport. This includes managing the financial and fraud risks associated with grant payments and upholding the principles of Managing Public Money. The right to enforce risk management systems or audits the Governing Body in respect of the delivery of public money (3.4.2).
- reporting to DLUHC on a quarterly basis in relation to project and financial risks; demonstrating spend against previous funding and outputs being delivered; as well as site delivery – all in accordance with the approved FBC/Addendum and reporting requirement Framework in the MOU section 6.2.3 of the MOU (3.4.4).

## *Procurement*

- use all public funds received in a manner which complies with all regulations and best practice standards to ensure that best value for money is achieved and that the Freeport objectives are met (3.5).

## *Subsidy control*

- ensure that any public funded which is granted to recipients as a subsidy is compliant with the subsidy control regime, with evidence demonstrating compliance (3.6).



### *Collected Business Rates*

- obligations together with the rating authorities on the use and management of retained business rates in line with the FBC, investment plan and principles contained within Managing Public Money (3.7).

### *Section 6 – Performance Management, Assurance and Evaluation*

- working with the Governing Body to collaborate with DLUHC on the processes and reporting requirements set out in the Framework of the MoU (6.3)

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of the Local Government Act 1972.

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<b>13 September 2023</b>	ITEM: 15 Decision: 110669
<b>Cabinet</b>	
<b>Financial Strategy Update</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Steven Mair, Interim Chief Finance Officer	
<b>Accountable Assistant Director:</b> Jonathan Wilson, Acting s151	
<b>Accountable Director:</b> Steven Mair, Interim Chief Finance Officer	
<p><b>This Report is</b> Public with exempt appendices</p> <p>Appendices b, c, d, e, f, g and h contain exempt information which falls within schedule 12A of the Local Government Act 1972 - <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</i>. In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	
<b>Date of notice given of exempt or confidential report:</b> 5 September 2023	

## 1 EXECUTIVE SUMMARY

1.1 This report provides an update for Cabinet on work being undertaken to address the Council's financial challenges. It focuses on three areas

- financial strategy
- divestment of the previous investments
- other financial management initiatives

1.2 The financial strategy aims to:

- sell £1.035bn of **investments** to the fullest extent possible and pay down debt and in doing so ensure the governance, project management, budgetary control etc of this programme of work is properly undertaken
- generate at least £150m of **capital receipts** and pay down debt. This is under review and will be updated in subsequent reports
- reduce reliance on borrowing to fund GF **capital programme** to avoid increasing debt and improve its capital strategy.
- save a further £1m in the 2023/4 **revenue budget** to comply with the Commissioners comment in the 2023/24 budget report.

- save **£18.2m from the revenue budget** for next 2 years and a further £13.65m 7.5%, for each of the following 3 years. This may change over time
  - review and improve its **treasury management strategy and MRP policy** and currently assumed budget for MRP.
  - review and revise the Council's **finance structure, culture and improvement plans** addressing capacity and skills assessment and development which will develop the service.
  - review the Council's **risk management** processes and improve them.
  - design and implement a range of improvements to deal with **compliance** with all necessary rules, regulations, delegations, governance of the commercial portfolio and
  - a number of further **financial management improvements**
- 1.3 The divestments workstreams encompass 14 investments covering £1.035bn of original investments of which the 5 major ones are currently in progress and the Council aims to have divested or have underway the divestment of 93% of the Council's investment portfolio by 31 March 2024. The balance of 7% is currently being planned.
- 1.4 The work involved in this is very complex and is dealing with a number of issues:
- two of the divestments are effectively outside of the Council's control – Toucan and JLG/JCF as these are companies in administration with court appointed administrators
  - the others are and will be actioned by the Council
  - governance of the work is developing as is project management
  - performance monitoring of investments is identified and will improve
  - likewise budget management of the related fees and costs
  - litigation options are being explored and appropriately actioned
- 1.5 The other financial management initiatives encompass:
- disposing of capital assets to generate capital receipts – currently estimated at £150m over 5 years. This is under review and will be updated in subsequent reports
  - very significantly reducing the general fund financed capital programme focussing on essential and statutory requirements – underway
  - strengthening of governance over the capital programme with strengthened reporting of the financial position, forecasting and risk
  - £18.2m of revenue savings in 2024/25 and beyond along with improvements to the revenue budget process, timing, consultation, rigour etc
  - changes to related budget preparation ie DSG, HRA, treasury management
  - a review of MRP
  - a restructure of the finance service including change and culture as well as technical, capacity and skills assessment and development
  - planned improvements in risk management and compliance
  - a range of further enhancements in revenues and benefits
  - likewise in preparation of accounts beyond 2021/22



- a review of the Council's financial modelling, financial implications, business partnering, internal audit among others

## **2 RECOMMENDATION**

### **2.1 It is recommended that Cabinet:**

- i) notes the progress on the investment recovery and divestment strategy**
- ii) notes the progress being made on the other financial actions**
- iii) notes the urgent ED2 decisions made, copies of which are included in the Appendices to this report covering divestments and asset sales**
- iv) agrees the continued use of necessary advisors as required until completion of work associated with divestment of and recovery of value of investments including the conduct of litigation, subject to the review of the programme currently being undertaken by the Council's officers to be reported to Cabinet in November 2023 and the Leader, Finance PFH, Chief Executive and Commissioners being consulted before advisors are instructed on new work streams**
- v) agrees that the each council Director involved in delivering the strategy is in consultation with the Leader, Finance Portfolio Holder the Section 151 officer, the Monitoring Officer (where the Director does not fulfil one of those roles) and Commissioners is authorised within their professional area to:**
  - (a) subject to recommendation 2.1 iv), to procure and appoint the advisors using the most expeditious and efficient procurement process which is lawfully available under the Public Contract Regulations 2015 and that the financial thresholds in the Council's Contract Procedure Rules are waived for this purpose; and**
  - (b) to take all action necessary (within appropriate budgets) to ensure the implementation of the Council's recovery strategy if timescales do not allow for a report to Cabinet as long as a full update is provided at the next available Cabinet meeting.**
- vi) the Director of Law and Governance is authorised to the commence legal proceedings for the potential claims set out in Appendix B of this report where there is a supportive advice from a King`s Counsel together with any associated action after consultation with the Leader Chief Executive, Section 151 Officer and Commissioner subject to reports on progress being brought to Cabinet.**
- vii) the Section 151 Officer in consultation with the Leader and Portfolio Holder, the Monitoring Officer and Commissioners is given delegated authority to take all action necessary to implement the divestment strategy where a divestment meets the**

**criteria set out in the Direction subject to reports on progress being made to members.**

- viii) confirms that the main objective is to reduce the Council's exposure to financial risk by delivering a divestment strategy that optimises (sums and timing) receipts to repay the borrowings as long as doing so .secures best value using its criteria set out in this report**
- ix) agrees an indicative hurdle rate of 12% (i.e., 7% PWLB rate and 5% MRP) is set for investment yield / return, with anything yielding less being put forward for sale, subject to the detail of the individual investment, the Council's contractual obligations and the ability to deliver value for money**
- x) notes and agrees the review of the programme as set out in paragraph 4.70 and requests regular reports back to Cabinet on progress on the financial strategy**

### **COMMISSIONER COMMENTS**

The report sets out the financial strategy, as overseen by the Financial Recovery Board put in place as a result of the directions. On 2 September 2022 the former Secretary of State announced that after due consideration he was using his powers under the Local Government Act 1999 to intervene at the council, given the great concerns about the scale of the financial and commercial risks potentially facing Thurrock Council. This included directions requiring a strict debt reduction plan and action to ensure that the investment and treasury strategies are sustainable and affordable.

As laid out in the report, Thurrock has made good progress made on the divestment strategy, supported by appropriately skilled advisors, with a clear action plan to divest of £1.035Bn of investments. There is also a clear plan for property asset disposal with a £150m disposal programme set out, noting that this figure is under review. These divestments will in turn will reduce the borrowing costs and support pay down of the debt – in accordance with the directions from the Secretary of State. The actual investment sales will proceed through 2023/4 and into future financial years. Commissioners will maintain a close overview on the delivery of the action plan through the Financial Recovery Board.

