

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	13 November 2024
Subject:	Update on Annual Governance Statement 2023/24
Chief Officer:	Will Tuckley – Chief Executive
Contact Officer:	Sarah Wilson – Assistant Director – Legal and Governance
Ward(s):	All
Exempt:	No
Appendices:	Appendix 1 – AGS Progress Update Report – October 2024

1. Summary and Recommendations

1.1 This report provides an update on progress against the Action Plan in the Annual Governance Statement 2023/24 (AGS) up to the end of October 2024.

Recommendations:

Committee is recommended to:

- (a) Review and comment on the progress made against the actions contained in the Annual Governance Statement 2023/24.

Reason:

Good corporate governance is an essential in any organisation, but in particular in public sector bodies. Significant governance failings attract huge attention and inevitably lead to expense being required to correct the failings. Local authorities are complex organisations and vitally important to taxpayers and service users. It is necessary to have in place effective systems, people and culture to meet the highest standards and ensure that governance is sound and seen to be sound.

Commissioner Review

The 2023/24 Annual Governance Statement (AGS) should reflect the governance matters to the end of the financial year, plus any material governance changes or events, arising between the statement date and the conclusion of the Statement of Accounts for the respective year.

Consideration should be given as to whether any further amendments are required to this draft statement following presentation to the Council of the external auditors, interim Auditors Annual Report 2021/22 to 2023/24 and where there are similarities how the management action in response to the issues raised in the reports will be monitored.

2. Report

Introductory paragraph

2.1 Slough Borough Council is responsible for ensuring that its operations are conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To achieve this the Council should ensure its governance framework supports a culture of transparent decision making.

Options considered

1. **Regularly report in public to committee on progress against the action plan in the AGS** – this is the **recommended option**.
2. **Not report publicly on progress** – Whilst there is no requirement to publicly report to committee on progress, the link between the Council's governance failures and its failure to meet its best value duty, means committee should focus on the extent to which progress is being made and reasons for lack of progress. Transparency is also a key aspect of good governance. This is **not recommended**.

Background

Update on progress against the AGS 2023/24

2.2 The AGS 2023/24 was prepared in accordance with proper practices and the Council has followed the CIPFA/SOLACE Delivering Good Governance framework. The AGS 2023/24 contained a detailed assessment and key 2023/24 governance matters to be addressed in the following year. As noted by the commissioners, the process for producing the AGS can be further enhanced in future years, ensuring it is properly informed by an internal audit opinion and a management assurance process both within the Council and from wholly owned companies. These actions are included in the action plan progress update. The AGS should be used as a key improvement tool, ensuring that issues are captured, lessons learned are properly disseminated and will assist the Council to improve its corporate governance.

2.3 The Council's external auditors use the Council's AGS as a key tool when completing their value for money assessment. The external auditor will consider the internal auditor's opinion and the AGS to see the extent to which management and the Head of Internal Audit are aligned in relation to assessment of risk and governance issues.

2.4 Appendix 1 sets out the progress to date on the AGS actions. This reporting has been changed to incorporate a RAG rating and direction of travel. There remains several red and amber ratings, which the Committee will recognise from updates on other matters, including the external auditors' interim annual report and updates on risk management and internal audit. Improvements in governance is a key focus of the Council's improvement plans and senior officers are continuing to focus on this, will reports being provided to the monthly Assurance CLT meetings.

2.5 Improvements in progress have been seen in the following areas:

- **Evidenced improvement in report clearance** - There is some improvement in report clearance processes, with good examples of early engagement and all cabinet reports in October being published on time. However, there are still examples of late involvement of corporate services, including legal and finance and proposed decisions not being on the forward plan. This appears to be partly capacity related and partly due to new officers not understanding the governance

systems. It should be noted there will always be examples of urgent matters which are circulated late in the clearance process for legitimate reasons, however if multiple matters are circulated late it puts pressure on the system and raises the risk of insufficient time being spent discussing and considering alternative options and the risks and issues with the proposal.

