

# 2021/22 + 2022/23 Annual Governance Statement (DRAFT)

## EXECUTIVE SUMMARY

A retrospective review of information published relating to the Council's governance activity during 2021/22 and 2022/23 was completed to inform this Annual Governance Statement. This review indicated some areas of good governance operating within services during the year. However, given the scale of governance failures identified through the Best Value Inspection and the lapse since that time, it is not possible to place reliance on any assurances provided within this published information, or provide a full and accurate assessment of the council's governance arrangements for 2021/22 or 2022/23.

The review of the Council's governance arrangements in 2021/22 and 2022/23 inevitably concludes that systemic governance failures resulted in the Council failing to comply with the best value duty, which has resulted in government intervention from September 2022 onwards.

Officers drafting this statement were not employed by the Council in these years and this statement is therefore made on the basis of the evidence available currently.

Since the Intervention, the Council has been working constructively and collaboratively with Commissioners to diagnose the causes of best value failure and put measures in place to address them. The initial crisis response actions were codified in our first Improvement and Recovery Plan (December 2022) which was agreed by Commissioner and the DLUHC. While there is much work still left to do, we are making positive progress to address issues and are on a path to recovery, as demonstrated by the Commissioners' [update letters](#) to the Secretary of State.

## CERTIFICATION OF ANNUAL GOVERNANCE STATEMENT

The following statement is provided by the current (2023/25) Leader of the council and current Chief Executive (who is also the lead local government commissioner):

***For the reasons that led to statutory intervention from September 2022 and as described below and in the Best Value Inspection Report of May 2023, the council did not have effective processes and systems established which ensured decisions were properly made and scrutinised and that public money was being spent economically and effectively to ensure maximum benefit to everyone who is served by the council.***

	Name	Signature	Print Name	Date
Leader of the Council and Cabinet Member for Strategic Relationships, Reputation and Influence	Councillor John Kent			
Chief Executive and Managing Director Commissioner	Dave Smith			

## INTRODUCTION

Thurrock Council (the Council) is a unitary Council, located on the north side of the River Thames, immediately to the east of London. The Council has 49 elected Councillors, representing 20 electoral wards.

During 2021/22 and 2022/23, the Council operated a Cabinet model of governance, with a Leader (appointed by Council) appointing other Councillors to form the Cabinet.

The Cabinet comprised of 10 portfolio holders and met regularly throughout the year. All papers were published on the Council website and meetings held in public.

There was a scrutiny process in place to scrutinise proposed decisions.

The Council owns one subsidiary company – Thurrock Regeneration Limited (TRL). TRL has its own subsidiary – Thurrock Regeneration Homes Limited. The Council prepares group accounts which includes balances from these companies.

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. Essex County Council were appointed to the role of Commissioner and powers granted to them to oversee the financial functions of Thurrock Council. Alongside this work Essex County Council were also appointed as a Best Value Inspector to assess whether there was best value failure in other functions of the Council.

The Council is required by law to review its governance arrangements at least once a year. The outcomes of this governance review should be prepared and published in an Annual Governance Statement (AGS), alongside the Council's Annual Accounts.

The Annual Governance Statement should provide reasonable assurance to all stakeholders that processes and systems have been established, which ensure decisions are properly made and scrutinised and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the council.

Governance can be defined as 'the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'.

This document provides Thurrock Council's 2021/22 and 2022/23 Annual Governance Statements.

**DELAYED PREPARATION OF 2021/22 and 2022/23 ANNUAL GOVERNANCE STATEMENT**

The governance review and subsequent preparation of the 2021/22 and 2022/23 AGS was completed in September 2024 and reported to Audit Committee in December 2024. The reasons for the delay in completing the governance review are as follows:

- Significant governance failings emerging during 2021/22 resulting in adverse financial exposure in excess of the Council's financial capacity and the resultant government intervention (s114) on 2 September 2022 and extended in March 2023.
- Key personnel left Council employment leaving no resource to prepare the AGS. The personnel included those with knowledge of the levels of financial and governance assurance for the reported years and the evidence to support those assessments.
- Delays in the auditing of the Council's 2021/22 financial statements.
- The Best Value Inspection by Essex County Council (ECC) in September 2022 and subsequent report in March 2023.
- A [Section 114](#) notice issued in December 2022 which necessitated financial resources to be focussed on managing the Council's finances.

## BACKGROUND INFORMATION

In the years leading up to 2021/22, Thurrock Council had incurred an exceptional level of external borrowing which has led to it being one of the most indebted and highly leveraged of all local authorities.

Thurrock Council's external borrowing was in the region of £1.5bn (as at 30 June 2022), of which a significant amount (c.£0.94bn) was short term loans from other local authorities.

The Department for Levelling Up, Housing and Communities (DLUHC) was aware of concerns around Thurrock Council's investment activity and external borrowing over a number of years and was closely monitoring the situation. DLUHC was also made aware of concerns relating to decision making processes and wider governance arrangements.

During 2021/22 it was identified that the council's expenditure would exceed available resources, resulting in an in-year deficit of £452m.