The broader financial strategy as set out from section 4 outlines the key components of the financial strategy. There are two important considerations that commissioners want to emphasise:

First, is that considerable savings are required. Looking ahead there are planned savings of £18.2m from the revenue budget for next 2 years (to 2024/25) and a further £13.65m 7.5% for the following 3 financial years. The most significant decisions lie ahead, whereby difficult choices around prioritisation and transformation will be required. Further reports will be coming to Cabinet later in 2023 to outline the choices as a precursor to the 2024/25 budget setting.

Secondly, as laid out in 3.10 and 4.139, the audit of accounts from 2020/21 remain outstanding; that is there are 3 years of open historic accounts. Until such a time as those accounts are finalised and opinions provided, there remains a risk around the full and accurate determination of the financial gap. The financial strategy is based on recovery of the financial position as understood and reported (most recently in the Quarter 1 report to the September Cabinet). There is an inherent risk that that position could change subject to finalisation and potentially any restatements arising

### **3 INTRODUCTION AND BACKGROUND**

- 3.1 The purpose of this report is to provide Cabinet and Council with the first of a planned series of updates covering the financial work being undertaken in response to the very serious financial challenges the Council is facing. This includes responses to the recommendations from the Secretary of State and other improvement work generated by the Council.
- 3.2 The financial position of the Council is extremely challenging in terms of the scale of the financial impact, the time it will take the Council to recover from this and the range of issues to be dealt with. The position will undoubtedly regularly change and resolving all the known matters will take at least 5 years. A great deal of work has been undertaken and is planned to continue and develop further to improve the Council's financial position.
- 3.3 As part of this improvement journey the opportunity is being taken to develop a comprehensive update for Members, and other stakeholders as appropriate, on the Council's finances, processes etc. This report is intended to start the journey of providing holistic updates on the various financial issues the Council faces and how it is addressing these. It will be continually refined in the coming months as information is brought together, analysed, and assessed. This report is therefore a work in progress with some information currently being more developed than others. As this is the initial report this contains background information which will not be necessary in the future when the reports will focus more on updates on progress.
- 3.4 It should also be noted that the embedding of all of the work now being undertaken and developed will take some considerable time to fully implement. This combined with the related culture change and continuous improvement will continue to evolve.
- 3.5 This and future reports will enable the Council to demonstrate appropriate levels of transparency and information on progress towards financial recovery.
- 3.6 The report provides an update on the following specific issues:
- **financial strategy**
  - **divestments** including financial recoveries and potential litigation
  - **financial management actions/improvements**
    - capital receipts
    - capital programme
    - revenue budget
    - treasury management and MRP
    - finance structure
    - risk management
    - compliance
    - revenues and benefits
    - accounts
    - other financial improvements

- the current forecast financial position of the Council in 2028/29.
- 3.7 Members will be aware of the Directions received from the Secretary of State which are set out in Appendix A and are elements of Part 1 of the Local Government Act 1999, combined with five specific actions. The Council is however also addressing other issues that will support the financial changes needed in the Council.
- 3.8 Members will also be aware of the current key financial challenges facing Thurrock which arose from:
- over-reliance on investment income to support revenue budgets - proportionality risk;
  - over investment in one solar/windfarm basket - investment concentration risk;
  - long-term investments funded by borrowing on temporary markets from other local authorities - interest risk;
  - very significantly inadequate budgeting for MRP - legality risk.
- 3.9 These issues crystallised adversely for the Council and resulted in the Secretary of State announcing intervention on the 2 September 2022 and the acting s151 officer issuing a s114 notice in December 2022 with the Council facing, as identified as of December 2022:
- a deficit in annual revenue investment income of £41.5m;
  - a collapse in asset values of investments;
  - inaccessibility to the short-term local authority borrowing market and rising interest rates resulting in the need to transfer £1.043bn to PWLB and interest rates rising from 0.5% to 5% at an increased annual cost of £28.3m in 2023/24;
  - a then estimated budget pressure of £116m to budget for MRP;
  - a potential long term capitalisation direction of £802m;
  - continual revenue budget deficits for the long-term duration of the MTFS.
- 3.10 The Council also received on 15 June 2023 the Best Value Inspection report which has been separately reported to Council and is not repeated here for that reason. Without pre-empting what the Council's external auditors may report in the future it is reasonable to assume they will make recommendations in respect of the accounts and possibly other matters. Regarding the former the current focus of work is finalising the 2020/21 accounts, while progressing preparation of the 2021/22 and 2022/23 accounts. Likely areas of comment arising from this will be identified and addressed by the Council from September 2023. Regarding these the ongoing work by the Council will assist with what the auditors may, or may not, also raise.

## 4 ISSUES, OPTIONS AND ANALYSIS

- 4.1 The issues are categorised within the report into the financial strategy, the main area of work which is the divestments and the improving financial management practices being undertaken.

### Financial Strategy

- 4.2 The Council has a developing **financial strategy** designed to address the Secretary of State Directions and its underlying financial challenges. The fundamentals of this strategy are to:

#### **Divestments**

- sell £1.035bn of **investments** to the fullest extent possible and pay down debt and in doing so ensure the governance, project management, budgetary control etc of this programme of work is properly undertaken

#### **Financial Management**

- generate at least £150m of **capital receipts** and pay down debt. This is under review and will be updated in subsequent reports
- reduce reliance on borrowing to fund GF **capital programme** to avoid increasing debt and improve its capital strategy.
- save a further £1m in the 2023/4 **revenue budget** to comply with the Commissioners comment in the 2023/24 budget report.
- save **£18.2m from the revenue budget** for next 2 years and a further £13.65m 7.5% for the following 3 years. This may change over time
- review and improve its **treasury management strategy and MRP policy** and currently assumed budget for MRP.
- review and revise the Council's **finance structure, culture and improvement plans** addressing capacity and skills assessment and development which will develop the service.
- review the Council's **risk management** processes and improve them.
- design and implement a range of improvements to deal with **compliance** with all necessary rules, regulations, delegations, governance of the commercial portfolio and
- a number of further **financial management improvements**

## Divestments

- 4.3 In recent years, the Council had built up a substantial investment portfolio, all funded by borrowing temporary loans from other local authorities. Not only is it necessary to divest from the investments to satisfy the Government Directions, but also because the costs of funding the portfolio have risen significantly in the past 18-24 months which combined with proper accounting for MRP means that most of the investments are no longer generating a positive yield for the Council. Furthermore, the medium-term interest rate forecasts indicate that rates are unlikely to reduce markedly in the medium-term. Consequently, it is logical to divest to reduce the financial risk associated with the portfolio. Notwithstanding this, the Council also needs to ensure that best value judgements are taken in respect of the disposal of each investment.
- 4.4 The Council's investment portfolio comprises 14 investments totalling £1.035 billion as set out in Appendix C. To date the focus has been on disposing of the largest investments – Toucan and JLG, which collectively represent circa 75% of the Council's portfolio and therefore, the largest part of its exposure. These companies have been restructured and are currently in administration. Consequently, the divestment of these assets is following a predetermined process supported by the Council. In addition, the Council has commenced divesting from the CCLA Property Fund. The decision has been approved by ED2 but will take 6 months to crystallise following the call notice being issued to the fund – proceeds are expected end of January 2024. The £0.9m in the CCLA diversified fund has been received.
- 4.5 In addition, with Toucan and JLG, there are litigation routes available to the Council and the report includes updates below. See Appendix B for more details.
- 4.6 A further 7% of the investments are currently under active review with divestment analysis and options planning underway. Therefore, the Council aims to have divested or have underway the divestment for 93% of the Council's investment portfolio by 31 March 2024.
- 4.7 That will then leave a small proportion of smaller investments, totalling circa 7% or £67.6m where assessments will need to be undertaken and the Council's options as well as strategy planned out. The current overall financial forecast for the divestments is shown in Appendix C.
- 4.8 The recoveries shown below do not include any monies that could be claimed via litigation. Workstreams are ongoing and claims need to be fully assessed, along with the costs of litigation. Further details on the legal workstreams are shown in Appendix B.
- 4.9 There are a number of **overarching issues** with the divestments programme:
- firstly, while highly implicit in Council reports and under Government Direction the Council should take a formal explicit decision on the overall aims/intention of the divestment programme.



