

Slough Borough Council

REPORT TO:	Cabinet
DATE:	18 December 2023
SUBJECT:	Approval of annual Business and Improvement Plan for Slough Children First Limited (SCF)
PORTFOLIO:	Councillor Smith – Leader of the Council Councillor Bedi – Lead Member for Education and Children’s Services
CHIEF OFFICER:	Stephen Brown – Chief Executive
CONTACT OFFICER:	Sarah Wilson – Assistant Director Legal and Governance
WARD(S):	All
KEY DECISION:	YES
EXEMPT:	NO
DECISION SUBJECT TO CALL IN:	YES
APPENDICES:	Appendix A - SCF Draft Business and Improvement Plan 2024-25 Appendix B – Proposed new contractual KPIs

1 **Summary and Recommendations**

1.1 This report seeks approval of the Slough Children First (SCF) Business and Improvement Plan for 2024 to 2025 (Appendix A). As SCF is wholly owned by the Council, it is bound by its Articles to submit its draft Business and Improvement Plan for approval by the Council. The Business and Improvement Plan is a critical document governing how SCF conducts its business, and it is not permitted to enter into transactions, agreements, or contracts unless they are in accordance with its Business and Improvement Plan.

Recommendations:

Cabinet is recommended to:

- Approve the SCF’s Business and Improvement Plan for 2024 to 2025 at Appendix A.
- Approve the amended contractual key performance indicators at Appendix B and delegate authority to the Chief Executive, in consultation with the Lead Member for Children’s Services, Lifelong Skills and Governance, to make minor amendments to these indicators, including agreeing changes to the measures.

- Delegate authority to the Chief Executive, in consultation with the Lead Member for Children's Services, to make amendments to the Articles of Association in relation to the board composition, quorum and reserved matters.
- Note that the contract sum for 2024/25 will be considered and approved as part of the Council's budget setting process.
- Note that it has been agreed that SCF will not submit an Annual Report for 2022/23.

Reason:

SCF requires a high quality, long-term Business and Improvement Plan setting out its strategic priorities and financial strategy. In September 2023 the Council approved a 3 year plan and this is the Year 2 update. This plan does not cover a new 3 year period, as the contract terminates in September 2026.

The Council must continue to monitor SCF's performance to ensure that limited available funding is directed to the right place and supporting the Council's improvement journey. For this reason, Cabinet is requested to approve an amended suite of contractual key performance indicators. These focus on areas such as contribution to partnership arrangements, workforce strategy, ensuring effective participation of children and young people and financial performance, in addition to some existing indicators around quality of practice.

2 Report - Introduction

- 2.1. SCF became wholly owned by the Council on 1 April 2021, with new articles of association setting out its governance arrangements. The Articles of Association set out a list of reserved matters, which must be approved by the Council, as the sole owner of the Company.
- 2.2. SCF delivers prescribed statutory and discretionary children's social care functions under a direction of the Secretary of State and in accordance with a service delivery contract between SCF and the Council. Improvement activity across children's services is a critical part of the Council's improvement journey and the Council should work with the new SCF executive leadership team, board of directors and DfE commissioner to ensure that the services can be delivered in a cost-effective way, contributing to the delivery of required financial savings to enable the Council to become financially sustainable within the medium term.

Commissioner Review

The DfE commissioner has been consulted on this report and has noted his thanks for the work undertaken on reviewing and updating the contractual performance indicators. The commissioner fully endorses the approach taken by the Council and feels confident that this will provide a much more useful monitoring framework for Council officers and elected members. The commissioner looks forward to seeing how the work progresses over the next few months to ensure it aligns with his work on supporting the Council and SCF to improve the services to a good standard.

The DLUHC commissioners welcome the timely production of the business plan outlining how the company will make progress on its key commitments within the financial year 2024/25 and a financial outlook to 2026/27. The performance framework appended sets out

the Key Performance Indicators (KPI) that demonstrates the impact on children, young people and families, the company, and the council.

