

Date of issue: Tuesday, 14 November 2023

<b>MEETING:</b>	<b>AUDIT AND CORPORATE GOVERNANCE COMMITTEE</b> (Councillors O’Kelly (Chair), E. Ahmed (Vice Chair), Akram, Anderson, Rana, W. Sabah, Shaik and Zarait)  <b>CO-OPTED INDEPENDENT MEMBERS:</b> Naira Bukhari
<b>DATE AND TIME:</b>	WEDNESDAY, 22ND NOVEMBER, 2023 AT 6.30 PM
<b>VENUE:</b>	COUNCIL CHAMBER - OBSERVATORY HOUSE, 25 WINDSOR ROAD, SL1 2EL
<b>DEMOCRATIC SERVICES OFFICER: (for all enquiries)</b>	SHABANA KAUSER  07821 811 259

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



**STEPHEN BROWN**  
Chief Executive

**AGENDA**

**PART I**

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
	Apologies for absence.		
1.	Declarations of Interest	-	-

*All Members who believe they have a Disclosable Pecuniary or other Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 9 and Appendix B of the Councillors’ Code of Conduct, leave the meeting while the matter is discussed.*



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#### **Press and Public**

**Attendance and accessibility:** You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before any items in the Part II agenda are considered. For those hard of hearing an Induction Loop System is available in the Council Chamber.

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In addition, the law allows members of the public to take photographs, film, audio-record or tweet the proceedings at public meetings. Anyone proposing to do so is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.

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**Audit and Corporate Governance Committee – Meeting held on Wednesday, 13th September, 2023.**

**Present:-** Councillors O’Kelly (Chair), E. Ahmed (Vice-Chair), Akram (until 8.50pm), Anderson (until 8.52pm), Rana, W. Sabah (until 8.50pm), and Shaik.

Co-opted Member - Naira Bukhari

**Apologies for Absence:-** Councillor Zarait

**PART 1**

**15. Declarations of Interest**

Councillor O’Kelly declared that he was chair of governors at St Mary’s Church of England Primary School. He stayed and participated in the meeting.

**16. Minutes of the Last Meeting held on 19th July 2023**

Further to the discussion at the July meeting in relation to the terms of reference of the committee, a Member reiterated a number of the queries raised including about whether committee should be chaired by a member of the opposition as was said to have been required by the previous lead commissioner, and the progress on completion of the CIPFA self-assessment by members of the committee. On the latter point, it was responded that the self-assessment forms had been circulated to members and those who had not yet completed it were encouraged to do so.

Other Members highlighted the importance of continuity of membership of the committee in future years to ensure that knowledge and skills built up over time was retained in future years.

At the conclusion of a discussion on these issues it was agreed that a meeting with Monitoring Officer, Group Leaders, Chair and Commissioners be arranged to discuss compliance with the terms of reference and to seek to ensure the operation of the committee was following best practice. Councillor Anderson stated that as he did not believe the terms of reference were being fully adhered to his abstention from all resolutions made by the committee later in the meeting should be noted.

**Resolved –** That the minutes of the meeting held on 19th July 2023 be approved as a correct record.

**17. Action Progress Report**

Further to the action agreed under Minute 4 of the meeting held on 19<sup>th</sup> July 2023 the Committee received an update from the Associate Director of

Housing on the progress made in relation to homelessness. The work to improve the service was summarised and whilst good progress was being made it was recognised that it would take time to deliver the necessary improvements. It was noted that the Homelessness Strategy would be reviewed, with consultation expected in January 2024 and expected completion by July 2024.

Members highlighted that homelessness was a complex issue and addressing the issues would require the engagement of a range of local authority and other public services. In response to a question about ensuring access to homelessness services for those who may not have digital equipment, the Associate Director stated that a range of communication methods were used included visits and events as well as telephone and online communication. Questions were also asked about the Council's statutory duties and the impacts of out-of-borough placements in Slough by other local authorities.

The homelessness update and Action Progress Report were noted.

**Resolved –** That details of the Action Progress Report be noted.

#### **18. Internal Audit Progress Report - Quarter 2 2023/24**

The Executive Director, Finance & Commercial and the Internal Audit Manager summarised the Internal Audit progress report for the second quarter of 2023/24. The report detailed progress on the implementation of internal audit reports and actions for 2021/22 and 2022/23; and action being taken by the Corporate Leadership Team and other senior managers to respond to the internal audit reports and outstanding actions.