- secondly to seek to make progress on the divestments there have been 4 confidential urgent decisions made since September 2022. These currently remain confidential. The aim from this and subsequent Cabinet meetings is to make Cabinet aware of the progress on the divestments and “regularise” i.e., seek Cabinet approval for the four divestment decisions to date, along with current advisor appointments. As far as possible future decisions will either be made formally under delegated powers, if agreed by Cabinet under this report, and then with retrospective updates to the next Cabinet meeting or at Cabinet if time allows. The confidential urgent decisions will be released publicly as soon as possible
- thirdly as reflected in the Best Value Inspectors Report (BVIR) the governance processes generally at Thurrock were not always well developed. It has taken time to put in place the full governance required for the major programme of divestments which has been developed to date with Commissioners, but as set out in this report that governance process is now developing further. Likewise, there is an emerging focus on project management which is similarly being developed
- fourthly any future investments and those still operating during the current sales process must have regular performance reporting which is to be developed in the Autumn and will include reporting to the Member Panel as well as Cabinet
- fifthly the recovery of funds is clearly fundamental to the Council’s financial recovery and where funds have been so far recovered, they are set out in paragraph 4.26, and Cabinet will be updated as and when matters are developed further
- sixthly, given the material quantum of the advisors fees, work is ongoing to provide additional assurance about the original procurements and to improve budget management and cost control
- finally, it is important that the Council begins to develop good and commercially sensitive visibility of upcoming divestment decisions to the end of the 2023/24 financial year, which should see a significant proportion of the financial investment portfolio realised and used to repay Council borrowing. Future work is being planned and will be reported in more detail to subsequent meetings

### **Decision to Divest**

- 4.10 The Government Direction states that there should be a “strict debt reduction plan” and various reports of the Council refer to this matter and it is clear that in considering matters related to **divestment**, there is an implicit acknowledgement that the Council is pursuing a divestment strategy. However, the decisions taken by the Full Council, the Cabinet and the Corporate Overview and Scrutiny Committee were “passive” decisions. For example, in relation to the Treasury Management Strategy 2023/24 to “Note the divestment of investments and the sale of property assets are required to

- repay the Exceptional Financial Support from DLUHC and this is a key assumption supporting the strategy.
- 4.11 Regarding the way divestment decisions should be taken it is imperative that these decisions achieve best value and the Council likewise agree to this. Best value is assessed by comparing the gross return (i.e. distributions/interest and changes in market value) from the investment against the cost of financing the investment (i.e. interest plus MRP where applicable).
- 4.12 The majority of the investment portfolio meets the statutory definition of capital expenditure and should have had MRP charged. The CCLA Property Fund and some of the solar farm investments do not meet the statutory definition of capital expenditure, but were nonetheless financed from borrowing, and therefore require the accounts to be restated:
- in the case of the CCLA Property Fund this is being redeemed in 2023/24 and the proceeds applied to reduce borrowing.
  - in the case of expenditure on the solar farms where the expenditure does not meet the statutory definition of capital expenditure, the investment will be reclassified but also because there is no asset to support the “investment”, this will have to be impaired as it is irrecoverable. This will result in an unbudgeted revenue expense which is currently being reviewed and assessed.
- 4.13 The MRP on both the capital investments and the Capitalisation Direction is at least 5%. Interest rate costs are now running at c. 7%. Consequently, the overall cost of holding the investments is at least 12%. In all cases investment returns are below 12% or expected to be so given current known information. Therefore, even where there were regular Local Government Treasury Management operations an authority would look to divest of those “loss making” investments providing that there is no significant financial downside to the divestments or repaying the borrowings.
- 4.14 The actual interest and MRP percentages may vary depending on the useful life of the asset and the actual interest rate at a point in time, however as a guide 12% is a reasonable indicator which will be refined for each specific instance.
- 4.15 Thus it is recommended that an indicative hurdle rate of 12% (i.e., 7% PWLB rate and 5% MRP) is set for investment yield / return, with anything yielding less being put forward for sale, subject to the detail of the individual investment, the Council’s contractual obligations and the ability to manage any associated risk.
- 4.16 In addition, the Council did not have the skills or capacity to manage these investments when it first entered into them, which is contrary to the Statutory Guidance on Local Government Investments and its status as a MiFID II professional investor. Furthermore, it is only currently able to manage the current portfolio with substantial external advisory support.

- 4.17 To recognise and address this it is recommended that the Council confirms the following objective.

*The main objective is to optimise (sums and timing) of the receipts and recover as much of the investment amounts the Council have made, to repay the borrowings as long as doing so secures best value using and demonstrating its criteria set out in this report.*

### **Decisions to Date**

- 4.18 The **4 decisions** taken to date which are consistent with the action required under the Direction are summarised below with the original ED2 reports attached as Appendices E to H:

- entering into a restructuring transaction in relation to Pure World Energy was agreed with the Council taking ownership of the company. Cabinet agreed the appointment of independent Non-Executive Directors
- support was given for Toucan Energy Holdings 1 (the1) Limited to place the company into administration with an administrator being appointed. Support was not given to signing a term sheet confirming its position in respect of the bond documents, and agreeing to the terms of restructuring provided by TEH1's lawyers.
- a decision was taken to serve notice on Shard Capital and Shard Credit to terminate the Relationship Agreement and request the return of the monies on account as soon as possible
- a decision was taken to divest of the £103m investment in the CCLA Property Fund and divest of the investment of £1m in the CCLA Diversified Income Fund

- 4.19 The intention should be to publish these papers as soon as circumstances allow is as public documents once commercial considerations are past or using the Council's "pink papers" process in the meantime. This starts to be addressed through this report

### **Governance**

- 4.20 The emerging governance of the divestment programme is as follows:

- Officer Investment Meeting (OIM), Investment Advisory Panel (IAP), Financial Recovery Board (FRB) and Improvement and Recovery Board (IRB). These in turn feed into Cabinet, Council, Commissioners. Both the OIM and IAP replaces the previous Strategic Investment Advisory Group (SIAG)
- The OIM (which first met in May 2023) is required to oversee the recovery work on the Council's Investment Strategy and to report as necessary

- the IAP (which will first meet in September 2023) will monitor the financial position of the Council's investments (both financial and property) and borrowings and make recommendations to the Leader /Council. In addition, it should receive regular reports on the performance of the Council's investments, review the Council's Treasury Management and investment strategies, review new investment decisions, receive regular reports and review the performance, effectiveness and efficiency of the Council's income generating and sold services, receive reports on and review the Council's disposal programme and make and review the performance of the Council's property assets, making recommendations. This work is being developed and will progress from September
- note, neither the OIM nor the IAP are decision making settings. Instead, OIM can make recommendations to IAP and then IAP can make recommendations to officers as well as the Leader and Cabinet. Meanwhile, certain actions can be progressed under delegated powers, but it will be important to communicate what actions have been progressed through these governance arrangements

4.21 Governance will continue to be developed as is seen through this report.

### **Performance Monitoring**

- 4.22 There was very limited investment portfolio monitoring and reporting back to Members, despite the size of the Council's investment portfolio (just over £1billion) being equivalent to a London borough pension fund for which regular (i.e. quarterly) investment performance monitoring against benchmark performance measures is a requirement together with independent investment advice. In contrast there was no such detailed performance monitoring or independent investment advice sought or provided. This is now being addressed
- 4.23 CIPFA's Prudential Code 2021 edition introduced the requirement for performance against the prudential indicators to be reported to Members quarterly with effect from 1 April 2023. However, because of the size of the portfolio, this should have been happening in any case just as a matter of good practice. To comply with the Prudential Code 2021 edition, quarterly monitoring of both treasury (including the debt reduction strategy) and investment activities (including divestment) will commence with the quarterly position as at 30 June 2023

## Progress in Divestments

### Summary

4.24 The current work in progress on recovery of funds is show below, at an overall level the Council is progressing as shown.

In process of divestment	86% of portfolio (4 investments)
Under divestment review	7% of portfolio (2 investments)
Options/divestment analysis underway	3% of portfolio (2 investments)
Preliminary reviews underway	4% of portfolio (5 investments)
Restructured / recovered to date	one investment / circa £30 million.

