

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	22 nd November 2023
Subject:	Slough Children First Governance Review – Update on progress
Chief Officer:	Stephen Brown – Chief Executive
Contact Officer:	Sarah Wilson – Assistant Director Legal and Governance
Ward(s):	All
Exempt:	NO
Appendices:	Appendix 1 – SBC update on progress against SCF Governance Review – September 2023

1. Summary and Recommendations

This report sets out a summary of the progress made on actions recommended following a governance review of Slough Children First (SCF).

Recommendations:

Committee is recommended to review and comment on the progress made as set out in Appendix 1.

Reason:

- 1.1 Improvements in company governance are an important part of the Council's recovery plans. Issues in governance arrangements were highlighted by the external auditors in May 2021 and in the DLUHC commissioned Governance Review. The latter led to the issue of statutory directions and the appointment of commissioners to oversee progress on improvements and recovery.

2 Alternative options considered and not recommended

- 2.1 Whilst there is no legal requirement to undertake a formal governance review, the draft best value guidance states that a characteristic of a well-functioning authority is proper member oversight of companies and partnership bodies, in accordance with the Local Partnerships Local Authority Company Review Guidance.
- 2.2 By publicly reporting on progress on the governance review recommendations, elected members have an opportunity to comment and question whether the focus is right and the pace of change is appropriate. Members can also consider the learning from this review when reviewing risks arising from other Council companies. This is the fourth update on SCF.

Commissioner Review

Commissioners have reviewed the report and made no comments.

3 Background

3.1 SCF became wholly owned by the Council on 1 April 2021 as a result of a change in the Articles of Association. Prior to that it was an independent trust. SCF delivers statutory children's services under a statutory direction of the Secretary of State for Education. A governance review was undertaken in the summer of 2022 and reported to Cabinet. This review was conducted using the Local Partnerships framework. Local Partnerships is an entity jointly owned by the Local Government Association, HM Treasury and the Welsh Government. Its purpose is to help public organisations manage the challenges of meeting rising demand for services with shrinking budgets. As part of this work, Local Partnerships published a Local Authority Company Review Guidance toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities. This is the framework recommended in the draft best value guidance.

3.2 Good governance arrangements for council owned entities should seek to achieve the following:

- The entity should have sufficient freedoms to achieve its objectives.
- The council should have sufficient control to ensure that its investment is protected, appropriate returns on investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the council.
- The entity continues to be relevant and required (in its existing form) and, if not, appropriate steps are taken (for example, amending constitutional documents or changing form or terminating the vehicle).

3.3 It is important to note the reason for SCF existing. This is succinctly set out in the introductory paragraphs of the DLUHC commissioned Governance Review of the Council by Jim Taylor dated September 2021, which is published on the DLUHC website.

“In 2011 Slough Children’s Services received an inadequate rating from OFSTED. In November 2013, following a further OFSTED inspection, from February 2014 the council was subject to intervention from the Department for Education. There were ‘serious systematic failures’ and ‘longstanding and serious concerns about the leadership, management, and governance of Children’s Services in Slough’. It was only in 2019 that the OFSTED inspection rating began to improve to ‘requires improvement to be good’.

Such a failure in children’s services, over this length of time, reflects on whole council leadership. For a failing children’s services department to achieve success within a council, all council services must be marshalled together to help with the improvement. The fact that it took so long to demonstrate any significant improvement indicates that the council has been unable to improve a statutory service at the pace required.”

3.4 This is not to say that there are not good leaders and officers working across the Council and SCF. SCF employs many highly experienced and competent staff who are supporting children and families daily to assist with many challenges that life brings. These staff are all committed to protecting children and young people and

supporting families to improve the wellbeing of these individuals. There is a new executive leadership team in SCF and the positive impact of this new team is evident in the progress being made in terms of the quality of services being provided.

- 3.5 However there have also been historic concerns in relation to the financial cost of the services and whether the focus for support is appropriately targeted. In the DLUHC commissioners' third report on the best value intervention, commissioners referred to the appointment of the new Director of Children's Services and the positive impact this was having on impact, combined with a strong working relationship with the DfE Children's commissioner. The report notes the stronger children's leadership team and the reduced reliance on agency staff, whilst also reflecting that the challenges in the service area are deep and it will take time to build a sustainable and reliable service.
- 3.6 The Council's financial situation and the national pressures that are being experienced in children's services combine to create a tension between delivering improved services for children and young people and keeping within a constrained budget. Cabinet agreed to fund historic deficits accrued by SCF in the previous two financial years and to increase the 2023/24 contract sum to £40.514m on the basis of an improved business and improvement plan. The DLUHC commissioners commented in the September Cabinet report on the critical importance of operating and reporting arrangements, close working relationship, engagement with key stakeholders, sound corporate governance arrangements and regular reporting to the SCF Board and Council, including strengthened financial oversight to effectively manage the risks.
- 3.7 An update on recommended actions against the Governance Review is attached at Appendix 1. This is reporting against the original Governance Review which was appended to the Cabinet report in October 2022. The table below shows the split of RAG rated actions:

	Red	Amber	Green
September 2022	11	21	14
November 2022	8 ↓	21 =	16 ↑
February 2023	5 ↓	23 ↑	18 ↑
June 2023	2 ↓	16 ↓	27 ↑
September 2023	2 =	21 ↑	23 ↓

- 3.8 There are some areas that have slipped back from green to amber. This is partly due to changes in personnel and the time taken to put in place proper reporting systems. A new Chair of SCF has been appointed and he has rightly taken time to get to know directors on an individual basis and is working with the Chief Executive and new Director of Finance to improve reporting to the board. This will in turn improve reporting to the Council in convened contract monitoring meetings.
- 3.9 There is some tension and healthy discussion as to how to ensure proper corporate governance and board reporting, whilst avoiding unnecessary duplication. There is also ongoing work to ensure SCF officers understand the contractual requirements and put in place an annual reporting cycle based on this. The absence of this has led to a failure to produce an annual report and delay in producing a business and improvement plan suitable for recommendation for approval by the Council.

3.10 Despite these historic issues, significant progress has been made and the approved business and improvement plan sets out a clear vision, strategic priorities and a short term, focused improvement plan, with aspirations for a longer term plan. Positive meetings have taken place between the Council officers and the SCF Chair, non-executive directors and new SCF Director of Finance. As with any improvement journey, it is necessary to prioritise. This has involved a focus on ensuring that strategies are fit for purpose and that the workforce strategy is leading to improved service delivery. There is now a focus on updating the contractual key performance indicators and ensuring the board and contract monitoring reports are streamlined and fit for purpose.

3.11 Areas that has slipped back to Amber include the following:

- (a) need for updated contractual KPIs to ensure that performance reporting is appropriately aligned to the business and improvement plan and focused on both partnership working and financial management. This is timetabled for discussion at the next contract monitoring meeting with a view to updated KPIs being agreed by Cabinet in December 2023.
- (b) Contract monitoring meetings at an operational and strategic level have not happened in a formal way, with discussions happening on a more informal basis. Meetings have now been timetabled, with agenda setting and reports produced in advance.
- (c) A clear focused business and improvement plan is a good step forward, but there needs to be a continued focus on ensuring there is appropriate regular reporting against this plan at both a board and Council level. Feedback from SCF Non-Executive Directors is that there is still work to be done to ensure the board receive the right level of detail in reports at the right time, but the board are confident that with the support of the new Chair of SCF, the November board meeting will see a new way of working.
- (d) Risk management is another area of concern and aligned to the Council's work on reviewing its risk management arrangements.

3.12 The red rated risks relate to the following and are linked:

- (a) External audit opinion on treatment of financial instruments. Whilst the accounts process has progressed, there is concern about the lack of detail in some areas and board members have robustly questioned these. There is discussion about options to utilise the same auditors as the Council use, albeit with a different team.
- (b) Effective internal audit programme – whilst this was previously rated green, a review of historic internal audits reports have resulted in a conclusion that this was inaccurate. The quality of audits and the lack of an internal audit plan informed by board input has led to a downgrading to red. There is discussion with the Council's new internal audit team to have in place an internal audit plan to ensure proper testing of SCF's systems of internal control.

3.13 The SCF board remain fully engaged and supportive of the governance review and are honest and transparent about the issues and improvements. Regular meetings take place between the SBC's Assistant Director of Legal and Governance, who acts as the member representative (equivalent of a shareholder representative) and SCF's Chief Executive, SCF Chair, SCF Council Non-Executive Director and SCF Chair of the Audit and Corporate Governance Committee. In addition, there is an open invitation to attend board meetings and view board reports and minutes. The Council is awaiting the outcome of a board skills audit, before nominating a new Council non-

executive director to ensure that the individual adds value to the existing experienced board.

3.14 In the last year there has been an increased level of reporting and involvement of elected members. This has included cabinet reports on the business plan and in-year funding requests, the completion of a scrutiny task and finish group on workforce strategy and quarterly reporting to Audit and Corporate Governance Committee in relation to reviewing progress against the recommended actions in the SCF Governance Review. The Cabinet Committee now has responsibility for reviewing company governance and reports will be taken to this Committee or to full Cabinet on business planning progress and financial management.