In relation to the 2021/22 internal audit reports, there had been 327 recommendations of which 65% of action had been completed. This was an improvement from 59% reported in the previous quarter and work continued with management to complete the remaining overdue actions, ten of which were 'high' rated actions. For 2022/23, 22 reports had been finalised and a further 6 issued in draft. There were 220 actions arising from these audits of which 28% had been completed and 28% overdue as at 3<sup>rd</sup> August 2023.

Members welcome the progress in increasing the number of completed actions, but expressed concern that there were still a significant number of overdue and uncompleted actions, including high risk actions from 2021/22. The Executive Director explained the systemic work taken place to continue to reduce the outstanding actions and stated that the number of high rated overdue actions had been reduced since the report had been prepared. Directorate Leadership Team meetings were regularly reviewing internal audit actions and further updates would be provided to the committee on progress.

A full list of the overdue high risk actions was detailed in Appendix B to the report and the committee asked a number of questions about specific audits including the General Ledger and the reason why the action on Fixed Penalty Notices was rated 'high'. A written answer would be provided outside of the

meeting. Several comments were made on the format of the report and Members requested that the Appendix be updated for the next meeting to include a column with the expected completion date, ensuring all high outstanding actions were assigned and summary on all actions over a year old explaining why they had not been completed.

The committee also asked questions about the benefits of the new internal audit software, AuditBoard, and compliance with the Directions issued by the Department for Levelling Up, Housing & Communities (DLUHC). The Executive Director highlighted that progress on internal audit was reported to the Finance Board on a monthly basis. Progress was being made and an update was provided in a report to Cabinet on 18<sup>th</sup> September on the Financial Action Plan, but it was recognised there was work still to do.

At the conclusion of the discussion the report was noted.

**Resolved –** That details of the report be noted, specifically:

- the progress on completing responses to the outstanding 2022/23 internal audit reports.
- that a detailed review of all outstanding recommendations continued to be carried out to further cleanse the data, the output from which had been shared with the new Departmental Leadership Teams for actioning overdue and other outstanding actions. Updated analysis had been provided as of 3rd August 2023.

*(Councillor Anderson abstained from voting on the above)*

## **19. Risk Management Update Quarter 2 2023/24**

The Head of Internal Audit summarised a report that updated Members on risk management issues, including the corporate risk scores and corporate risk register (CRR).

It was noted that the risk register had been updated and was included at Appendix B to the report. A new Risk & Insurance Manager had been successfully recruited and progress had been made with Directorates in adopting a new risk register template.

The Committee raised a number of queries about the individual risks in the register. These included issues relating to recruitment and retention for the Council and the financial viability of Slough Children First and the Executive Director highlighted that a report on the business plan for the company had been approved by Cabinet on 18<sup>th</sup> September 2023. A question was asked about whether there were any risks in relation to the nationally reported problems with Reinforced Autoclaved Aerated Concrete (RAAC) in schools and other public buildings. It was responded that the forthcoming Assurance

Corporate Leadership Team (CLT) would assess this, and other, risks based on the information on the scale and implications of the issue to the Council.

A Member commented on the emerging risks arising from accommodating asylum seekers and refugees and it was agreed this feedback would be provided to CLT Assurance meeting to consider whether it should be added to the CRR. It was noted that these risks were already reflected in the CRR in individual risks such as Risk 1: Children's Safeguarding and Risk 5: Temporary Accommodation.

In relation to Risk 11: Pace and valuation of the disposal of assets, it was asked whether there had been any delays. In response it was noted that a progress report had been provided to the Cabinet Committee on Asset Disposals and Cabinet earlier in September which updated Members on the current position.

Risk 5: Temporary Accommodation referred to a review of the Council's wider Housing Strategy and the current position of this review was queried. Further questions were asked about temporary accommodation numbers and it was agreed that information would be circulated to the committee outside of the meeting on the current status of the Housing Strategy review and on the number of temporary accommodation dwellings in the borough. Councillor Akram commented that the remit of the committee was not to involve itself in the day to day running of any service area but rather take a holistic overview of the governance and financial framework processes in place. It was highlighted that a number of the questions asked in relation to temporary accommodation had been discussed at recent Cabinet meetings and information in relation to questions being asked by a number of Members was already included within the report being considered. Councillor Akram stated that further training, to include appropriately reviewing information provided in reports, asking pertinent questions and avoiding repetition, was vital for Members to enable them to undertake their role effectively on the Committee. The Vice-Chair stated that he would continue to ask questions that he deemed relevant in regard to agenda items and would not be advised whether what he was asking was appropriate or repetition. Councillor Akram stated that she was leaving the meeting due to the discourteous manner in which the Vice-Chair had spoken to her.

*(Councillors Akram and W Sabah left the meeting)*

Councillor Anderson placed on record that the conduct of the Vice-Chair, including the manner in which he had spoken to Members, was unacceptable and that he would also leave the meeting.