4.25 It is important to note that the Council has some tail positions where there is no ability within the existing terms to divest till the maturity of the investment, which may be several years out. In the context of the Council's portfolio, they also represent a much smaller residual exposure once the above key positions have all been worked through. Analysis and divestment options will be prepared for each of the remaining tail investments in order of materiality over September and October 2023

4.26 The potential long term estimated financial recoveries can be seen in Appendix C. In the shorter term the following funds have been or should be received by 30 September 2023:

**Table 1**

Investment	Expected funds £m	Explanation
Toucan	38.0	Cash distributions from TEH1 (estimated)
Pure World Energy (PWE)	11.0	Repayment of funds and distribution
Shard	10.0	Cash returned following end of relationship agreement
Just Loans Group (JLG) / Just Cash Flow (JCF)	5.8	Cash from ongoing distributions
CCLA	0.9	Cash from redemption of Diversified Income Fund
<b>Total</b>	<b>65.7</b>	

### ***Toucan Energy Holdings 1 Ltd (TEH1)***

4.27 Regarding the specific divestments the administration of the Toucan Energy Holdings 1 (TEH1) investment is the most significant divestment and background; process and estimated timescales are set out below.

4.28 TEH1's director, Nicholas Pike, resolved to appoint administrators to the Company, having previously received a valuation of Toucan's solar portfolio which demonstrated that TEH1's liabilities exceeded its assets. Interpath Advisory were appointed administrators on 10 November 2022. An administrator is an officer of the UK High Court.

- 4.29 In an administration, the running of an insolvent company's affairs, business and property are managed by an administrator, who is a licensed insolvency practitioner. The powers and duties of administrators are set out in the Insolvency Act 1986.
- 4.30 The administrators' main objective is to realise assets and distribute net realisations to creditors – in this case this is currently understood to be the Council and HMRC.
- 4.31 In TEH1's case, the Joint Administrators have developed a strategy, on which they have consulted with Thurrock as TEH1's main creditor and worked with the Council's advisors, which involves creating a stable platform to seek to ensure the underlying subsidiaries and assets continue their day-to-day operations on a "business as usual" basis.
- 4.32 This has included:
- complying with the statutory and regulatory requirements of an administration, including establishing the claims of creditors, in particular Thurrock in its position as bondholder;
  - preparing the Company's solar portfolio for sale and bringing the assets to market in a full suite Mergers and Acquisitions (M&A) process. Given the sale values envisaged and discussions with the top tier of UK and international renewables investors, this has included a full suite of technical due diligence, commercial diligence, legal diligence, financial and tax diligence, and obtaining indicative new debt funding at asset level. All this work is aimed at enabling buyers to bid full value with confidence concerning the underlying assets;
  - undertaking a group reorganisation to create a clean, clear transaction perimeter to support value maximisation in the mergers and acquisitions process;
  - investigating certain historic transactions to establish whether any claims can be brought by either TEH1, or associated Toucan companies. The Council and Interpath will, as this work develops, agree on the priority and relative merits and strength of each parties claims.
- 4.33 Interpath are assisted in this by:
- the financial advisor on the M&A process - KPMG LLP.
  - the legal advisors are Herbert Smith Freehills LLP and Linklaters LLP.
  - the other advisors to the M&A process are:
    - ✓ the Natural Power Consultants Ltd – technical due diligence on the solar assets.
    - ✓ Cornwall Insight Limited – commercial due diligence on the solar assets.
    - ✓ Interpath Limited – financial vendor assist, tax vendor assist and debt advisory.

- ✓ Aon plc – insurance due diligence and Warranty & Indemnity broker support.
- 4.34 The current actual and planned timetable to completion, which is subject to change is:
- appointment of Interpath and advisors – November/December 2022
  - preparation of sales process and materials – November 2022 to May 2023
  - Toucan marketed 31 May 2023
  - round one offers – July 2023
  - phase 2 launch and phase 2 due diligence and bids – August 2023 to October 2023
  - completion – estimated – by end of November 2023
- 4.35 The sales process currently remains on track per the timetable above.
- 4.36 Phase 1 non-binding offers were due in July and have been received.
- 4.37 The Council's advisors and the administrators are currently working with bidders to understand the details of the bids, gain an understanding of proof of funding from the leading bidders, as well as evaluating the structure of the bids from a financial and timing perspective.
- 4.38 The preferred bidders will be taken to phase 2, with a targeted transaction date of mid-November 2023. Careful risk management of the process and the second round of detailed due diligence will support delivery against the timetable above.
- 4.39 Alongside this, Interpath, in conjunction with the Council's advisors, have agreed the status of the Council's bonds to ensure net sales proceeds will flow to the Council with minimal complications.
- 4.40 The Council's advisors have also been consulting with the administrators to implement frameworks to receive distributions swiftly. The administrators have now confirmed that the Council can expect to receive circa £15m in the coming weeks, with a further £23m to follow shortly thereafter, less administration costs. The administrators have also acknowledged the significant help of the Council's previous work and advisors in speeding up the administration and sales of the assets.
- 4.41 Assuming a smooth sales process, the Council is expected to receive the vast majority of the net sales proceeds before the end of 2023.
- 4.42 Another source of recoveries is the litigation workstream – see Appendix B. It is expected that any recovery from claims will take some time. The Council will also need to decide which claims it wishes to pursue in the first instance, given the common pool of assets being targeted. The Council will therefore undertake cost-benefit analysis to determine those claims with the strongest chances of success and ensure that these are pursued in the first instance. In the interim, steps have been taken to limit the dissipation of assets while the Council evaluates its claims.

### ***CCLA Property Fund and Diversified Income Fund***

- 4.43 The Council has exposure to two pooled funds run by **CCLA** (Churches, Charities and Local Authorities) Investment Management Limited, a well-known investment manager for local authorities. The majority of the exposure – an original investment of £103m – is to the CCLA Local Authorities’ Property Fund (LAPF), which invests into a long-term, actively managed, and diversified portfolio of UK commercial property. There is also a small exposure of £1m (original investment) to the Diversified Income Fund, which looks to generate an income-focused return through a diversified actively managed portfolio of stocks, bonds, cash, and infrastructure assets in the main.
- 4.44 As of July 2023, the £103m is now valued at £96.3m, representing a loss of £6.7m. Disposal of this investment is a simple notification by the Council to the fund which has now been approved via an ED2 agreed but will take 6 months from end August in line with the Fund’s redemption terms.
- 4.45 CCLA have confirmed that they have maintained significant cash in the fund, giving comfort that the redemption notice period should be met.
- 4.46 The Council has prepared the forms and submitted them on 28<sup>th</sup> July.
- 4.47 Regarding the Diversified Income Fund, redemption terms and process have been collated, with the redemption due to be submitted in August. The proceeds have been received.

### ***Shard Credit Fund***

- 4.48 **Shard** is a private credit fund, which makes loans to medium-sized companies. The Council invested in both the fund as well as co-invested alongside Shard to make loans to specific companies. £10m has been divested to date from the original exposure of £24.3m. Further analysis is underway on the remaining positions and will be complete by end of September 2023. This is a more complex position comprising loans to private companies, so the Council will need to examine the positions and potentially negotiate these individually to exit the arrangements in place.

### ***Pure World Energy Ltd (PWE)***

- 4.49 **PWE** is a company supplying heat pumps to council-owned leisure centres in the main which the Council invested £30m in. It has since been restructured after an options-based appraisal by Council. The majority of debt was converted to equity and £2m of senior debt retained currently. £10m has been recovered in cash and £1m of debt repaid to date. The Council’s intention is to retain its exposure in the restructured company, as it develops its business further, subject to an ongoing and regular prudent assessment of risks. Under recommendation from the Council, to meet governance objectives, PWE are in the process of appointing two non-executive directors (“NEDs”) to the board of PWE.



### ***Just Loans Group (JLG) and Just Cash Flow (JCF)***

- 4.50 The Council has several bond investments totalling £93.6m in **Just Loans Group (JLG) and Just Cash Flow (JCF)**, affiliated companies which make loans to UK SMEs. Most of the loans are small, with the average loan size being circa £60,000, but there are also a number of larger loans above £1m. JLG defaulted on one bond tranche in May 2021 and subsequent investigation revealed wider issues within the group and concerns for the Council's investments. Given the fundamental nature of the risks, significant work was undertaken by the Council and its advisors to stabilise the Group and prevent a disorderly collapse, which would have been more financially damaging for the Council. A restructuring and insolvency process was undertaken and the loans are currently being serviced and recovered by the administrator and an external servicer.
- 4.51 Assuming a smooth runoff process, the Council is expected to receive net recoveries of £31.5m over the next two years. Part of this has already begun to come through, with the Council having received £5.8m to date, with work underway to release up to a further £1.5m
- 4.52 Another source of recoveries is the litigation workstream – see Appendix B. It is expected that any recovery from claims will take at least 1-2 years.

