

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	22 January 2025
<b>Subject:</b>	Update on Annual Governance Statement 2023/24
<b>Chief Officer:</b>	Will Tuckley – Chief Executive
<b>Contact Officer:</b>	Sarah Wilson – Assistant Director – Legal and Governance
<b>Ward(s):</b>	All
<b>Exempt:</b>	No
<b>Appendices:</b>	Appendix 1 – AGS Progress Update Report – December 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 December 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.
- (b) Agree to the following changes to the action plan for the AGS 2023/24:
  - (i) Remove requirement for independent external quality assurance review of internal audit in 2024/25.
  - (ii) Remove requirement for external review of statutory partnerships, replacing it with the following recommendation:  
“Utilising peer support offers from organisations such as the LGA and capacity of new director to strengthen partnership development.”
  - (iii) Includes new recommendation on transformation programme:  
“Ensure there is public, member level reporting on progress against external auditor recommendations.  
  
“Ensure there is public, member level reporting on improvement and recovery plans, including any transformation programme.  
  
“Ensure the improvement and recovery programme includes an assessment against the Government’s Best Value Standards and Intervention Guidance.”
  - (iv) Include new recommendation on procurement:  
“Prepare and publish a new procurement strategy to meet the new requirements of the Procurement Act and ensure value for money commissioning activity.”

## **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 Council's Annual Governance Statement (AGS) provides assurances over the Council's governance arrangements, identifying areas where the Council can do more to ensure that effective governance arrangements are in place and identifying areas of future focus and improvement. The AGS is a draft document, and a number of revisions are being proposed in this report to the actions previously outlined.

The Committee should consider whether the draft AGS should be updated to reflect the changes to which the revised actions relate, recent impacts on governance and any significant events up to the current date. The Committee should also gain assurance that management are making good progress on implementing the agreed actions associated with the significant issues & key risks identified and accelerate any issues as may be necessary to other Committees or Full Council.

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**. This update has incorporated recommendations from the external auditors and links to the updated direction from the Secretary of State for Housing, Communities and Local Government.
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. 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 have recently reported on a lack of progress in relation to compliance with previous recommendations and that the Council needs to have a better system in place to track recommendations from external bodies.

2.4 Appendix 1 sets out the progress to date on the AGS actions. This reporting incorporates a RAG rating and direction of travel and has been updated to align it to the external auditors' recommendations and the new ministerial direction.

2.5 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.

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

- **Corporate governance workstream** – this committee received an update at its December meeting on progress with the governance workstream under the wider Improvement and Recovery programme. The work programme is informed by several key national governance frameworks. In future reporting on progress to this committee will be incorporated into reports on AGS updates.
- **Evidenced improvement in report clearance** – further improvement has been made in this area. November and December cabinet meetings contained key reports on significant service strategies, financial performance and key proposals as part of the Council's budget setting process. The quality of reporting is a sustained improvement and demonstrates a collective approach to decision-making. Some reports are still being presented for review late, however these are in general due to external factors or a need for internal processes to complete, for example results of consultation.
- **Better use of lead members' and directors' meetings** – whilst these meetings should not be used or seen as decision-making, they provide a key forum for the political administration and senior officer leadership to discuss key risks and strategic plans. The Chief Executive has taken a lead on agenda planning and is now providing an update from directorates to allow questions and discussion with all cabinet members.
- **Strategic workforce planning** – a draft strategy has been written and there is more stability at the top two leadership tiers. Significant improvements have been made in both the number and quality of appraisals, evidenced by the staff survey results which were particularly positive for line management.
- **Embedding the Officer Code of Conduct into training and development** – the newly launched managerial leadership programme included a session on governance at its December meeting and governance is included in the induction programme.
- **Demonstrable and collective compliance with CIPFA Financial Management Code** – progress has been made in this area and this continues to be a primary focus in the financial improvement plan. The Council is required to report on its plans to improve this area within 6 months of the new ministerial direction. This will therefore be a continued area of focus in the Council's overarching improvement and recovery plans.
- **Workforce plan within finance directorate** – capacity has been procured, although this is still reliant on external resources and interim officers at a senior level (although the recruitment of a permanent, experienced executive director is a

significant positive). Recruitment and retention of experienced finance staff is a challenge in many local authorities, but is particularly acute in this Council bearing in mind the risks and challenges around financial management and historic issues.

- **Review of systems for recording financial transaction** – this committee will be aware of the significant failings in relation to record-keeping, resulting in the Council having its accounts disclaimed by its auditors and of the report by Grant Thornton highlighting some of the causal factors. The Council is investing in improving the functionality of its finance system and financial management and financial management and reporting are key areas of focus for the officer leadership teams.
- **Costed programme for closing off historic accounts** – this committee will be aware of the report in December presenting four sets of accounts at different stages of progress. The finance team have devoted significant resources to preparing these accounts and are now focused on preparation of 2023/24 and putting in systems to prepare 2024/25 so that the Council can meet statutory deadlines and have access to up to date accounts to inform its medium-term financial strategy. These timescales remain challenging and statutory deadlines have been missed, however it is important to recognise the effort and focus that has been devoted to this task.
- **Regular updates on SEND** – cabinet has continued to receive regular updates on improvements in SEND. There is now an embedded system of oversight, although there remain challenges in terms of service delivery, which is replicated in many other local authorities.
- **Consider SEND related audit in updated audit programme** – despite limited resources, the Head of Internal Audit has agreed to commence an audit of complaints, communication and tribunal handling within the SEND service.
- **SCF company governance** – the action to ensure closer working between the SCF board and CLT and Cabinet has been achieved.
- **Increased reporting on asset disposal** – decisions are being published, including those made at officer level. There is an opportunity to provide regular updates to the Cabinet Committee on progress on the programme as a whole, including values achieved on individual assets once these have been disposed of to further increase transparency.
- **Review of systems in place for record keeping of property assets** – improvements have been made to the internal systems, which ensures accurate records to inform decision-making. The next step is a review against the transparency code to ensure published records are available.