The Cabinet Report include recommendations approving the company business plan. The focus on quality of practice, delivering maximum effectiveness, efficiency and value for money and the management of its strategic risks, needs to be continuous and clearly outlined in the business plan. If the business plan includes anything which constitutes a reserved matter which is not expressly approved in the Cabinet Report recommendations, it will not be deemed approved and separate authority or Shareholder approval will be needed in the future. The annual Budget request is subject to approval by Full Council 7 March 2024 as part of the wider council budget and the outcome will provide the financial envelope which will underpin this business plan.

Options Considered

2.3. The following options were considered:

Option	Pros	Cons	Recommended
Option 1: Approval of business and improvement plan and updated contractual key performance indicators	<ul style="list-style-type: none"> • Ensures compliance with Articles of Association. • Ensures SCF has a longer-term business strategy to manage its services. • The new plan will be owned by SCF Chief Executive and Board. 	<ul style="list-style-type: none"> • The plan assumes funding that has not been agreed by the Council and may put pressure on other services. 	Recommended
Option 2: Approve the Business and Improvement Plan, but do not amend the contractual key performance indicators	<ul style="list-style-type: none"> • The benefits for approving the business and improvement plan are set out under Option 1. • 	<ul style="list-style-type: none"> • The current contractual key performance indicators are almost entirely focused on quality of children’s social care services. • A failure to measure financial performance, partnership working, participation of children and young people and workforce strategy risks SCF not considering its legal responsibilities in terms of best value and cooperation with other agencies. This in turn limits opportunities for SCF to work as part of a wider system to improve services for children and young people. 	Not recommended
Option 3: Not approve the business and improvement plan or amended	<ul style="list-style-type: none"> • The business and improvement plan for 2023 will continue to apply. 	<ul style="list-style-type: none"> • There is a missed opportunity to review and approve an up to date plan. • SCF will be failing to meet its contractual and governance obligations to have an up to date business 	Not recommended

contractual key performance indicators		plan and may need to seek approval for decisions that are not in accordance with the 2023 plan. <ul style="list-style-type: none"> • SCF will need to report against the existing contractual performance indicators, which will take additional resource and arguably not add as much value as reporting against a more appropriate set of indicators. 	
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Background

- 2.4. SCF's objects are set out in its Articles of Association. The business and improvement plan builds on last year's plan, confirming that the 2024/25 year will focus on driving forward business re-design and invest to save projects to create further improvements, efficiencies and value for money. The overarching ambition remains that services are much improved and being delivered to Ofsted's definition of Good by the next Ofsted inspection.
- 2.5. In the last year there has been significant change in the leadership and management of children's services, with the appointment of a new executive team in SCF, including the Chief Executive who also acts as the statutory Director of Children's Services and Council's Executive Director of Children's Services. A new council non-executive director comes with experience of financial management in a children's company and a new Chair of the Board is an experienced former local authority chief executive. These appointments have collectively strengthened the leadership of SCF. This was an area which Ofsted found to be inadequate in its previous inspection and this concerted effort by the Council and SCF, working with commissioners in DLUHC and the DfE, addresses these concerns and is expected to lead to better business planning and a more robust financial framework.
- 2.6. It is important to recognise that leadership includes political ownership and work has been undertaken to strengthen elected members role in strategy development and corporate parenting. The contractual key performance indicators, whilst directed as SCF, are as much as ensuring political ownership and effectiveness as they are about officer leadership.

Business and Improvement Plan

- 2.7. The financial update in the plan confirms that the 2024/25 contract sum is assumed to be £39.042m. This is a reduction of approximately £1.4m from the 2023/24 increased contract sum and is to be achieved by a combination of managing inflationary growth and delivering efficiency savings. The efficiency savings are intended to be delivered by managing down the cost of placements due to reduced number of children requiring these, reduced legal fees due to reduction in number of proceedings and better management of cases. The 2024/25 contract sum request is less than that presented in September 2023 and the SCF Board has stated its intention to undertake a more detailed review of the risks and deliverability of the proposals. The increased contract sum will be considered and formally agreed as part of the Council's budget setting process in February / March 2024. The contract

sum includes an assumption for a pay award in 2024/25. The service delivery contract confirms that such an award should be estimated, but that the actual funding for this will only be paid once the award is agreed. This replicates the arrangement for internal council departments and requires the Council to ensure it makes adequate provision to cover these costs and to distribute the funding at the point the pay award is agreed.

