

Finance Peer Review **Thurrock Council**

20th-21st June 2017

Feedback Report

1. Executive Summary

The financial constraints faced by Thurrock Council (the Council) are recognised across the organisation. Political leaders and the Directors Board are responding effectively to the scale of the financial challenge. There was a consistent cascading of the message about the financial challenge and the need to respond. There were staff who felt empowered to deliver the savings in their areas.

Thurrock Council has made progress regarding its budget position and there is a good grasp of the budget position and understanding of the budget challenge that lie ahead. Even though the Council has faced considerable challenges financially over recent years it has been able to deliver an overall balanced budget and improve its level of reserves.

The Council operates a Council Spending Review panel which is a cross-party Member and senior officer forum for the exploration and scrutiny of options for budget savings and alternative funding streams. This process offers appropriate levels of engagement with Members and officers.

There is a need for greater consistency and transparency with the reporting that flows from the Council Spending Review panel, onto the Cabinet, Overview and Scrutiny Committee and finally onto Budget setting Council. To build confidence in the process it is important to be able to see and understand where changes are made, in what will inevitably be an iterative budget engagement and setting process.

The Council has a large number of regeneration opportunities with four Nationally Significant Infrastructure Projects (the Lower Thames Crossing, Tilbury 2 (port expansion) and two power station projects in Tilbury), in addition to other major projects such as Grays Town Centre regeneration, Purfleet regeneration and the widening of the A13. These need Council support and the next year or so has the potential for being a critical time in the evolution of these opportunities. It is therefore important for the Council to have the capacity and capability to support, enable and manage delivery of these programmes and projects.

The Council has taken a number of investment opportunities to generate a return. By taking other opportunities in the future the Council would be able to further support the revenue budget while protecting frontline services.

The Council has made a good start on developing and delivering its commercial offer to a number of organisations. There are a wide range of different activities being traded as well as further opportunities being considered. Prioritising and delivering such commercial opportunities at pace has the potential to bring larger benefits to the Council.

The transformation programme is supporting the delivery of significant savings in 2017/18. When reviewing the detail of these savings many of them are efficiencies and it may be worth the Council reflecting on true transformational nature of the programme and considering making it more ambitious.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite. The following are the key recommendations that the peer review team believe Thurrock Council should implement:

- 1. Develop a more coherent approach to the Council Spending Review panel (CSR), Overview and Scrutiny Committee and Cabinet budget process.** There are many settings where there is Member engagement in the development of the budget. The CSR panel is in addition to the formal meetings set out in the constitution. It would be beneficial to set out how the various meetings link together and where the iterations and feedback loops need to occur.
- 2. Ensure there is consistency and transparency throughout the whole of the budget setting process.** Reporting flows from the various panels, committees and finally to the budget setting Council meeting. It is important for there to be confidence in the process and that it is possible to see and understand where changes are made.
- 3. Ensure Members are fully trained to engage in the budget setting process and wider financial matters.** The Peer Team felt that a refreshed approach to Member training would be beneficial in aiding Members to understand their statutory duties regarding budget setting and provide a greater understanding on how the service implications of spending and savings proposals can be considered.
- 4. Review the transformation process with a view to streamlining and releasing management capacity.** The Council is limited in its management capacity to support transformation and has limited resources to supplement the activity. It is timely to consider the governance that supports the transformation process, with a view to streamlining the work of the Strategic Boards so that capacity can be released for delivery.
- 5. Consider simplifying the service review process.** The service review process appeared complex and was described on-site as creation of 'an industry'. With an ambitious aim to review every service over the coming years it would be beneficial to review and streamline the process and ensure that the principles are delivering the objectives of the relevant Council strategies, for example the customer access strategy.
- 6. Assess the organisations capacity and capability to deliver the ambitious regeneration programme.** The scale of the regeneration activity the Council is supporting is considerable and the opportunities need to be exploited and successfully delivered. There is a concern about capacity and capability to support the work at this critical time.

7. **Review all opportunities for balancing the revenue budget, efficiency savings vs income generation including investment.** The Council needs to use all the means it has to balance the revenue budget, actively exploiting them and constantly revisiting the options.
8. **Review the roles and responsibilities between the business and the Finance Team.** The roll out of the new financial reporting tool within ORACLE provides the opportunity for the review of roles and responsibilities. In particular, with a view to ensuring there is sufficient support for medium to longer term financial planning and scenario planning.