### ***Wind Farms.***

- 4.53 The Council has invested in two **wind farms** which are both illiquid private investments. If the Council wishes to exit these, it would need to sell the positions to a third party.
- 4.54 The Council's advisors have been analysing the assets as well as mapping out options for the Council and key dependencies.
- 4.55 Currently, both wind farms appear to be performing well. Following assessment, the Council will complete its best value assessment and then instruct appropriate parties to run a sales process.
- 4.56 Following this, a detailed options appraisal will be prepared, evaluating the offers received against the Council's reserve exit price and against holding the position longer-term.

## **Safe as Houses (SAH)**

- 4.57 The Council has a loan to **Safe as Houses (SAH)**, a provider of care homes, assisted living accommodation and sheltered housing to local authorities. The Council's advisors have been in correspondence with SAH to gather information on the financial state of the business. A Non-Disclosure Agreement (NDA) has been agreed to gain further information.
- 4.58 The bond is due to be repaid at the end of 2023, so the aim is to ensure everything is in place and to also understand the redemption process.
- 4.59 For the remaining tail investments, preliminary analysis, and information gathering is underway. The goal is to undertake preliminary analysis in the next 2-3 months with full options analysis being completed by the end of the year. A process has been agreed for all positions, which will comprise the following:
- preliminary review: initial assessment, views on liquidity availability and options being explored. Interim updates will be provided, with positions worked through in an orderly fashion in order of materiality
  - post initial assessment, officers will decide on priorities and areas of focus, and authorise work to be progressed on options. They will also identify any decisions and map out timelines, governance, and review requirements. Lastly, they will ascertain any impacts on divestment timelines and wider considerations, e.g., borrowings / MRP
  - in advance of decisions, a detailed analysis will be prepared examining options; assessment of position value; contractual obligations / limitations; any early divestment options; and recommendations for next steps
  - decision options will then be presented to members and the chosen options will then be implemented.

## **Procurement and Financial Costs/Budgets/Project Management and Financial Implications**

- 4.60 The divestment strategy being pursued by the Council involves complex financial and legal issues and it has been vital that the Council is in receipt of high-quality and relevant financial and legal advice to support decision-making. The complexity of the investments and remediation work undertaken has been significant and is both a function of the size of the assets as well as deeper underlying issues that were uncovered, which required significant resources to remedy. For example, in the case of Toucan, legal uncertainties as well as the opacity of cashflows and the use of the Council's proceeds necessitated significant work on valuations, forensic investigations, tracing of assets, resolution of complex financial structures and deep dive due diligence. Similarly, in the case of JLG, the complexity of the loan book coupled with multiple creditors and poor management required significant analysis,

- restructuring of the company, resolution of identified security issues and implementation of controls.
- 4.61 In addition, the administration of Toucan and JLG/JCF means significant administrator and external advisor costs are being incurred in progressing these administrations to satisfactory completion.
- 4.62 The total advisor costs including the administrators' direct costs, administrators' advisor costs and the Council's own advisor costs as at July 2023 are estimated at £17.4m to date with forecast additional costs of £29.1m as set out in Table 2. These costs are under review and may change. Depending on the specifics of the investigations and legal actions undertaken by the Council and the administrators, these costs may be smaller or larger, though the Council will conduct cost-benefit analysis to understand all costs and limit extraneous costs.
- 4.63 As summarised in Table 2 below, the current estimated total costs of disposing of the Council's investment portfolio is currently estimated to be c. £46.5m. Regulation 23(h) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 permits the directly attributable costs of the disposal of General Fund assets to be met from capital receipts to a maximum of 4% of the capital receipt. The estimated maximum fees which could be offset against capital receipts would be circa £36m, which would mean that circa £10m would be chargeable to the General Fund. Funding of this will be finalised once the actual receipts in this financial year are known.
- 4.64 Since the commencement of the recovery programme work has been ongoing in various areas as advised by the Council's advisors:
- there have been cost savings to date vs original quotes and budgets, particularly on the Toucan administration, which is the largest part of the portfolio. Efforts to understand and manage costs are ongoing with all positions, as they move into recovery or divestment;
  - the work noted in paragraphs 4.60 has resulted in an improvement in the recovery positions. For example, without the work undertaken on Toucan, the Council's losses at maturity of the position in a few years could have been much higher, while the recoveries on JLG might have been *de minimis*. In contrast, today the loss on Toucan has been reduced while recoveries on JLG are now £31.5m, both net of costs, representing a much better outcome for the Council, notwithstanding the absolute losses;
  - the Council's advisors have undertaken cost measures on its largest exposure, Toucan, such as negotiating the administrators' fee rates down, negotiating down the base M&A advisor fee and capping it, and capping the debt advisory fees. These savings in total amount to £4.4m (excluding VAT) vs the original proposals for the Toucan administration and represent a direct cost avoidance to the Council;
  - additionally, where possible, the Council has made available the work undertaken by its own advisors to the companies and administrators. This has prevented duplication of efforts, removed costs that might

have otherwise been charged and critically, aided the efficiency of resolution and distribution;

- following the service of the Section 114 notice business cases were prepared to justify continuing expenditure.

4.65 Lastly, it is important to differentiate between the relative cost profiles of Toucan and JLG. The complexities of JLG are that there are multiple creditors with a multiplicity of vehicles that provided funding to the group, necessitating more complex negotiations and structuring; has severe gaps in security, systems and documentation that have needed to be rectified; makes SME loans and has a large portfolio of over 1500 loans with significant delinquency and default issues within the portfolio. The size of the portfolio and the need to have adequate monitoring as well as servicing in place means that the resources required to run the company, its embedded costs such as credit agencies, and to recover delinquent loans are significant.

4.66 Totals are shown in Table 2 below:

**Table 2**

		Cumulative spend £m	Forecast £m	Total £m
<b><u>Toucan disposal</u></b>				
	Cost of Toucan Administration	13.4	11.3	24.7
	Council advisors	1.2	1.7	2.9
<b>Total</b>	<b>A</b>	<b>14.6</b>	<b>13.0</b>	<b>27.6</b>
<b><u>JLG disposal</u></b>				
	Cost of JLG Administration	0.0	11.8	11.8
	Council advisors	2.3	3.4	5.7
<b>Total</b>	<b>B</b>	<b>2.3</b>	<b>15.2</b>	<b>17.5</b>
	<b>Remaining investments</b>	<b>C</b>	<b>0.5</b>	<b>0.9</b>
<b>Total forecast fees</b>	<b>C= A+B+C</b>	<b>17.4</b>	<b>29.1</b>	<b>46.5</b>

4.67 The fees to date have recently increased by £5.7m, due to additional administration costs incurred on Toucan. In addition, the administrator of Toucan has indicated that following an analysis of the VAT position for the company, a greater overall economic benefit position has been calculated and notified to HMRC.

4.68 The forecast fees have increased (they were previously £24.2m - £27.7m). This is due to the Council now having received forecasts for the Toucan administration through to the end of 2024, compared with through to the end September 2023 only previously. In addition, the final costs are dependent on the legal options explored by the Council.

- 4.69 More detail of fees and costs is shown in Appendix D.
- 4.70 In order to ensure enhanced management of the programme council officers are undertaking a review of processes now in place which will cover:
- a recurring process to record and verify advisor fees. This is a developing piece of work and will be reported to Cabinet in future;
  - the scope of advisor work will be kept under close review going forward, as there is potential for duplication, and will likewise be reported to Cabinet in future;
  - budget monitoring is being enhanced utilising the recording noted above and regular checking, processing and reporting of these costs;
  - cost challenging is being reviewed and also further developed for the future;
  - project management of a programme of this size is absolutely essential and the Council, is beginning to develop this which includes ownership of the programme by the Council fully supported by advisors, forward planning, the use of action trackers to monitor and review progress, proactive determination and promotion of the Council's requirements, minuted progress meetings etc. Work on this has been developing and is now being further developed to become fully functional with a comprehensive audit trail supported by underlying records;
  - as noted in paragraphs 4.11 to 4.15 best value decisions are essential and they are being reviewed in light of the hurdle rate now established along with the review of MRP.