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

- **Budget setting and MTFS** – whilst the new Government has committed to a longer-term funding model for local government, local authorities are still reliant on a single year settlement for next year. The national pressures mean it is likely that budget setting will be challenging for the sector and there is a risk of an increase in the number of authorities requesting exceptional financial support. This means that the Council was unable to produce a balanced draft budget for 2025/26, which has impacted the ability of scrutiny members to fully review and test out the suitability and deliverability of plans or for the public to be fully engaged. Despite this, there has been high level engagement with the public and detailed consultation on two significant proposals.
- **Effective systems in place for holding and managing finances for separate companies and partnerships** – Two of the Council's three wholly owned

companies have up to date approved business plans. The Council's limited liability partnership has an update against its previous business plan. There are good systems in place for monitoring and managing Slough Children First, demonstrating that the focus on governance has led to embedded improvement. The biggest risk relates to James Elliman Homes, particularly given the size of the loan provided by the Council. Members should expect to see an update report in February with a more considered business plan in late Spring/early Summer 2025.

- **Internal audit improvements** – this committee has received regular updates on the challenges within the internal audit team and with progress across the Council on historic actions. The Council has now engaged with CIPFA and secured a new chief internal auditor who will focus on agreeing an audit plan and developing an effective audit function. This is a positive development, however the risks remain for this year. The original recommendation was to commission an external review on the effectiveness of internal audit, however it is proposed that this is not progressed this municipal year as the Council is well aware of the challenges and a new chief internal auditor has recently commenced in role. It is therefore proposed that this recommendation is removed.
- **Public reporting on company governance, including key performance information** – whilst there has been improved reporting for two companies and one limited liability partnership, for all companies except Slough Children First, there remains a lack of detail in the reports on governance, risk and performance and James Elliman Homes has no approved business plan and required a letter of support from the Council to close its accounts.
- **Trusts governance** – there has been a lack of progress on improving trust governance and this has been a concern of the Charity Commission in relation to a number of trusts where local authorities are corporate trustees.
- **Public reporting to members on effectiveness of partnerships** –there remains no plan in place to publicly report to members on partnership effectiveness.
- **Publish annual reports for partnerships** – there are no plans to present annual reports in a public forum.
- **Conduct a review of information published against Government's Transparency Code** – there is no update on this as focus in the relevant teams have been on other higher priority matters.
- **Member level reporting on progress against external auditor recommendations, improvement and recovery plans and transformation programme** – this is a new recommendation to take account of the external auditor's interim value for money report. The Council has changed its approach to reporting on its transformation programmes over time. This has ranged from single high-level approval and regular reporting to internal and commissioner level boards to regular updates to formal member bodies. The latter approach ensures there is public reporting, providing an opportunity for both the public and elected members to scrutinise and ask questions on progress. It also provides a formal record and forms a key part of the corporate memory of the organisation.
- **Prepare and publish a new procurement strategy** – this is a new recommendation to take account of recommendations from the external auditor. Whilst steps have been taken to prepare for the new Procurement Act, the Council needs to do more to ensure its procurement and commissioning approach is delivering value for money over time.

## **Update on process for assessment of governance to inform the AGS 2024/25**

2.8 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.

2.9 The Local Government Association (LGA) has produced a new Improvement and Assurance Framework for Local Government. This provides a key tool for local government to use to help it demonstrate compliance with its best value duty to secure continuous improvement. By having a focus on effective assurance, local authorities can mitigate the risks and costs of failure and their impact on local residents and businesses. All members have a responsibility to oversee effective governance and all officers have a duty to comply with good governance and provide information to demonstrate such compliance. Assurance is gained from a series of nuanced, qualitative and triangulated judgements to help gain a view of the Council in the round. The AGS should be a collective assessment, utilising information from various sources, both internal and external. Whilst in previous years the AGS assessment has been informed by engagement with service directorates and the corporate leadership team, there has been no formal system in place to gather management or service assurance statements to inform the assessment.

2.10 The previous Head of Governance conducted a review of systems in place in other councils and has prepared a template for use in directorates. This will be reviewed by the corporate leadership team with a view to this being completed by individual directors and each executive director signing off on the assurance statements, together with a directorate action plan. This information will be used, alongside other information, including internal audit reports and opinion, external auditor recommendations and external reviews and inspections to inform the assessment.

### **3. Implications of the Recommendation**

#### *3.1 Financial implications*

3.1.1 There are no direct financial implications resulting from this report. However, 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