3. Summary of the Peer Review approach

The peer team

Peer reviews are delivered by experienced elected Member and officer peers. The make-up of the peer team reflected the Council's requirements and the focus of the peer review. Peers were selected on the basis of their relevant experience and expertise and agreed with the Council. The peers who delivered the peer review at Thurrock Council were:

- Julie Parker, LGA Finance Improvement and Sustainability Adviser and Peer Review Manager
- Councillor Alan Jarrett, Leader of Medway Council
- Paul Thorogood, Director of Finance at oneSource
- Ben Smith, LGA Adviser for the East of England

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Finance Peer Reviews. These are the areas we believe are critical to Councils' financial performance and improvement:

- Financial leadership: Does the authority have plans for its long-term financial sustainability which are owned by its councillors and officer leaders?
- Financial strategy, planning and forecasting: Does the authority understand its short and long-term financial prospects?
- Decision-making: Are key decisions taken in the understanding of the financial implications, risks and options?

- Financial outcomes: Are financial results (including those of the Council's capital investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?
- Partnership & innovation: Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

The peer team were asked by Thurrock Council to apply a specific focus to:

- The governance processes for engaging and agreeing the budget with Members
- The plans for the future in particular the plans for self-sufficiency

The purpose of peer review

Peer reviews and challenges are improvement-focussed and tailored to meet individual Councils' needs. They are designed to complement and add value to a Council's own performance and improvement focus. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read. The team provide feedback as critical friends, not as assessors, consultants or inspectors

The process is not designed to provide a technical assessment or due diligence on financial matters. Neither is it intended to provide prescriptive recommendations. The peer review process intends to provide feedback, observations and insights from experienced practitioners that will help validate, reality check and further develop the Council's current plans, proposals and evolving thinking about the future.

The peer review process

The peer team prepared for the peer review by considering a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing and its plans for the future. The team then spent two days onsite at the Council, during which they:

- Spoke to more than 20 people including a range of Council staff and Councillors.
- Gathered information and views from more than 10 meetings and additional research and reading.
- Collectively spent more than 100 hours to determine their findings – the equivalent of one person spending nearly 3 weeks in Thurrock Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (20th-21st June 2017). In presenting feedback to the Council, they have done so as fellow local government officers and Members, not as professional consultants, auditors or inspectors.

By its nature, the peer review is a snapshot in time. We appreciate that some of the feedback may be about areas the Council is already addressing and progressing.

4. Feedback

4.1 Governance: The governance processes for engaging and agreeing the budget with Members.

The Council has a Council Spending Review panel (CSR) which offers a cross-party Member and senior officer forum for the exploration and scrutiny of options for budget savings and alternative funding streams (e.g. income generation). It forms part of the Member consultation on budget proposals but is not a decision-making body. This panel operates in addition and advance of the formal scrutiny activity set out in the Council's constitution.

The processes followed by Thurrock in the budget development and engagement with Members on budget setting is broadly in line with other no-overall control Councils.

It was clear that the Leader and Chief Executive were fully committed to the CSR process and there was engagement from the Cabinet. The peer team encourage all relevant Councillors to fully engage in the CSR process

There is engagement with Portfolio Holders, opposition leaders and political groups on budget development outside of the CSR process by the Chief Executive, Director of Finance, Corporate Directors and Directors. In some areas this did not appear to be comprehensive and systematic and it was felt greater clarity around the arrangements would be beneficial.

There is a need for greater consistency and transparency with the reporting that flows from the CSR, onto the Cabinet, Overview and Scrutiny Committee and finally onto Budget setting Council. Budget development is an iterative process often with many changes as information is obtained and assumptions firmed up. However it is important for confidence in the process that it is possible to see and understand where changes are made.

The Council has adopted a more cross cutting approach to the budget setting through its transformation boards, with savings being identified across the Council, for example agency, overtime. While work has been done to ensure Members are aware of their statutory duties regarding budget setting it is felt that more could be done to explain the requirements and provide an understanding of the service implications of savings proposals. The peer review team can provide the Council with examples from other councils with No Overall Control on how officers have supported Members in understanding their statutory responsibilities.