### **Potential Litigation**

- 4.71 The Council is very mindful of the responsibilities of those outside of the Council for the situation the Council finds itself in and proactive work is being instigated in respect of individuals and organisations who may not have met the standards expected of them.
- 4.72 Fuller details are shown in Appendix B.
- 4.73 Where opportunities present themselves to make additional recoveries through litigation all necessary action will be taken subject to securing the necessary legal advice on the merits of a potential claim and the undertaking of a cost benefit analysis.

### **Financial Management**

#### **Capital Receipts**

- 4.74 As part of the improvement and recovery plan there is a strategy to dispose of £150m of Real Estate Assets to provide capital receipts over a 5-year period to assist to reduce debt. This is under review and will be updated in subsequent reports

- 4.75 This strategy was set out initially in a Commissioners and Directors Board Report of 22/11/2022 and has subsequently been implemented. The proposed approach to disposals was also noted as part of the Treasury Management Strategy approved in March 2023.
- 4.76 This strategy involved setting up a dedicated interim team of surveyors and lawyers in February 2023 to focus exclusively on this, and to engage commercial agents, auctioneers, and property consultants as appropriate to market and sell the properties. The report estimated in addition to the interim resource, a range of 3% -5% of the proceeds should be assumed for legal, agents, and valuation fees, being external support through frameworks.
- 4.77 The Asset Disposals Team was set up in February and March 2023 and continues the ongoing work, of reviewing and appraising properties within the team, and consulting the legal team, other service areas, and commercial agents. This includes both legal and property due diligence that is essential for effective disposals.
- 4.78 The initial target of £30m of capital receipts for 2023/24 has been increased to £42m following work by the Asset Disposals Team.
- 4.79 The separate Asset Disposals Paper elsewhere on this agenda sets out a tranche of properties for disposal for approval in Cabinet of 13<sup>th</sup> September, this totals c. £23 million of additional forecast receipts giving a current potential 2023/24 total of £53 million (see below), which allows a buffer for delayed real estate transactions whilst still meeting the £42m target.
- 4.80 This includes 15 properties with prior Cabinet disposal approvals that are currently in the hands of agents with estimated anticipated sale receipts of around £30 million in the current financial year. There are offers and negotiations in hand on around £9.5 million of these at present. Exchange of contracts is expected in September on these transactions with completions in October.
- 4.81 The team has commenced due diligence on the next tranche of properties for November Cabinet approval. The focus again is on properties that can be quickly sold on a straightforward basis for good capital receipts.
- 4.82 The Avison Young (AY) Market Review of 250 properties was received in two phases in June and July 2023. This provides independent advice on forecast sales receipts for the properties and underpins the targets for 2023/24 both in terms of the likely capital receipts to be generated and deliverability.
- 4.83 The AY Report will inform a more accurate overall figure of the possible magnitude over 2024/25 and for the subsequent three financial years. The Asset Disposals Team is now conducting essential work analysing this to provide an up-to-date detailed programme of capital receipts forecasts for the future financial years and we will report further on this in October 2023.
- 4.84 In order to continue to deliver the agreed programme effectively it will become necessary to appoint a single firm of commercial agents and a firm of

auctioneers to handle all future disposals (in addition to the agents working on current disposals) so they can do work immediately on due diligence and preparation of marketing materials ahead of specific property disposal approvals.

- 4.85 This is essential, in order to allow the process of marketing, property negotiations through to completed sales to proceed at pace, to achieve forecasts for both the remainder of the current financial year and for the first two quarters of 24/25

### **Capital Programme**

- 4.86 The capital programme which will be set out in the Capital Strategy forms a key part of the Council's budget setting process.
- 4.87 The aim for the **capital strategy** is to meet the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code which requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of planned outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.
- 4.88 This Capital Strategy 2023/24 – 2027/28 will form part of the framework for financial planning and is integral to the Medium-Term Financial Strategy (MTFS) and the Treasury Management Strategy. It will set out how capital investment will play its part in delivering the long term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.
- 4.89 All capital expenditure and capital investment decisions will be covered by this strategy, not only as an individual local authority, but also those entered into by the authority under group arrangements. It will be refreshed annually in line with the MTFS to ensure it remains fit for purpose and enables the Council to make the investments necessary to deliver its strategic aims and objectives.
- 4.90 The process will be the development of a capital strategy that is compiled using some key principles, including meeting statutory requirements, such as health and safety. Significantly the capital investments will be focussed on essential outcomes for citizens and absolutely minimal new expenditure.
- 4.91 Rigorous review is being undertaken and involves the relevant Directors, project leads and finance to focus on essential outcomes and borrowing for refinancing where essential.
- 4.92 The benefits will be a Capital Strategy that delivers a financially sustainable position over the medium and long-term that delivers essential outcomes and outputs for citizens.
- 4.93 The aim for the **capital programme** is to provide Members with an updated capital programme for 2024- 2029, detailing forecast resources for that period.

- 4.94 The capital programme is a key element of the budget papers and must comply with the requirements of the Capital and Treasury Management Strategies. Capital expenditure is defined in legislation and is expenditure that is incurred on buying, constructing or improving physical assets such as land, buildings, infrastructure and equipment.
- 4.95 This update of the capital programme will be prepared in the context of the overall resources available to the Council. This capital programme will therefore set in line with the level of resources as set out in the Medium-Term Financial Strategy.
- 4.96 In preparing the capital programme, ongoing reviews of the projects as well as phasing of expenditure on existing capital schemes are being undertaken together with an updated projection of capital resources. The focus of the capital programme has been on undertaking mandatory duties keeping the public safe.
- 4.97 Where appropriate, scheme estimates have been revised and projects removed.
- 4.98 Previous year's capital programmes have been ambitious involving several major projects in any one year and were heavily dependent on borrowing. There has been insufficient capacity and capability to deliver major capital schemes which have resulted in very significant overspends, for example as reported on the A13.
- 4.99 The cost of servicing prudential borrowing is a major pressure on the Council's revenue budget.
- 4.100 The capital programme is thus being reviewed to:
- reduce capital expenditure to focus on contractual commitments and health and safety requirements in line with the s.114 Notice – this will reduce the capital programme;
  - extend the capital programme from three years to a five year forward look in line with best practice.
- 4.101 As with the strategy, the process will be a rigorous review of the existing capital programme, collaborating with Directors and relevant project leads, reviewing all expenditure, funding, and borrowing and focussing on mandatory duties given the financial context within which we are operating.
- 4.102 It is essential that borrowing costs are significantly reduced supporting the council's overarching aim to live within its means.
- 4.103 The benefits will be a Capital Programme that supports the Capital Strategy to deliver a financially sustainable position over the medium and long term that secures essential outcomes and outputs for citizens.

## **Revenue Budget**



- 4.104 The Council's 2023/24 revenue budget process was completed in a very shortened timescale and proposed savings of £8.3m.
- 4.105 Part of the work in this financial year has been to review the proposals to ensure that there is evidence to support the original proposals – this has now largely been completed.
- 4.106 For 2024/25 the budget process has been revised within regular timescales to improve the process and will now include:

- a target of £18.2m of savings in 2023/24
- each proposal having an EQIA, business case and action plan to support it.
- EQIAs that will be published.
- an improved timeline that is planning:
  - Savings being worked up in full by 30/9/23;
  - Scrutiny meetings in October/November 2023;
  - Cabinet in December 2023 to agree the proposed savings;
  - any slippage in the above being accommodated early in the New Year.

4.107 The above will be followed by the normal round of budget papers. This will allow earlier scrutiny of proposals that have been fully developed and assessed within a regular timeline.

4.108 Within the Council the Change Team is leading on bringing together all the £18.2m of savings working closely with Directorates while PWC have been engaged to do likewise bringing their wider experience to ensure savings can be generated.

4.109 In order to further develop the revenue budget process the following improvements in practise are also being undertaken:

#### Salary workings

4.110 Centralised staffing template has been developed and shared. Confirmation of the establishment and reconciliation to the general ledger was completed on the 31<sup>st</sup> of July 2023.

4.111 This allowed the overall calculation for pay award and increments to take place in early August which will support the growth requirement figure in the MTFS. The file will also allow for modelling of different pay policy options.