On 2 September 2022, the then Secretary of State put in place an intervention package at the council in order to secure the authority's future and sustainable compliance with its best value duty.

The intervention package was formed of two complementary parts:

- a.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 will be overseen by Essex County Council (ECC), in the role of Commissioner.
- b.the Secretary of State exercised his powers under section 10 of the Local Government Act 1999 to appoint ECC as Best Value Inspector. The scope of the inspection considered the adequacy of the Council's governance arrangements and wider control environment.

The intervention was updated and expanded by the Secretary of State on 16 March 2023. This expansion provided the Commissioners with power to oversee Thurrock Council's finance, governance and staffing arrangements, as well as appointing a managing director commissioner to act as the Council's Chief Executive and Head of Paid Service.

Subsequent to the intervention, an intensive period of working with Commissioners and DLUHC began to understand the position of the Council's investment portfolio, as well as the Council's previous approach to minimum revenue provision (MRP). This led to a significant impairment of the value of the investments and the need to properly account for MRP in the accounts.

As a result, the Council issued a Section 114 Notice on 19 December 2022 and necessary spending control measures were put in place.

The [Best Value Inspection](#) completed by ECC was published in June 2023.

Thurrock Council agreed an [Improvement and Recovery Plan](#) (December 2022) to respond to the Inspection and LGA Peer Review. The agreed actions from this Plan are now being tracked and monitored through a series of agreed Success Criteria, which has been agreed by the Commissioners and through regular reporting to the Improvement Recovery Board (IRB).

## METHODOLOGY FOR GOVERNANCE REVIEW

Due to the delayed preparation of the AGS' and there not having been a Local Code of Corporate Governance in place during 2021/22 and 2022/23, it has been agreed by the Chief Executive, Chief Finance Officer (s151), Executive Director for Corporate Services (Monitoring Officer) and Finance Commissioner, that a combined AGS would be prepared for 2021/22 and 2022/23.

The AGS has been prepared through a retrospective review of published documents for the respective period - including reports from the Best Value Inspection and Corporate Peer Challenge Review.

It was also agreed that the AGS would be presented as a condensed statement, detailing actions arising.

The details within this AGS have been compiled through the following activities:

### (1) Discussions with key Council officers:

Dave Smith – Chief Executive and Managing Director Commissioner	Sarah Proctor – Lead Officer - Business Continuity Programme
Dawn Calvert – Chief Finance Officer (s151)	Cheryl Wells – Head of Service Delivery Programme (NATIS)
Dan Fenwick – Executive Director – Corporate Services (Monitoring Officer)	Ashley Baldwin – Chief Planning Officer
Patrick McDermott – Assistant Director – Strategy, Policy, Performance & Partnerships	Zoe Lowe – Financial Administration Section Manager
Sarah Brown – Head of Strategy, Policy & Performance	Andrew Brittain – Head of Revenues and Benefits
Sarah Welton – Strategy Manager	Sara Bannister – Transactions Team Manager

### (2) A review of the following documents for the respective years:

Reports to: -Audit and Standards Committee -Cabinet -Council	Covid-19 Pandemic Lessons Learned
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Head of Internal Audit's Annual Report + Opinion	Performance Management Annual Report
Risk Management Annual Report	s114 Notice
	<a href="#">Corporate Peer Challenge Review</a>
External Auditor Report	Best Value Inspection Report (May 2023)
Counter Fraud Annual Report	Ofsted and Care Quality Commission Inspection Reports
2020/21 Annual Governance Statement	Thurrock Council's Improvement & Recovery Plan (December 2022)

## PUBLISHED GOVERNANCE ACTIVITY 2021/22

Head of Internal Audit's Annual Opinion	<p>The Head of Internal Audit Opinion (2021/22) was reported to the Standards and Audit Committee on <a href="#">19 July 2023</a>. The Commissioners agreed to defer the 2021/22 Annual Audit Opinion until after the Best Value Inspection report had been published on 15 June 2023.</p> <p>The overall opinion for 2021/22 was <b>NO ASSURANCE</b>. This was based on a combination of the outcomes from the internal audit work completed during 2021/22 and recognition of the significant weaknesses identified through the BVI report of the Council's internal control, governance and risk management arrangements.</p>
External Audit Opinion	At the time of preparing this AGS the 2021/22 External Audit Opinion report has not yet been received.
Risk Management Annual Report	<p>The <a href="#">Annual Review of Risk and Opportunity (2021/22)</a> was reported to the Standards and Audit Committee on 7 July 2022. This report provided an overview of the following:</p> <ul style="list-style-type: none"> <li>-A summary of the Risk Management activity during 2021/22</li> <li>-An assessment of the Council's Risk Management arrangements against ALARM's National Performance Model for Risk Management. This assessed the Risk Management arrangements as <b>Level 4 – Embedded and Integrated</b>.</li> <li>-Actions to further embedding risk management practice across the Council.</li> </ul>
Counter Fraud Annual Report	<p>The <a href="#">Counter Fraud and Investigation Annual Report 2021/22</a> was reported to the Standards and Audit Committee on 7 July 2022. This report provided an overview of the number of fraud referrals, sanctions and fraud values during the year.</p>

