

## **Response to GT Letter (Slough Borough Council – Financial Sustainability and Governance)**

The Council's Executive, Chief Executive and senior management team acknowledge and welcome the external auditor's letter to the Council, dated 26<sup>th</sup> September 2024, and the detailed Interim Auditors Annual Report relating to both historic and ongoing issues of Financial Sustainability, Corporate Governance and Securing Economy, Efficiency and Effectiveness, at Slough Borough Council, and accept their findings of adverse opinion in key areas of assessment up to and including the financial year 2023/24.

Acting on all of these matters are key to Slough BC becoming a best value authority and moving the authority out of intervention. The report highlights the scale of improvement, and we recognise members, residents and other stakeholders will want to see evidence of rapid turnaround. We also recognise there has been a failure to adequately address some audit recommendations going back a number of years, and we must now put that right. In that regard it has been helpful that the VFM report set out the cumulative recommendations going back to 2021.

The leadership of the Council is both politically and managerially committed to ensuring the development of a concerted improvement and recovery programme that incorporates all the recommendations and delivers on that programme within a reasonable timeframe. However, there is much to do. Many of the issues identified are deep rooted and will it take time and significant staff resources to effect the required organisational, systems and cultural change, and that is why we welcome the continued intervention over the next two years to support this process.

Detailed management responses have now been provided to each of the audit recommendations, some of which reflected in key reports that were presented to Cabinet for approval at its November meeting, including reports on the improvement and recovery programme, development of the target operating model, review of the medium-term financial strategy and the digital, data and technology update. These reports highlight progress against directions and the Council's progress to secure its best value duty. A further improvement and recovery action plan will be presented to Cabinet in December 2024, and this plan will take the reported progress update as a starting point and map out, at the high level, the success measures achieving best value. The action plan will take account of the new directions that have been published in the letter from MHCLG to the Chief Executive in October 2024, as well as previous internal and external audit findings and recommendations, recognising these as key assessments of the underlying issues that need to be addressed. The VFM report recognises that significant strides have been made in embedding a performance management culture within the Council, with regular reporting to Cabinet and weaving the "golden thread" throughout the organisation with the majority of staff now having regular performance review. However, I must reiterate, transformational change on this scale will take time to deliver. Whilst we have set aside significant resources to develop and deliver on the Target Operating Model, which is fundamental to support transformation and financial sustainability, developing and delivering a new model is a complicated and expensive programme. The Council is part way on the journey of designing this, alongside its stakeholders

including members, staff, partners and residents. Getting the model right, devising an acceptable way of implementing this that learns the lessons of the past, and builds trust, will be a major challenge over the next 12 months.

The scale and nature of the Council's financial challenges mean that it is difficult for the Council to achieve financial sustainability without radical and swift action. Delivering Financial Sustainability for Slough BC is a core priority for this Council and its leadership team. Local Government continues to face significant funding shortfalls, and many authorities, including Slough, have been dealing with reductions in core funding, following years of austerity measures, demand growth in statutory service provision, particularly social care and homelessness, and uncontrollable inflationary pressures in recent years. Slough BC is also having to address well documented legacy issues, which have led to unaffordable levels of debt, and the need for a medium-term financial strategy reliant on extra-ordinary financial support (through Capitalisation Directions) and significant General Fund asset disposals.

Our detailed asset disposal review has identified that previous assumptions are simply not realisable, and certainly not within the assumed timetable, both for financial and operational reasons. It is worth noting that the Extraordinary Financial Support through Capitalisation Directions only facilitates the spreading of some day-to-day expenditure over a number of years, as opposed to in-year, and if there are insufficient receipts from asset disposals, then those Directions can only be financed from more borrowing. All of this puts additional pressure on our ability to deliver a balanced and sustainable medium term financial strategy. However, significant progress has been made.

Cabinet approved an update to the medium-term financial strategy to 2028/29 at its meeting on the 18<sup>th</sup> November, along with a number of measures on which to consult, as a means of delivering a balanced budget for 2025/26. The update has incorporated a number of assumption changes, such as indicative government funding, changes to capital receipts forecasts, interest rates and inflation. It also takes account of service growth and savings developed across the Council. Together these deliver a first phase package of measures for consideration in addressing the challenges and projected budget shortfalls in 2025/26 to 2027/28. Included was an update to the Treasury Management Strategy which reflected the more robust and reasonable asset disposal assumptions. The 2025/26 Treasury Management Strategy will be presented to Full Council for approval in February, along with the 2025/26 budget proposals and finalised medium term financial strategy. However, we recognise that, despite the progress made on improving overall financial management and grip, substantial challenges remain.

