

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	19 th July 2023
Subject:	Slough Children First Governance Review – Update on progress
Chief Officer:	Stephen Brown – Chief Executive
Contact Officer:	Sarah Wilson – Principal Lawyer
Ward(s):	All
Exempt:	No
Appendices:	Appendix 1 – SBC update on progress against SCF Governance Review – June 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 2022 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, based on concerns raised from external sources and the importance of good governance to overall performance and financial management, officers undertook a review in the Summer of 2022 and reported this to Cabinet in October 2022. Cabinet recommended that Audit and Corporate Governance Committee be responsible for receiving six monthly updates on progress against the recommendations contained in the Governance Review and the Committee asked for these to be quarterly. This is the third update.

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.

Commissioner Review

Commissioners are content with the recommendation.

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. Cabinet received a report in October 2022 providing an annual report from SCF and the findings of a governance review undertaken by the Council's Principal Lawyer using the Local Partnerships framework. Local Partnerships is an entity joined 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 has picked up on learning from failures in company governance in other areas, in particular the rapid review undertaken for Nottingham City Council.

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'. Slough Children's Services Trust was subsequently established. An OFSTED inspection of November 2015, published in February 2016, again found Children's Services to be inadequate. 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 its second report to the Department for Levelling Up, Housing and Communities, the DLUHC appointed commissioners stated that the potential financial investment requested by SCF is extremely difficult to accommodate within the budget envelope available and the SCF will need to demonstrate that its programme and financial management ensures that all funds are used to best effect. The Council's best value duty as set out in the Local Government Act 1999 requires the Council to "secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." The Governance Review is aimed at ensuring the Council keeps this duty at the forefront in the way it governs its companies.
- 3.6 An update on recommended actions 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			
Sept 2022	Nov 2022	Feb 2023	June 2023	Sep 2022	Nov 2022	Feb 2023	June 2023	Sept 2022	Nov 2022	Feb 2023	June 2023
11	8	5	2	21	21	23	16	14	16	18	27

- 3.7 The red rated risks relate to the need for the financial transactions and values attributable to SCF with the Council's Medium Term Financial Strategy aligning with the projections in its business plan and to the need for the board to have reports containing a clear presentation of monthly income and expenditure and cash flow to inform decisions. There have been significant improvement in terms of business planning, with the Council's cabinet receiving a draft Business and Improvement Plan for approval on an interim basis, however the financial sustainability of SCF and alignment with the Council's budget envelope remain of concern and as such it is recommended that Cabinet receive quarterly update reports on progress against the plan. Other areas of improvement include SCF having recruited a permanent executive leadership team and improved business planning with a short and longer term improvement plan with measurable targets.
- 3.8 The SCF board are fully engaged and supportive of the governance review and the SCF Chief Executive is leading on the governance improvements required. Regular meetings take place between the SBC's Head of Legal, who acts as the member representative (equivalent of a shareholder representative) and SCF's Chief Executive, together with finance colleagues and SBC Chief Executive where required. In addition, the Head of Legal has attended the board meetings and SCF Audit and Corporate Governance Committee meetings and the new SBC finance lead has also attended the SCF Audit and Corporate Governance Committee. The SBC Chief Executive and Head of Legal were also invited to attend the facilitated board development day in June. This is also in addition to the role of the Council nominated directors, whose

roles are partly to ensure that the Council's interests and priorities are understood by the board and that the local context of Slough is considered.

3.9 Children's social care services in Slough remain under statutory intervention of the Department for Education and there is an appointed DfE commissioner. The commissioner changed in October 2022 and there have been meetings between key individuals in the Council and the DfE commissioner, as well as the establishment of close links between the DfE commissioner and the DLUHC commissioners. The DfE Commissioner has fulfilled the role of SCF Chair on an interim basis and is leading on the recruitment of a new Chair, with involvement of SBC's Chief Executive.