The training provided for Members on financial matters was considered to be good, but attendance was patchy and it is felt that a refreshed offer would be beneficial. Consideration should be given to how best to maximise the training opportunities in terms of content being understandable to the majority of Members and timing such that more members are able to attend.

4.2 Self-Sufficiency: The Councils plans for the future in particular the plans for self-sufficiency.

The Council has made a good start on developing and delivering a commercial offer to a number of other organisations. Many of those we interviewed were able to cite a number of different activities that the Council is offering commercially as well as identifying further opportunities that were to be considered. The appointment of a full time Commercial Director is a recognition of the importance that the Council is placing on this area to support its budget position. There is a need to ensure that staff understand what the Council really means by 'commercial' rather than using it as a term that can mean different things to different people. We also identified a concern in some quarters that Council resources could be being applied to small initiatives to the detriment of larger ones that would give a bigger return.

The Council has taken a number of investment opportunities to generate a return e.g. property investment funds, solar farm. Consideration should be given to taking wider investment opportunities that assist in supporting the revenue budget

There are a large number of regeneration opportunities being pursued at present e.g. four Nationally Significant Infrastructure Projects (the Lower Thames Crossing, Tilbury 2 (port expansion) and two power station projects in Tilbury), in addition to other major projects such as Grays Town Centre regeneration, Purfleet regeneration and the widening of the A13. There is however a concern regarding the capacity and capability to support, enable and manage delivery of these programmes and projects. This should be reviewed as these opportunities need to be exploited and successfully delivered.

There is recognition that there is a need to develop and sell the 'Thurrock' brand and activities like attending MIPIM (Le marché international des professionnels de l'immobilier) in 2017 for the first time would be an opportunity to do this.

The transformation programme is supporting the delivery of a number of savings, with £3.7m of transformational savings included in the 2017/18 budget. However many of the savings are classified as efficiency savings and do not appear to be as a result of transformational change. While it is recognised this is the start of the programme, the savings from the customer board and the digital/ ICT boards appear modest in comparison to the level of savings that other Councils target from transformation programmes. It may be worth the Council reflecting on if its transformational programme is truly transformational or more a means of delivering efficiencies.

We also considered if the Council was maximising its procurement opportunities and would suggest that there may be benefit in exploring more cross-cutting procurement activities.

The budget assumptions made within the Medium Term Financial Strategy (MTFS) will need to continue to be revisited, reflecting the level of risk the Council is prepared to take particularly in the context of the Councils tight position on reserves

and balances. The modelling of the council tax base changes and business rate base changes is an important area to consider.

Children's services and adult social care are areas where managing demand is a key part of keeping the MTFs on track. While we heard of the successes at reducing the budget pressure caused by the number of unaccompanied asylum seekers we were not provided with many other instances of work that would assist in demand management, although we recognised that staff may not be articulating the activity in that way but still achieving the outcome of reducing demands on services.

The service review process needs to be effective and not a means in itself. While there is a comprehensive process in place it came across as overly complex and would benefit from an evaluation itself.

It was recognised by the staff and Political leaders that there is a need for a greater focus on how asset management can assist in supporting the revenue budget, both acquisition and disposal. Recruiting into a property role as well as commissioning consultancy support was a positive move.

4.3 Financial leadership: Does the authority have plans for its long-term financial sustainability which are owned by its Councillors and officer leaders?

Political leaders and the Directors Board are responding to the scale of the budget challenge and this is being consistently and effectively cascaded through the organisation. This came through from discussions with Members, Directors and budget holders.

The Council has a Transformation Board that oversees nine Strategic Boards each with a specific focus. As each board is sponsored by a Member of the Directors Board from a different service this promotes cross service working and corporate ownership of the programme.

The Council has made progress regarding its budget position and there is a good grasp of the budget position and understanding of the financial challenge that lie ahead. Even though the Council has faced considerable challenges over recent years it has been able overall to deliver a balanced budget and improve its level of reserves.

4.4 Financial strategy, planning and forecasting: Does the authority understand its short and long-term financial prospects?

The current projected budget challenge over the next three years was to bridge a gap of £20m (reducing to £16.5m if already identified savings are secured).

