

**RESPONSE TO CLLR BYRNE PETITION – November 2023**

Cllr Byrne

**Independent Inquiry into the financial collapse of Thurrock Council**

In response to your petition to seek an independent Inquiry as shown above as you will be aware that the Council has already received Directions from the Secretary of State relating to, but not limited to, the financial management of the Council. As set out in the Explanatory Memorandum accompanying the Directions, the context for these Directions was:

*The Department had been aware of concerns around the Authority's investment activity and external borrowing over a number of years and had been closely monitoring the current situation.*

*The Authority had incurred an exceptional level of external borrowing and is one of the most indebted and highly leveraged of all local authorities. The Authority's total external borrowing was c.£1.5bn (as at 30 June 2022), of which a significant amount (c.£0.94bn) was short term loans from other local authorities.*

*The feedback report of the Local Government Association (LGA) Corporate Peer Challenge of Thurrock Council (10 to 13 January 2022), published in July 2022, echoed the Department's concerns regarding the Council's financial strategy, and also raised a number of concerns relating to decision making processes and governance arrangements.*

*There had also been serious allegations made by third parties about the processes that had been applied to the operation of the Authority's commercial strategy, and concerns raised around the financial and commercial risks potentially facing the Authority.*

*In light of the above, and on the basis of discussions between the Department and the Authority, the Department was particularly concerned about the scale of the financial and commercial risks potentially facing the Council, and the failure of the Authority to provide assurance to Ministers and the Department on the adequacy of their actions to address the issues, considering the scale and pace of the response required.*

The Directions of September 2022 established that:

- the Council should prepare an improvement plan to the satisfaction of the Commissioners.
- a series of Council functions were to be exercised by the Commissioners. These include the Authority's functions over managing its financial resources, exercise of the statutory requirement to arrange for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority.

Moreover, the Secretary of State also appointed Essex County Council as best value inspector, who were required 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 being in order to assess the extent of the failure to comply with the best value duty by the Authority, beyond the management of financial resources, and to

make recommendations to mitigate the risk to service delivery that any further failure may have. That report was published on 15 June 2023 and its key findings were:

*Our inspection has found that Thurrock Council has experienced repeated failures both in the delivery of its investment strategy, and in the delivery of major infrastructure and regeneration projects. These failures have resulted in the loss of substantial sums of public money. When initially faced with these failures, members and senior officers within the Council have attempted to conceal bad news and avoid public scrutiny.*

*This pattern of failure, and the nature of the Council's response, has been enabled by dereliction in political and managerial leadership, inadequate governance arrangements and serious weaknesses in internal control.*

*The Council's lack of openness and transparency has given rise to a culture of insularity and complacency. Internal challenge has been discouraged, and external criticism and challenge have been routinely dismissed. This has undermined the Council's ability to learn from others and from its own previous mistakes. It has placed the Council in a state of 'unconscious incompetence' and has undermined its ability to secure continuous improvement. Thurrock Council has, therefore, failed to meet the 'Best Value Duty' placed on all local authorities.*

*Urgent change is required. The scale of the financial challenge now facing the Council means it is inevitable that, in addition to making extensive efficiency savings, the Council will have to undertake a significant and rapid reduction in the scope of local services. Many services, which have been relatively well funded over the past decade may, as a consequence, be equipped to do little more than the statutory minimum for the foreseeable future. Leading this transformation will be a hugely difficult task, not least because the Council does not have a good record in delivering major projects. This transformation will need to be effectively managed at both the corporate and service level if the Council is to avoid serious operational failures.*

The Council is clear in its focus to address the issues identified in these inspections and assessments and is working at pace to make the urgent changes necessary.

Regarding its financial position the Council has 4 major streams of budget reductions which are underway:

- selling £1.035bn of investments to the fullest extent possible to pay down debt and in doing so ensure the governance, project management, budgetary control etc of this programme of work is properly undertaken.
- generating over £100m of capital receipts to also pay down debt.
- reducing reliance on borrowing to fund the general fund capital programme to avoid increasing debt.
- saving £18.2m from the revenue budget for next 2 years and a further £13.65m for each of the following 3 years. This may change over time and is utilising external advisors where necessary to provide additional support and quality assurance.

Further the Best Value Inspection amounts to an independent inspection into the position and doing anything further at this stage would as a consequence add further costs for the Council with no obvious benefit.

The Council will also be benefitting shortly from the recently announced work by the FRC which will add further to the reviews undertaken.