4. Implications of the Recommendation

4.1 *Financial implications*

The agreed contract sum for SCF in 2023/24 was £36.067m, but was increased to £40.513m in September 2023. SCF was given a working capital loan and it has used this to fund deficits that have arisen in 2021/22 and 2022/23, although these deficits have now been funded by the Council, therefore it is anticipated that the loan will be repaid at the end of the contract term, which is September 2026.

4.2 *Legal implications*

4.2.1 The Secretary of State for Education has powers to issue a direction in relation to specified social services functions relating to children under s.497A of the Education Act 1996. Various directions have been issued in relation to statutory functions in Slough since 2014. The seventh statutory direction was issued in August 2023. The effect of the direction is that prescribed children's services functions must be performed by SCF and the Council jointly and other prescribed children's services functions are performed by SCF on behalf of the Council.

4.2.2 The intention behind SCF becoming wholly owned by the Council was to clarify the roles and responsibilities of the Council and the DfE, on the basis this will give the Council greater control over the strategic direction of the Company, whilst ensuring operational independence for day to day functions. The reserved matters set out in the Articles allow the Council to make certain high level decisions, however these matters are also subject to consultation and consent rights of the Secretary of State for Education, as set out in a separate Governance Side Agreement.

4.2.3 The governance arrangements for SCF are complex, with the services being under the statutory intervention of the DfE and an appointed DfE Commissioner overseeing this. The revised direction made clear the interplay between the DfE and DLUHC interventions, requiring the DfE Commissioner to work in partnership with the DLUHC Commissioner to contribute to the work to rebuild the finance and governance capacity of the Council and secure compliance with the best value duty and to report to the DfE on progress and recommendations on any future operating model taking into account the work of the DLUHC Commissioners. The DLUHC Commissioners have a role in supporting the Council to achieve financial sustainability and to ensure the Council's governance of its companies is adequate. As a separate legal entity, SCF is managed by a board of directors comprising executive and non-executive directors. The board collectively and individually have legal responsibilities. The Council as sole owner of SCF also has a role in ensuring it is well run and that services delivered are effective and efficient. Finally services for children and young people are delivered by a range of partnerships and both

SCF and the Council are part of a wider partnership, including statutory partnership boards such as the health and wellbeing board and children's safeguarding partnership.

4.2.4 *Local authorities have a best value duty under the Local Government Act 1999.* The draft best value guidance states that local authorities have a complex set of legal responsibilities and inherent levels of risk which need to be managed, but all should strive for excellence to be able to demonstrate continuous improvement.

4.3 *Risk management implications*

4.3.1 The risks of failure of a company delivering statutory children's services are high and must be carefully managed. If appropriate funding is not provided, SCF will not be able to deliver effective services and this will put children and families at risk of harm. Good governance is intrinsically linked to high performance, a positive organisational culture and effective risk management. It is important to ensure that this is given an appropriate focus both within SCF and by the Council.

4.4 *Environmental implications*

4.4.1 None

4.5 *Equality implications*

4.5.1 SCF provides social care services to protect some of Slough's most vulnerable children and to support families from a diverse background. If SCF fails to adequately deliver its services this will impact on children and working age adults with children to a greater extent than the wider population. In addition, it will negatively impact on children and parents with disabilities who are more likely to need the support of SCF. Certain ethnic groups and gender are disproportionately represented within the community supported by SCF and will therefore be disproportionately impacted by any change in the delivery of services.

4.6 *Corporate parenting implications*

4.6.1 The Council, and by implication SCF, has duties under the Children and Social Work Act 2017 in relation to children who are looked after and care experienced young people. This duty requires the Council to have regard to the need to:

- (a) act in the best interests, and promote the physical and mental health and well-being, of those children and young people;
- (b) to encourage those children and young people to express their views, wishes and feelings;
- (c) to take into account the views, wishes and feelings of those children and young people;
- (d) to help those children and young people gain access to, and make the best use of, services provided by the local authority and its relevant partners;
- (e) to promote high aspirations, and seek to secure the best outcomes, for those children and young people;
- (f) for those children and young people to be safe, and for stability in their home lives, relationships and education or work;
- (g) to prepare those children and young people for adulthood and independent living.

One of the reasons for requiring the contractual KPIs to be reviewed and updated is to ensure there is a focus on children and young people participating in decisions which affect this. This is not limited to operational and individual case work decisions, but to decisions at a strategic level. This will allow strategic leaders and in particular elected members on different council bodies to understand the impact of their decisions on this group.

5. Background Papers

None.