Performance Management Annual Report	<p>There was no Corporate Plan in place at Thurrock Council during 2021/22. However, the <a href="#">End of Year Corporate Performance Report 2021/22</a> reported to Cabinet on 13 July 2022 highlighted that despite the challenges and long-term impact of the Covid-19 pandemic, 67.5% of the corporate performance indicators had been achieved and 69% of the targets had improved from the previous year. Within this report it was also agreed to review the corporate performance framework and commence with a refresh of the corporate plan.</p> <p>Local Government Association (LGA) Corporate Peer Challenge was completed in January 2022. The outcomes from the Peer Challenge have been referenced under the 2022/23 review below.</p>
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<b>2021/22 GOVERNANCE ACTIVITY</b>	
<a href="#">Best Value Inspection Report (May 2023)</a>	<p>Significant governance failings were identified in relation to:</p> <ul style="list-style-type: none"> <li>-The Council's Investment Strategy</li> <li>-Political and Managerial Leadership</li> <li>-Governance Arrangements</li> <li>-Control Environment</li> <li>-Delivery of Major Projects</li> </ul> <p>The agreed actions from the original <a href="#">Improvement and Recovery Plan</a> (December 2022) are being tracked and monitored through a series of Success Criteria. Regular updates on the actions and success criteria are now being reported to the Improvement Recovery Board.</p>
Actions arising from 2020/21 Annual Governance Statement	<b>TABLE 1</b> provides the actions arising from the 2020/21 Annual Governance Statement. These actions and an updated position will be incorporated into the 2024/25 Annual Governance Statement.
Reports from other assurance providers	<p><b>Ofsted + Care Quality Commission Inspection:</b>  <a href="#">Local Area SEND Inspection (Follow up) 1 February 2022</a>  The outcomes from this inspection recognised significant progress had been made in addressing the weaknesses identified during the initial inspection.</p> <p><b>Ofsted Inspection:</b>  <a href="#">Children's Services Focused Visit (Follow Up) 9 August 2021</a>  Thurrock Council continues to provide effective, responsive services for vulnerable children.</p>

## PUBLISHED GOVERNANCE ACTIVITY 2022/23

Head of Internal Audit's Annual Opinion	Due to insufficient audit coverage during 2022/23, resulting from audit resourcing issues, the impact of Covid-19 and Council being placed into intervention during the period, the Head of Internal Audit was unable to provide an Annual Opinion for 2022/23. This, along with an action plan to ensure sufficient audit coverage would be completed in future years, was reported to the Audit and Standards Committee on <a href="#">19 July 2023</a> .
External Audit Opinion	At the time of preparing this AGS the 2022/23 External Audit Opinion report has not yet been received.
Risk Management Annual Report	There was no annual Risk Management report taken to the Standards and Audit Committee for 2022/23.
Counter Fraud Annual Report	The <a href="#">Counter Fraud &amp; Investigation Annual Report 2022/23</a> was reported to Standards and Audit Committee on 6 September 2023. This reported an increase in the number of referrals received during the year. It also stated that 81 cases, totalling £2,247,900 resulted in criminal investigation, with housing having the largest number (52) of cases investigated.
Corporate Performance Framework	<p>There was no review of the Corporate Performance Framework during 2022/23. This was to allow for resources to be redistributed towards the Improvement and Recovery Plan arising from the intervention. However, services continued to report service level performance to Overview and Scrutiny during 2022/23.</p> <p>A Local Government Association (LGA) Corporate Peer Challenge was completed in January 2022. The scope of this review covered governance and culture and financial planning and management. The <a href="#">outcomes</a> from this review were reported to Corporate Overview and Scrutiny Committee on 8 December 2022 and Cabinet on 11 January 2023. The Peer Challenge <a href="#">Action Plan</a> from the Peer Challenge was incorporated into the wider Improvement Recovery Plan.</p>

<a href="#">Best Value Inspection Report (May 2023)</a>	<p>Significant governance failings were identified in relation to:</p> <ul style="list-style-type: none"><li>-The Council's Investment Strategy</li><li>-Political and Managerial Leadership</li><li>-Governance Arrangements</li><li>-Control Environment</li><li>-Delivery of Major Projects</li></ul> <p>The agreed actions set out in the <a href="#">Improvement and Recovery Plan</a> (December 2022) are being tracked and monitored through a series of Success Criteria, with regular updates being reported to the Improvement Recovery Board.</p>
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**TABLE 1 – ACTIONS FROM 2020/21 ANNUAL GOVERNANCE STATEMENT**

To prepare and publish a Corporate Plan
Council to learn and manage risks arising from new ways of working arising from the Covid pandemic – what went well and areas for improvement
To review medium and long-term financial planning when full impact of pandemic is known
Major projects to be procured and contract managed in-line with relevant laws and regulations to secure value for money and quality services
Thurrock Council to develop a Local Plan
To review and improve Oracle's reporting capability to identify duplicate invoice payments
Internal Audit to provide independent verification on the claims submitted under the Supporting Families Programme
Implementation of the CIPFA Financial Management Code
Implementation of the Code of Corporate Governance