- **Publicly report to Employment Committee on staff survey results** – a decision has been made not to report the historic staff survey results due to issues with methodology, making analysis and benchmarking difficult. However a new survey has been conducted using a more traditional and comparable format and the intention is to report the results to the Committee in the New Year.
- **Officer Code of Conduct included in training programme** –The culture change workstream is being reviewed to ensure it aligns to the workforce strategy and governance workstream. This will provide an opportunity to consider how to further embed the officer code of conduct into management development and performance management systems.
- **External review of corporate anti-fraud policies, procedures and practices** – a summary of recommendations from a previous historic review was reported to Committee, although the commissioning of and methodology of the review was managed by officers who are no longer employed by the Council. A draft annual plan was presented to Assurance CLT, with a summary of activity, which is an improvement in previous reporting to CLT.
- **Review approach to transparency for partnerships** – whilst there is no overall plan for partnerships, there has been improvement in transparency for the Health and Wellbeing Board and better cross partnership working.
- **Consider commissioning external reviews of statutory partnerships on a rolling programme** – the Council has been criticised in the past for commissioning external reviews and not having a clear action plan or capacity to respond to the recommendations or having in place an appropriate tracker system. For this reason, careful consideration needs to be given to the benefit of commissioning any external reviews. Officers are considering utilising peer support offers from organisations such as the LGA to help strengthen partnership development and new senior officers have considerable experience of partnership working. An alternative action is being suggested to replace the original action.
- **Approve a strategic asset estates strategy** – significant work has been undertaken by property and finance to inform a future disposals list. A report is being presented to Cabinet in November providing an update on this. This includes a recommendation on the key public facing assets, which allows work to be commissioned on these buildings to align with service delivery reviews.
- **Review compliance with Transparency Code and safe retention of property records** – lack of record keeping has been a significant impediment to decision-making on property assets and prevents appropriate transparency. A new internal system is being implemented to provide one central repository of data.

2.6 The particular areas of concern at this stage relate to the following (this covers all red RAG rated items and those where the direction of travel is downwards) :

- **Audit and Corporate Governance Committee improvements** – the committee recognised in its Annual Report for 2023/24 that it is not yet operating at a standard whereby it can effectively contribute to good governance, effective internal controls and strong public financial management. The external auditor's interim annual report was presented to Committee in October. This recommended that the Committee consider how it has complied with the CIPFA position statement and improved the level of reporting in future self-assessments and for it to develop an

appropriate training programme to allow members to carry out their roles effectively. A detailed management response was contained in this report. The Committee should consider what it and individual members can do to improve its effectiveness and what support is required from officers to fulfil these improvements. This is particularly relevant in relation to work programming and training and development.

- **Compliance with CIPFA Financial Management Code** – a detailed management response was provided on this in the external auditor’s report to October committee. Considerable work is underway to support this action, which is a fundamental part of improving the Council’s governance and effectiveness. This requires a competency framework and training programme for existing staff.
- **Workforce plan to respond to recruitment gaps** – additional specialist support has been procured on an interim basis. The reliance on interim staff means that recruitment and retention of key staff with the requisite skills and experience remains a significant challenge.
- **Review of systems for recording financial transactions** – there remain significant legacy issues arising from a lack of historic reconciliations and this remains a significant risk for the Council.
- **Costed programme for closing off historic statements of accounts** – a report was provided to Committee in October with a management response to the External Auditor’s Interim Annual Report. This included a management response to new recommendations and an update on progress. Whilst significant work has been undertaken under project plans for each backlog account, there is a likelihood that historic accounts will not be closed and audited in time for the backlog date and issues with historic accounting will impact on more recent accounts.
- **Review process for budget setting and MTFs** – the combination of issues with historic accounting arrangements, current systems for accounting and growth pressures in specific services are hindering identifying the “true” financial position and risks to future financial sustainability. Further work will be needed to improve the approach for 2025/26 budget setting.
- **Effective system in place for holding and managing finances for separate companies and partnerships** – an experienced interim resource has been brought in to support with this and an options appraisal project group has been set up to review options during Quarter 3, however there remain capacity issues and it is too early to see whether this will provide assurance to the Committee of required improvements.
- **Management assurance process** – there have been some improvements in reporting to CLT and consideration given to reinstating internal boards to review risks. An effective management assurance process is a key aspect of the governance workstream, but the lead officer is due to leave by the end of the calendar year, increasing the risk of non-delivery unless an alternative resource can be identified.
- **Internal audit** – despite update reports, there remains no approved internal audit plan, even on a rolling basis and there is a risk in relation to the Head of Internal Audit’s ability to provide an effective opinion.
- **Provide regular updates on improvement plans for SEND to the public** – an update report was presented to Cabinet in September, however there were concerns about the quality of data to inform decision-making. There have been improvements to the internal reporting arrangements and engagement with the DfE, but not yet a regular cycle of reporting or publication of improvement plans.
- **Inclusion of SEND related topic in internal audit programme** – the internal audit plan is under review and at present there is no plan in place to address this. It is likely an alternative action will be needed to provide assurance on SEND improvements.