- 2.8. The plan also updates on plans for 2025/26 and sets out aspirations to make further financial efficiencies based on current projects. Due to the nature of some of this work, the savings will not be delivered immediately. For example it is anticipated that there will be a reduction in the number of children subject to care proceedings, however the savings attributed to this will be delivered in 2025/26 and beyond.
- 2.9. It is important to consider quality of service and financial performance together, as improving the services will lead to cost efficiencies. For example, the plan focuses on supporting families at an earlier stage and stepping down children in need plans to either an early help team or to community partners and the focus on “edge of care” leads to children not coming into care or being reunified with their families.
- 2.10. Placement costs form a significant proportion of SCF’s expenditure, second only to staffing costs. Like many other commissioned services, the unit cost of these is expected to increase, although this is offset by an anticipated drop in the overall number of placements required. On a medium to long term basis, SCF is working with the Council to look into the feasibility of establishing an in-house residential facility, although there is no detailed business case for this as yet.
- 2.11. The target of increasing the number of foster carers in 2023/24 is expected to be met and a further 3 new carers is targeted for 2024/25.
- 2.12. The plan refers to a stable workforce as being critical and that the current strategy is working with a ratio of 77:23 permanent to agency/vacant.

Governance and contractual requirements for approval of the business plan

- 2.13. Article 7 sets out the requirements for an annual business plan. This requires that for each year, no later than 30 September in the preceding year, the board of directors should prepare and submit a draft business plan for approval by the Council covering the next 3 years. The content of each business plan shall include relevant information under each of the following headings:
 - (a) introduction;
 - (b) strategic framework;
 - (c) working with partners;
 - (d) priorities and objectives;
 - (e) financial strategy and plans;
 - (f) profit and loss account;
 - (g) cash flow statement;
 - (h) revenue budget and working capital requirements; and
 - (i) capital expenditure requirements.
- 2.14. The Business and Improvement Plan can be varied each year, but that will also require prior written approval of the Council. If, prior to the state of the year, the board of directors has not sought the approval of the Council then for as long as approval has not been secured, the business plan for the previous year shall continue to apply.

- 2.15. Since February 2014, Slough Children's Services have been subject to intervention from the Department for Education. The draft Business and Improvement Plan for 2024 contains an improvement plan with 7 enablers, including strategic approach, engaging partners, ensuring children's voice and influence and fostering innovation. These areas have been considered in resetting the contractual key performance indicators.

Contractual performance indicators

- 2.16. The existing contractual performance indicators are very focused on children's social care measures and there are limited measures on workforce, none relating to youth justice, financial performance, partnership working or ensuring participation from children and young people.
- 2.17. Appendix B sets out a list of proposed new contractual measures. As some of these are more nuanced and focuses on SCF working within a wider system, the measures are less prescriptive and will be assessed on an annual basis, although progress against them will be monitored throughout the year. Performance against these measures should be included in the Annual Report which will be presented to Cabinet in future years.
- 2.18. Examples of indicators linked to partnership working including the effectiveness of the corporate parenting panel and scrutiny functions, the effectiveness of statutory partnerships and inter-agency working. SCF has a key role to play in ensuring the wider system works effectively and that there is political ownership for improving children's services across this wider system. There have been LGA peer reviews on corporate parenting and youth justice and these alongside finding and recommendations from regulatory bodies such as Ofsted, can be used to measure improvements.
- 2.19. Performance indicators related to governance include a requirement to comply with contractual requirements and effectively contribute to contract monitoring processes, effective commissioning strategies and business improvement, as well as an effective risk management system. These will be measured as part of existing contract monitoring arrangements and against the improvement plans contained within the Business and Improvement Plan.
- 2.20. It is proposed that there are new measures relating to workforce and culture, which include the need to demonstrate a listening and learning culture which leads to outcomes focused improvements and the need for effective supervision and a diverse workforce.
- 2.21. Quality of practice measures have been amended to ensure an appropriate focus on quality assurance processes and measures relating to the participation and influence of children, young people and their families. The latter includes participation in formal looked after child reviews and in care experienced young people being actively involved in pathway planning for further education, employment and training. It also includes a measure on the involvement of children and young people at a strategic level.
- 2.22. Financial management and sustainability measures have been included to cover short-term and medium term sustainability and evidence of value for money.