#### Service Reviews

4.112 These are targeted reviews of services areas which have historic/current budget pressures and growth requirements in the MTFS. They will provide standardised documents to sit behind the growth allocations in the MTFS, for example, inflation & demographic growth assumptions in Children's Social Care, changes to the Waste strategy, proposed staffing restructures in the

central core. The documents will set out the key issues, actions that can be taken within the service to mitigate and any formal growth requirements. These are taking place alongside in-year budget monitoring and intended to be completed by 31<sup>st</sup> August with review and potential MTFS adjustments taking place early in September.

#### Income Review

- 4.113 A central template has been produced to show all income lines at a code combination level and allow for detailed analysis to take place. All income will be categorised and identify the source of the income, corresponding expenditure, availability of volume/performance data etc. This exercise will allow for re-alignment of targets to match activity, correct classification of income and will support the fees and charges process in assessing potential additional income opportunities. This exercise has not been conducted at this detailed level before, the final document will allow finance and the relevant service areas to gain a greater understanding of the revenue streams the council currently has. Income is often looked at in isolation without consideration to associated costs which this exercise intends to rectify.
- 4.114 The income review is intended to be completed by 30<sup>th</sup> September but is likely to continue throughout October and will link closely in with the Fees and Charges work previously reported to Cabinet.

## Review of Contracts

- 4.115 The current contract register is being assessed to determine the value of contracts due to end in the current financial year and 2024/25 to be able to model the potential inflation uplift requirements which will need to be reflected in the MTFs. Contract inflation as historically been absorbed within operational budgets but with increased inflation and tighter budgets this is unlikely to be achievable.
- 4.116 This will be completed at a high level by 31<sup>st</sup> August but will require further support from contract managers and service leads to understand specific plans in some key areas and which contracts have the potential to be consolidated etc.

## **Dedicated Schools Grant**

- 4.117 Thurrock with a DSG deficit of £0.534m, is part of the Delivering Better Value in SEND programme that aims to support LAs to improve delivery of SEND services for children and young people while ensuring services are sustainable. The programme will provide dedicated support and funding to 55 local authorities.
- 4.118 Thurrock is part of Wave 3 and started engagement and data exchange with the team from Newton and CIPFA in June. Pupil level data and costs have been returned. Analysis and discussions have started to ensure accuracy and understanding of information.
- 4.119 A fundamental characteristic of the DBV diagnostic approach is the whole system engagement with partners and stakeholders. This includes the Schools Forum; Children and young people; Parent Carer Forums and wider parent carers; Education colleagues (Headteachers, Setting Leads, SENCO's, teachers, and governors) and Health and Social Care partners.
- 4.120 Workshops are to be held in September and October with partners and stakeholders. This will include seeking views on the current system and inclusive practice, what works well or less well at present, and which areas for improvement would make the greatest difference.
- 4.121 Officers from the Local Authority will attend two separate residential sessions to discuss current practice and outcomes with other Local Authorities. These are to be held in August and October.
- 4.122 The emerging insights from DBV in SEND Tranche 1 programme is to provide better support and outcomes for children and young people with SEND. The greatest opportunity exists in increasing the ability of local systems to support children in a mainstream setting.
- 4.123 The expected outcome from the programme will be a grant application to the Department for Education, backed up with data, which will allow investment to improve outcomes for young people through invest to save initiatives.

## **HRA**

- 4.124 Whilst the HRA is ringfenced, a similar approach has been taken with a rigorous review being undertaken involves the relevant Directors, project leads and finance to focus on essential outcomes and meeting statutory requirements and minimising borrowing wherever possible.
- 4.125 It is essential that capital expenditure is focussed upon keeping our citizens safe by ensuring that all regulations are met including fire safety. There are a number of properties in the Borough that currently need improvements to meet these regulations. This will involve some capital projects being refocussed to include essential spend removing the aspirational discretionary spend currently within those projects.
- 4.126 The review includes analysis of contractual commitments currently in the programme that the Council will need to honour.
- 4.127 A 30 year business plan will be developed over the next 3 months that will ensure that the HRA remains financially sustainable, this review will deliver an improved financial position based upon delivering statutory duties as the baseline for the development of the business plan.
- 4.128 The updated HRA Capital Programme will be reported to Members alongside the General Fund Capital Programme and the Medium-Term Financial Strategy in accordance with the budget timetable.

## **Treasury Management**

- 4.129 A detailed treasury management model has been established to ensure that the charges to revenue for capital and debt, which comply with all relevant regulations, are correctly reflected. This can be updated on a regular basis as circumstances change and can also be used to model various scenarios should this be necessary. As well as being updated for economic changes (revised interest rates etc.), any changes to specific elements (e.g., unfunded capital expenditure, timing, and value of asset disposals etc.) can be included and reflected in the capital costs and debt levels for the Council going forwards. This remains a significant cost area for the Council and therefore accurate inclusion of these in the wider budget process is vital.

## **MRP**

- 4.130 Minimum Revenue Provision (MRP) is a legal requirement, specific to local authorities, which arises where General Fund capital expenditure has not been funded from either capital receipts, government grants, developer contributions or revenue budgets. This is sometimes referred to as “unfinanced” capital expenditure.
- 4.131 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires that in these circumstances an annual amount is charged against General Fund balances, effectively representing future repayments of assumed new borrowing. The overall objective of MRP is to ensure that local authorities charge to the revenue account “a prudent

amount” which recognises the cost of acquiring such assets, over a period commensurate with the benefit provided by the asset which has been obtained.

- 4.132 A review of the Council’s current approach to setting and calculating MRP is underway. This will report and set out its findings and, if appropriate, make recommendations.

### **Finance Structure and Service Development**

- 4.133 A fundamental part of a financially sustainable Council is a finance service of the highest quality. To assist with the development of the current team it is planned to undertake and develop:

- a review of the finance structure
- an assessment of capacity and skills needs and development
- productivity plans
- process efficiencies
- refocussing of resources
- succession planning
- communications
- training and development
- trainee accountants
- continuous improvement
- cultural changes

- 4.134 This is planned to conclude by December 2023 with any external appointments being in place by 31 March 2024 subject to a successful recruitment process.

### **Risk Management**

- 4.135 The Risk and Opportunity Management Strategy, Policy & Framework (ROM S, P&F) has been strengthened and drafted to address the recommendations in the BVI report. The draft is being considered by SLT in August for consultation/feedback and then onward reported to Standards and Audit Committee. The feedback from this committee will then be reported to SLT and the ROM S, P&F further refined as appropriate and the final draft presented to December Cabinet for approval.
- 4.136 Work has been undertaken with consultants (Zurich Management Services) to develop a ROM workshop for SLT in August 2023. The workshop is to go through some key elements of ROM, consider/set risk appetite and undertake a facilitated session to identify the key strategic items that need to be considered for the refresh of the strategic/corporate risk and opportunity register. A further workshop is planned for early September to be undertaken with Senior Leads (Directors, ADs and Service Managers) to identify any additional items that need to be considered for inclusion in the register (e.g. strategic, corporate/cross cutting or project, partnership items). The outcome of these workshops will then be reported to Members.

## **Compliance**

- 4.137 A review of the Council's financial regulations is underway and almost complete

## **Revenues and Benefits**

- 4.138 Exploratory work is underway to examine areas that can be further developed/improved. At this exploration stage these include:

### **Billing**

- Review of remaining discretionary discounts/exemptions – underway;
- Consider business case to introduce Direct Debit for Sundry debt – underway;
- Consider business case to introduce of E billing for Sundry Debt and Business Rates – underway for Sundry debt;
- Use of RPA and workflow to enter Sundry invoice requests to remove duplication of work and risk of error – underway;
- Introduce Direct Debit functionality for Sundry Invoices – underway;

### **Benefits**

- Review of Local Council Tax scheme – underway;
- Expansion of cheaper contact channels for outgoing benefits correspondence – linked to progression of the corporate INS solution

### **Debt**

- Further phases of Single View of Debtor (SVOD) - subject to business case and current xantura review; Introduction of generic recovery stages – linked to SVOD;
- Expansion of multi contact channels – underway but also linked to SVOD;

### **Accounts Payable**

- Use of existing Oracle scanning functionality for Accounts Payable – underway;
- Review to identify duplicate payments – initiative commenced.