3.10 The role of the member representative (SCF is a company limited by guarantee, however this is equivalent to a shareholder representative) is as follows:

- Oversight of any decisions that are reserved to the Council, as sole owner of SCF. This does not mean that decisions are made by this individual, as many of the decisions are reserved to cabinet, for instance approval of the business plan and approval of in-year funding requests over certain limits;
- Reviewing how SCF achieves its strategic aims and how this links to the Council's priorities;
- Oversight to ensure that decisions are taken in accordance with contractual requirements, the Articles of Association, the Governance Side Agreement and other relevant policies and procedures;
- Engagement with the Chairman, Board and chief executive of SCF to ensure effective performance against strategy and governance;
- Ensuring that the Council's views are captured and effectively communicated to the SCF board;
- Evaluating the effectiveness of the board and delivery of performance against strategic objectives and the approved business plan;
- Working with officers, elected members, commissioners and the DfE to review the effectiveness of the vehicle to deliver the outcomes required and whether more viable alternative models might offer a more effective means of delivering on priorities;
- Reviewing risk and how this is monitoring and reported on.

3.11 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, in-year funding requests, annual report and governance review, 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 2022/23 was £31.435m. Two in-year requests for increased funding have been submitted, with the second one considered by Cabinet in December 2022. The contract sum for 2023/24 was agreed by Cabinet in February 2023 and is significantly higher than in 2022/23 to reflect increases pressures, including

inflation. The agreed contract sum for 2023/24 is £36.067m, an increase of £4.632m on 2022/23 base budget. However, the current draft Business and Improvement Plan indicates a requirement for further funding for 2023/24, which is being considered by Cabinet in July 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 it has now sought agreement for funding to be provided to fund this deficit. The loan is repayable 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 sixth statutory direction was issued in April 2021. This requires that the Council secures that prescribed children's services functions are performed by SCF and the Council jointly and other prescribed children's services functions are performed by SCF on behalf of the Council. The Council was also directed to enter into a new service agreement to implement the discharge of these functions and continue to comply with any instructions of the Secretary of State, his representatives and the Children's Services Commissioner in relation to

- i. ensuring that the Council's children's social care functions are performed to the required standard;
- ii. the terms of the Service Agreement that require the Secretary of State's consent or approval;
- iii. the operation of the Direction.

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 review was undertaken using the Local Partnerships guidance on local authority companies. This recommends that key documents are reviewed as follows:

- (a) Articles of Association – these were re-written and adopted in April 2021 and have been reviewed. The Articles are bespoke and clearly set out the reserved matters which require Council approval;
- (b) Financial agreements – the service delivery contract and support services contract have been reviewed as have existing contractual arrangements. The contractual KPIs are in the process of being reviewed to ensure they remain fit for purpose and aligned to the Business and Improvement Plan;
- (c) 12 months of minutes for board meetings and any shareholder groups and engagement between shareholder groups and board members – some minutes for meetings have been provided, although more have been requested. There are regular meetings between Council officers to ensure appropriate oversight. There has been an increased level of reporting to elected member forums. Council officers have been invited and have attend

SCF board and committee meetings as well as having informal meetings with the SCF executive officers.

(d) Key executive and scrutiny reports – since the review improvements have been made in the role of cabinet, audit and scrutiny in governing SCF.

(e) SCF business plan and other key documents which document performance – the detail is covered in the appendix and this has been a key area of improvement.

(f) Governance and structure charts and descriptions of key roles – the board structure has been the subject of review and there are terms of reference for board committees. This will be a key area of focus for the new SCF Chair.

(g) Terms of reference for the member role, the board and the audited accounts. The member role is set out above, however as part of wider company governance further guidance may be produced on this. The role of the board and reserved matters are clearly set out in the articles.

(h) Risk logs – further information is set out in Appendix 1 and whilst there are improvements, further work is required.

(i) Policies and procedures to manage conflicts of interest – these exist for council officers and the joint SCF chief executive and Executive Director of People.

(j) Training plans for board members – the facilitated board development day was a positive to ensure the board has time to form as a team and for individuals to share their expertise. A new NED with financial management experience has improved the overall skills of the board. A training and development plan will be a focus for the new Chair.

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 and it is important to ensure that this is given an appropriate focus both within SCF and by the Council. This also linked with compliance with the Council's best value duty as set out above.

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.

5. Background Papers

None.