Articles of Association

- 2.23. SCF's Articles of Association set out the requirements for board composition, reserved matters for the Council as sole owner of the company and other constitutional matters. The current board composition is an independent Chair, up to three independent non-executive directors, up to three Council non-executive directors, the SCF Chief Executive and up to two additional executive directors. Earlier in the year there was discussion about amending the rules of board composition to increase the number of independent non-executive directors by one and reducing the Council directors by one. This will result in SCF has an even number of independent non-executive directors compared to other directors, whilst still providing the Council with an influence on the board.
- 2.24. Other proposed changes include clarifying that Council directors should be an elected member, officer or employee of the Council and should not be remunerated save as provided by their terms of engagement, election or employment, that the quorum rules should be amended to remove the requirement for a Council director to be present for a board meeting to be quorate and making minor changes to the Audit Committee requirements.
- 2.25. It is also proposed to review the list of reserved matters and include the need for Council authority to enter into a contract in excess of £500,000 unless this is within the scope of the Service Delivery Contract or Business Plan.
- 2.26. These changes represent best practice and are proposed in response to a detailed governance review. Discussions are taking place on the detail of the amendments and it is proposed to delegate authority to the Chief Executive to allow this to be progressed.

Annual Report

- 2.27. The change in personnel at SCF at executive leadership and board level has meant that no annual report was presented for the financial year 2022/23. Due to time pressures and a need to focus on future performance, a decision was taken by the Strategic Commissioning Group that the requirement to submit an annual report for 2022/23 be waived.
- 2.28. Schedule 3 of the service delivery contract requires SCF to submit an annual report to allow the strategic commissioning group to conduct an annual review of the arrangements. This report should be submitted by 30 June each year and should contain prescribed information, including:
- (a) a summary of performance against the KPIs;
 - (b) a summary of cost against budget;
 - (c) a summary of demand analysis against assumptions made;
 - (d) projections of demand for the next two financial years;
 - (e) the strategic priorities and outcomes;
 - (f) a summary of social, demographic and other relevant factors which affected delivery of the services and may affect future delivery;
 - (g) the results of audits and surveys carried out;
 - (h) the outcome of regulatory inspections.
- 2.29. As the KPIs were in the process of review and further work was needed on the business and improvement plan for 2023, which had also been submitted later than

required in the contract, it was agreed that the time spent to submit an annual report for the previous financial year would be better spent on ensuring that the contractual requirements are met in future years.

3. Implications of the Recommendation

3.1. Financial implications

3.1.1 In September 2023, Cabinet approved an increase in funding for SCF for 2023/24 of £4.447m increasing the contract sum to £40.514m. The latest budget monitoring figures indicate that SCF is projected to keep within its budget and not require any additional in-year financial support. There is still a risk based on the September 2023 management accounts report, which flags a year to date loss. There are particular risks around legal costs and placement costs. These are being monitored closely and income assurances from the Home Office and the availability of public health grant will help to mitigate the overall risk. Of the savings projected to be delivered, SCF is on track to deliver two thirds of these and has identified additional savings from the placements budget and additional income maximisation to offset those savings which are not on track.