## **Accounts**

- 4.139 As Members will be aware, the audit of the 2020/21 Statement of Accounts is still ongoing. The Accounts will require a substantial re-write to reflect the following issues:

- reduction in the value of infrastructure assets in line with CIPFA's Code Update; This is a sector wide issue.
- restatement of accounting for IT projects some of which have been classified as intangible assets and need to be restated to revenue. This is largely related to cloud-based services.

- restatement of assets previously classified as heritage assets, but which operational assets and revaluation of the remaining assets to cost;
- restatement of investment values arising from the impairment of a number of the Council's investments, principally the solar farms
- restatement of MRP charges arising from the MRP review referred to at para 4.142 above and reflecting the revised approach to MRP in respect of capital investments.
- restatement to reflect the provisional Capitalisation Direction notified to the Council by DLUHC.

4.140 To assist with the above and bring the Council up to speed with the closure of accounts for the years 2019/20 to 2022/23, the Council has made progress in the following areas:

- i. **Resources** – The Finance team has onboarded additional interim support with experience of dealing with similar issues at other local authorities, to provide additional capacity to support both the range and complexity of the work arising from the audit overrun and various issues identified;
- ii. **Working papers** – A standard suite folders will be introduced for all financial years. Finance staff will then use the standardised working paper templates linked back to the Code for all disclosures to ensure that the accounts comply with the CIPFA Code of Practice;
- iii. **Quality Assurance** - The working paper templates will also include a three-stage quality assurance process covering 1) preparation, 2) technical review and 3) sign off review. This is essential for ensuring a right first time approach to accounts preparation and to ensure a smooth audit;
- iv. **Accounts plan** – A comprehensive accounts plan linked to the auditors required by client schedule will be developed. This will be communicated to all key stakeholders and includes a responsible officer for each task and separate deadlines for preparation and review;
- v. **Whole team approach** – A key element of faster closedown is ensuring that all staff within the Finance Department are engaged on accounts closedown. This reduces the risk of bottlenecks arising from reliance on one or two officers to produce the accounts, and provides resilience in the Finance function;
- vi. **Review of accounts** – the Statement of Accounts will be reviewed to simplify and strip out unnecessary disclosures, and ensure that the remaining disclosures meet Code requirements.

### **Other Financial Management Improvements**

4.141 Several financial management improvements have been referenced above, others are being developed and include but are not restricted to a review and improvements to:

- the Council's financial modelling

- the financial implications in reports
- business partnering
- internal audit
- MRP calculations

### **Forecast Financial Position of the Council**

4.142 The current overall forecast position despite those positive financial implications from the various above actions is that the Council remains financially unsustainable in terms of:

- a level of debt at circa £680m
- the cost of financing this debt at 30% of the budget, considerably more than what could be considered reasonable for a sustainable council.
- a revenue budget that is not in balance by 2028/29 - out of balance by £16m - which means the continued need for exceptional financial support and thereafter potentially increasing deficit.

4.143 This position is under review and will undoubtedly change



## 5. **RISKS**

### 5.1 The key risks are:

- **Crystallised losses on Toucan, JLG / JCF, and PWE investments:** These investments are currently being divested or have recently undergone restructuring to resolve identified issues and recover value. The current analysis shows that the Council's investment will be impaired here (outside of legal recoveries), but the extent of impairment could be worse if market conditions worsen, e.g., if interest rates rise.
- **Borrowings:** The Council's refinancing strategy continues to replace maturing inter-LA loans with PWLB loans. There is a risk as new loans are taken out; the cost of borrowing will grow. A number of the investments are now loss making once the higher cost of borrowing is factored in. In addition, any delays that occur in divestment and associated decision-making will lead to added borrowing costs being incurred, making it critical to manage divestments efficiently. The Council will also be left with some investment associated borrowings at the end of the period, due to the impairments incurred.
- **Illiquid Investments:** Most investments are illiquid by virtue, as they are in private markets. Thurrock has already implemented divestment plans on 75% of its portfolio, with a further 10% to be confirmed shortly. For the remainder, analysis is underway, but the investment terms indicate that for a significant portion, the Council will be locked into these investments until the maturity date (with the latest anticipated maturity date being c. 2032). Therefore, it will be important to negotiate and plan out divestment strategies carefully to access liquidity earlier and recover proceeds sooner where feasible.
- **Inflation and rates:** Inflation has risen significantly and remains elevated, accompanied also by rising interest rates. This has far reaching impacts on the performance of the investments and companies the Council have invested in, as well as on asset valuations, in particular for Toucan, where revenues are linked to inflation but where rising interest rates also increase the discount rate for future cashflows. The portfolio has some protection through index-linked investments, notably the solar and wind investments. The real estate exposure (CCLA) is also a partial mitigant, through the index-linkage is typically capped here and will not fully mitigate current inflation. Alongside, the Bank of England has raised rates aggressively in recent months, which has also raised borrowing costs for the Council.
- **UK Economic Downturn:** An economic downturn could impact investment counterparties and therefore, impact divestment timelines and recoveries. The Council has significant exposure to many aspects of the UK economy: property, small businesses, energy, etc. Therefore, a downturn and potential recession as growth slows would negatively impact their portfolio. We note there is a growing risk that the UK may enter a recession, which will increase the risk for several positions.
- **Accounts** - inherent risk of further liabilities/revenue costs arising as the audit, accounts preparation and restatement work is in progress

5.2 In common with other elements of the divestments workstream, many of the risks highlighted above are outside of the Council's contract and there is no way to easily mitigate these risks. Having said that, there are some mitigants being explored:

- the Council is looking to proactively manage its divestments and realise value sooner (instead of taking the risk of further issues down the line or lower proceeds at maturity), as with Toucan and JLG.
- it has implemented cost and governance frameworks within the administrations to allow costs to be managed. This has resulted in significant savings to date. It has also used its own analysis to date to replace at lower cost work that the administrators would have otherwise undertaken and to aid the efficiency of asset disposals and distributions to the Council.
- lastly, scenario analysis is being undertaken on the portfolio to understand the impact of different events and the knock-on potential impact on impairment.

## **6. Reasons for Recommendations**

6.1 The Council's financial position is well known and extremely challenging.

6.2 The various financial workstreams are addressing this situation and the recommendations will allow for this work to continue and for Members to be fully informed.

## **7. Consultation (including Overview and Scrutiny, if applicable)**

7.1 Consultation has taken place with the Commissioners.

## **8. Impact on corporate policies, priorities, performance, and community**

8.1 The successful conclusion of this work will allow other corporate policies to be undertaken in a sustained manner.

## **9. Implications**

### **9.1 Financial**

As set out throughout the report.

### **9.2 Legal**

Implications verified by: **Mark Bowen**  
**Interim Project Lead - Legal**

The key legal implications are set out in the body of the report and the appendices, in particular Appendix B

### 9.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**  
**Team Manager – Community Development and Equalities**

While there are no specific diversity and equality implications associated with this update report, council is committed to completing Community and Equality Impact Assessments (CEIA) for proposals involving savings.

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

Detailed impacts will be reported through specific reports

### 10. **Background papers used in preparing the report**

Various working papers

### 11. **Appendices to the report**

- A Recommendations from the Secretary of State
- B Potential Litigation (exempt)
- C Current Divestment Assumptions (exempt)
- D Detail on Advisor Fees (exempt)
- E Pure World Energy (exempt)
- F Toucan Energy Holdings 1 (exempt)
- G Shard Capital and Shard Credit (exempt)
- H CCLA (exempt)

**Recommendations from the Secretary of State**

To deliver financial sustainability by closing any short- or long-term budget gaps and reducing the Authority's exceptionally high level of external borrowing.

To ensure compliance with all relevant rules and guidelines relating to the financial management of the Authority.

To ensure that a strategic and systematic approach to risk management, with appropriate scrutiny and governance of the decision-making processes and procedures, is adopted and embedded across the Authority.

To address the culture of poor financial management and governance of its commercial portfolio.

To prepare and agree an Improvement Plan to the satisfaction of the Commissioner (which may include or draw upon improvement or action plans prepared before the date of these Directions), within 3 months, with resource allocated accordingly, to 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; and
- e. A suitable scheme of delegations for financial decision-making.

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