Earlier this year, and as referred to in the auditor's letter, we were forecasting a significant General Fund overspend for the current year, and a significant risk to the delivery of approved savings, and also outline the need to identify new mitigations to balance this year's budget. A real focus on reviewing all spend has helped the Council address the forecast overspend for the year and bring us back in line with the budget. This will mitigate the need to draw on general reserves. We recognise the need for adequate levels of useable reserves, and it is clear that when taking account of the financial risks the Council is exposed to, that a level appropriate for

most local authorities is unlikely to be sufficient for Slough. Urgent completion of the backlog accounts process will determine what more needs to be done to provide a sustainable level of General Fund reserves.

Officers have been reporting regularly to Audit and Corporate Governance Committee on the position regarding historic (backlog) financial statements. We welcome the fact that the 2018/19 Statement of Accounts have now formally been signed off, bringing closure on that financial year. During the summer we published draft financial statements for 2019/20 and 2020/21. As reported, we have experienced problems preparing the 2021/22 and 2022/23 financial statements. Officers have undertaken significant discovery work that has delayed the process, brought about by historic issues of poor accounting, lack of appropriate and timely reconciliations and inadequate record keeping. The preparation work has had to be undertaken in conjunction with a fundamental review of key balance sheet items to provide some understanding and assurance of the level of legacy financial liabilities which could significantly impact upon the financial sustainability of the Council. As a consequence of these reviews, officers have been able to narrow down areas of concern. This additional work has meant regrettable delays in the publication deadlines for the 2021/22 and 2022/23 financial statements but has been essential in identifying and evaluating those legacy financial risks. We are now at a point where we should be able to publish the draft Statement of Accounts for 2021/22 for public inspection, and the 2022/23 financial statements shortly thereafter. Furthermore, we have commenced preparation of the 2023/24 accounts with a view to publication as soon as possible in the new calendar year, and external audit work has already commenced on a number of specific areas prior to finalisation. Throughout this process we have been reviewing financial procedures to ensure proper audit trails and document management, with regular reconciliation and assurance reviews on key balance sheet items.

The Council has published its Annual Governance Statement (AGS) for 2023/24, and this was approved by Audit and Corporate Governance Committee in July. It identifies many of the issues raised in the report and for 2024/25 will be updated to reflect any further governance issues identified in the Auditor's Annual Report and from assurance reviews undertaken as part of the improvement and recovery programme, including internal audit reviews. The Committee receives quarterly updates on progress against the improvement actions set out in the statement. This aligns to our internal Finance Improvement Programme led by the Executive Director for Resources, for which development of financial capacity and skills is a key objective, and all finance staff are now being assessed against the CIPFA competency framework and specific training programmes are being developed to equip the team with the necessary technical accounting and project management skills where gaps are identified. We will ensure that we will also report on a regular basis to the Audit and Corporate Governance Committee, to provide assurance on progress made across the best value improvement programme.

There has also been a renewed focus on improving company governance, with the oversight of a company specialist. An update on progress was reported at Cabinet Committee in September 2024, and an initial desktop exercise has been undertaken to set out the current position on each company and a 'traffic light' system had been

put in place to assess key activities relating to company governance, oversight and financial governance. Furthermore, a full options appraisal is being undertaken on James Elliman Homes to minimise the financial risk to the Council.

Officers acknowledge that there is a need for more robust oversight of partnership working to harness collective efforts across the system, to improving outcomes for residents and move to a new operating model. Initial engagement with partners on the operating model started in November 2024 – to test design principles, identify priorities for partnership working and actions needed to develop the right environment for partnership working to be impactful. Transformational work is needed to develop a more systematic and robust approach to partnership working, community engagement and co-production and resources are being identified, to be in place from January 2024. The priorities for partnership working that will be supported with this additional resource will be: 1) to ensure that a strategic overview and register of significant partnerships is formally maintained by corporate leadership and the Executive and that there is appropriate governance and oversight 2) support a refresh of the role of the council in its role as a convenor and in place leadership.

Overall, whilst recognising and embracing the significant challenges ahead, we can only reiterate the genuine commitment, across the leadership, to deliver on the improvements required. The reports presented to November Cabinet demonstrate the systematic and concerted approach being adopted, and the alignment we aim to achieve between recovery, redesign, resources, assets, digital and workforce.

I would like to take this opportunity to invite you to a meeting of our Corporate Leadership Team to discuss the issues raised and how we might provide further assurance on our joint commitment to delivering on the overall best value improvement programme and its trajectory. I would also like to propose that I attend on a monthly basis, your regular meetings with the Executive Director for Resources to emphasise the priority that I, as Chief Executive place on this.



Will Tuckley,  
Chief Executive Officer and Head of Paid Service  
Slough Borough Council