3.1.2 Caseloads in the current financial year are lower than projected, which gives some assurance in relation to future savings, however caseloads do fluctuate throughout the year and it would be preferable to see a full year's figures to test the assumptions. Whilst there have been improvements in permanent recruitment (82% permanent across whole workforce and 74% permanent across caseholding social workers as at September 2023) the agency costs are above budget due to additional capacity at head of service level. A reduction in the number of children presenting for asylum has led to an underspend against forecast for placements, alongside tighter management of high cost and external placements via a new placements panel. As a large proportion of the additional savings is projected to come from this area, SCF's executive leadership team will be keeping a focus on this area.

3.1.3 The Council's financial situation it that it requires SCF to contribute to savings requirements in order for the Council to meet its medium term financial strategy. Having realistic projections of the contract sum required for future years and ensuring that SCF does not require in-year adjustments is critical for the Council's financial planning and sustainability. The estimated contract sum for 2024/25 is £39.049m, a reduction of approximately £1.4m from 2023/24. This includes an estimate for the pay award, however the sum of any pay award will only be paid by the Council at the point the award is agreed and this will be paid based on the actual award. Therefore the Council is bearing the risk / benefit of the award being higher or lower than the estimate.

3.1.4 The proposed new contractual performance indicators include indicators around short and medium term financial performance and value for money. This is a significant change for the historic arrangements, when performance was solely measured by reference to quality of practice for children's social care functions.

3.1.5 The Council has provided SCF with a working capital loan of £5m. SCF is due to repay this loan at the end of the contract term in 2026.

3.2 Legal implications

3.2.1 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.

3.2.2 The seventh statutory direction was issued in August 2023. 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 ensuring that the Council's children's social care functions are performed to the required standard. The seventh direction contains reference to the DLUHC appointed commissioners requiring the DfE commissioner to work in partnership with these commissioners to contribute to the work to rebuild the finance and governance capacity of the Council and to secure its compliance with the best value duty in so far as it relates to children's services. The DfE commissioner is expected to review the delivery of children's services, determine improvement priorities, including scope, budgets and governance arrangements and ensure that any work on future delivery is led and informed by him, taking into account the work of the DLUHC commissioners.

3.3 Risk management implications

3.3.1 There are risks that the company will not achieve its agreed budget as highlighted in the report. The Council is mitigating this risk through regular financial and performance monitoring meetings and reports to Cabinet on key matters. The risks to children and families as a result of risks arising from the lack of a Business and Improvement Plan and effective leadership within SCF are covered in the Council's corporate risk register and in the governance review, which are regularly monitored by the Audit and Corporate Governance Committee.

3.4 Environmental implications

3.4.1 None

3.5 Equality implications

3.5.1 The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation, and other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

3.5.2 The broad purpose of this duty is to integrate considerations of equality into day-to-day business and to keep them under review in decision making, the design of policies and the delivery of services. As a body delivering public functions, SCF is expected to comply with this duty.

3.5.3 High quality and cost-effective children's services are critical to supporting both the Council and SCF to meet their equality duties, particularly in relation to advancing equality of opportunity by way of reducing inequalities that exist between certain groups of vulnerable children and their families and the wider population.

3.6 Corporate parenting implications

3.6.1 Section 1 of the Children and Social Work Act 2017 sets out statutory corporate parenting principles which the Council must have regard to when exercising its functions in relation to looked after children and young people. These include acting in their best interests and promoting their physical and mental health and well-being, encouraging the expression of views, wishes and feelings and ensuring these are taken into account, ensuring these children and young people are safe, stable in their home lives, relationships, education and work and preparing them for adulthood and independent living.

3.6.2 The statutory guidance emphasises that these principles must not be seen in a vacuum and should shape the mindset and culture of every part of the local authority and are intended to ensure that councils have high aspirations for children in their care and young people who have experienced being in care.

3.6.3 The proposed new contractual performance indicators are set to take account of the wider system in which SCF operates. For instance there are indicators focusing on ensuring SCF is effective in supporting the Corporate Parenting Panel, supporting effective multi-agency working, including in statutory partnerships and via joint commissioning arrangements and measuring the effectiveness of systems to enable children and young people to participate in decisions affecting them at an operational and strategic level.

4. **Background Papers**

None.