While the Council understands its medium term financial strategy and the regeneration opportunities it has for the future, there was a focus on the short-

term. For example, the strategic priorities have been set for one year, rather than a longer planning horizon.

It was not apparent that the Council had a coherent and long term vision. Having this in place and underpinning the medium term financial strategy would enable the Council to consider regeneration opportunities in the strategic context.

While the Council has a limited capital programme it was encouraging to see that it is giving consideration to future and aspirational capital proposals. This does reinforce the need for a clear strategy against which to assess the proposals so they provide maximum benefit for the community. There also needs to be a greater understanding of the capital and treasury investment options that the Council has and the relative risks and rewards that the options provide.

At present the Council's capital programme is dependent on prudential borrowing and grants, with limited use of capital receipts and developers contributions. The development of an asset management strategy, covering both acquisitions and disposals could assist in the decision making that underpins the capital programme.

4.5 Decision-making: Are key decisions taken in the understanding of the financial implications, risks and options?

It is clear that Members understand the need to maintain service delivery whilst delivering a balanced budget.

The inclusion of £2m transformation funding within the capital programme to support the bringing forward of initiatives is a positive move and is recognised as such within the Council. However it was noted that this is currently for the development of business cases to advance work on future and aspirational capital projects.

The Council has a limited level of resources that it can apply to invest in transformational activities. We are familiar with Councils that apply reasonable levels of upfront investment to support the costs of transformation. The Council might want to consider if the level of investment that it has and is making is limiting the scale and pace of the transformation it is undertaking.

The finance team support the business on the day to day monitoring and financial decision making. However the limitations of this were recognised and there was a clear desire at various levels in the Council for the finance team to be more proactive in providing support for medium to long term financial planning, in particular for scenario planning. More could be done to link financial monitoring information with non-financial performance data. There was also a desire for greater challenge on financial matters.

It was not clear from the discussions that the peer review team had whether there is a full understanding of the long term implications of capital investment particularly the revenue implications of borrowing.

4.6 Financial outcomes: Are financial results (including those of the Council's capital investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?

While budget monitoring is reported it was felt that the Council should reflect on whether the variances in the budget were being identified early enough and sufficient action being taken in response.

The recent roll out of a system of real time reporting of financial information will assist budget holders to receive timely information. This system should be an improvement from what was available to managers through ORACLE and reduce the reliance on the Finance Team to provide the budget information. There is a need to ensure that the roll out is structured, phased appropriately and supported by quality training.

While Directors and budget holders understand they are accountable for their budgets there has been a heavy reliance on the finance team to provide the in year forecasting data. The introduction of the new reporting system is an opportunity to shift the emphasis and empower budget holders to self-serve.

The Council might want to consider if there is an opportunity for the Finance Team to move towards a business partnering model. This could support them to focus more on the medium to longer term financial planning and scenario planning.

4.7 Partnership & innovation: Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

The focus of this peer review did not require the peer team to meet with partners during our onsite work and so we have limited insights on partnership working to provide to the Council.

While we were given many examples of networking with partners in particular by the Chief Executive and Directors, these activities do need to be translated into outcomes and during the limited time onsite we were not able to assess the extent to which this does occur.

There appears to be a positive and productive relationship between the local CCG and the Council, particularly with adult services and this needs to be retained and built upon given the challenges that both the Council and the NHS is having to face in this area.

The Council has made good use of its Treasury Management strategy in particular by investing in alternative energy (the solar farm) to generate a return. This is a good example of using treasury investment (rather than capital) to achieve a particular outcome (positive net revenue income).

Opportunities for innovation in services are in place e.g. the introduction of Dementia Cinema as a result of the Adult Services Dragons Den. It could be

beneficial if the Council could find ways of learning from this type of innovation corporately.

5. Next steps

We appreciate the Council will want to reflect on these findings and suggestions with the senior managerial and political leadership in order to determine how the organisation wishes to take things forward.

As part of the peer review process, there is an offer of further activity to support this. The Local Government Association (LGA) is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Gary Hughes, Principal Adviser is the main contact between your authority and the LGA. His contact details are: Tel. 07771 941337 and Email. gary.hughes@local.gov.uk

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer review. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform ongoing consideration.