- **Company reporting** – there has been reporting to Cabinet on the Council’s wholly owned entities (including GRE5 report to November Cabinet). The Council has a stakeholder relationship with Development Initiative for Slough Housing and SUR – reporting is planned for these entities (there has been regular reporting on a site by site basis for SUR). There is not yet a regular pattern of reporting on company performance to the Cabinet Committee.
- **Review plans for Trusts where the Council is corporate trustee** – lack of capacity is causing a risk that improvements in governance of trusts is not delivered. There is a recent proposal to bring in additional capacity to support with this.
- **Public reporting to members on effectiveness of partnerships** – whilst there has been improvement in governance of specific partnerships, there is no plan in place to publicly report to members of partnership effectiveness.
- **Conduct a review of information published against Government’s Transparency Code** – there is no update on this and consideration needs to be given to who the lead officer should be.

2.7 The committee has other reports on its agenda and on previous agendas that relate to governance concerns in previous years. Members may wish to seek to triangulate the information coming out of each report to seek to identify themes and potential causes.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 The Annual Governance Statement must be published annually alongside the Council’s Annual Statement of Accounts. It is a key document that sets out the processes and procedures in place to enable the Council to carry out its functions effectively, and also what steps are required to improve corporate governance arrangements. This report provides members with an update on the required improvements set out in the 2023/24 AGS. There are no specific financial implications resulting from recommendations of this report, but in the context of the Council’s current position significant (primarily officer) resources are required to deliver on the improvements required. Furthermore, a failure to respond to actions in the AGS is likely to result in a failure of financial governance and a risk that the Council makes decisions that are not in its financial interests.

3.2 Legal implications

3.2.1 There is a legal requirement to prepare an AGS, however there is no requirement to provide a quarterly update on progress against the action plan.

3.2.2 The Council has a best value duty under the Local Government Act 1999 and this includes making arrangements to secure continuous improvement in the way in which its functions are exercised. The draft best value guidance states that authorities should be transparent in their AGS about how they are delivering improvements over time against any recommendations, including those made by external parties. A characteristic of a well-functioning authority is one whose AGS is prepared in accordance with the CIPFA / SOLACE Good Governance Framework, is the culmination of a meaningful review designed to stress test both the governance framework and the health of the control environment.

3.3 *Risk management implications*

3.3.1 The AGS is a statutory document. Failure to respond to the action plan could increase the risk of financial exposure as a result of poor decision-making and lack of action to make improvements. The quarterly review allows members to question officers on progress and to consider whether focus and resource should be allocated differently. The Committee is permitted to report to other member bodies if it is concerned about lack of progress.

3.3.2 Several of the matters highlighted in the action plan also appear on the Council's corporate risk register. Members should review this document to establish whether appropriate mitigations are in place.

3.4 *Environmental implications*

3.4.1 There are no environmental implications as a result of this report.

3.5 *Equality implications*

3.5.1 Improvement in the control environment will ensure that decisions are informed by evidence. This should include information on impact on residents and service users with protected characteristics. One of the actions relates to resident engagement and progress includes engagement on equality objectives and updates on engagement activities and strategies with key groups, including older persons, carers, people with learning disabilities, children and young people and housing tenants.

4. Background Papers

None