*(Councillor Anderson left the meeting)*

**Resolved –**

- (a) That details of the Council's corporate risk register (CRR) at Appendix B be noted.

- (b) That the recruitment of the Risk and Insurance Manager who together with the Internal Audit Manager will be responsible for developing and taking forward the risk management strategy be noted.
- (c) That the progress of Directorates adopting a new Risk Register template and the efforts to explore software solutions that may further enhance the visual presentation of risk management reporting as well as facilitate the analysis, collation, and reporting of information be noted.

**20. Local Government & Social Care Ombudsman (LGSCO) Upheld Complaints and Statutory & Corporate Complaints 2022-2023**

The Committee considered a report that set out a summary of the upheld complaints determined by the Local Government & Social Care Ombudsman (LGSCO) in 2022/23 and a summary of statutory and corporate complaints during 2022/23.

It was noted that in 2022/23 a total of 72 complaints had been made to the LGSCO of which no further action had been deemed to be required for 59 (82%); 13 complaints were investigated and in 11 of these cases the complaint was upheld. 85% of complaints the LGSCO investigated were upheld compared to an average of 72% in similar organisations. Details of all the upheld decisions by LGSCO and their annual review letter to the Council were provided in appendices A and B which were noted.

In relation to complaints dealt with under the Council's process, there had been a total of 921 complaints handled in 2022/23, which was a reduction from 975 in 2021/22. There had been a 3-stage process for complaints during the reporting year, however it was noted a new 2-stage process had been adopted from August 2023. 41% of complaints received related to housing repairs with 11% for revenues and benefits and 8% for environmental services.

The Committee asked about the approach to learning from complaints and the Complaints, Casework and FOI Lead highlighted that a process was in place to enable departments to learn lessons and deliver improvements from upheld complaints. Members attention was drawn to section 6 of the Statutory and Corporate Complaints Report as at Appendix 3 to the report which described the process and some of the key themes and action derived from the learning.

At the conclusion of the discussion the report was noted.

**Resolved –**

- (a) That the summary of upheld decisions by the Local Government and Social Care Ombudsman during 1st April 2022 - 31 March 2023 (Appendix A) be noted.

(b) That the summary of statutory and corporate complaints during 1st April 2022 – 31 March 2023 be noted.

(c) That the themes identified and the actions being taken to respond to these themes be noted.

## **21. External Audit - Progress Report and Sector Update**

Julie Masci of Grant Thornton introduced a progress report on external audit matters, particularly the position regarding the audit of the Council's financial statements and Value for Money work.

The background to the significant problems and delay of the audit of the 2018/19 financial statements was summarised. The historic problems included inadequate processes, controls and record keeping. A revised set of 2018/19 accounts had been presented to the Committee and full Council in February 2023. However, the scale and size of the issues identified meant that the auditors would be issuing a disclaimer of opinion. Since February 2023, the audit team had been undertaken further work and it was now expected the final opinion would be issued in September 2023. Alongside this work, Grant Thornton had conducted further investigative work to better understand the problems and root causes of the significant problems. A report of the findings had been prepared and provided to management and Commissioners. It was anticipated the report would be brought to the next meeting of the committee.

An update was provided on the progress of the audit of financial statements for 2019/20 and beyond. Regular discussions had been held with the Executive Director, Finance & Commercial and with Commissioners to establish a clear timetable to clear the backlog of accounts. Ms Masci highlighted the work done nationally led by DLUHC and involving a range of local audit partners to address the wider problem of the significant backlog of local government audits in England. The report set out the position in detail.

A draft report had been prepared on the external audit plan and it was expected to come to the committee for consideration in November 2023.

The Committee noted the report.

**Resolved –** That details of the update be noted.

## **22. Work Programme 2023/24**

The Committee noted details of the work programme agreed to add reports on the 2022/23 Treasury Management Outturn and the Treasury Management 2023/24 update for Quarter 1.

**Resolved –** That details of the work programme to noted and amended to include the following matters to the November meeting:



## **Audit and Corporate Governance Committee - 13.09.23**

- Treasury Management Outturn 2022/23
- Treasury Management Quarter 1 2023/24

### **23. Members Attendance Record**

**Resolved –** That the Members' Attendance Record be noted.

### **24. Date of Next Meeting - 22 November 2023**

The date of the next meeting was noted as 22<sup>nd</sup> November 2023.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 9.22 pm)

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**SLOUGH BOROUGH COUNCIL**

**AUDIT & CORPORATE GOVERNANCE COMMITTEE**  
**ACTION PROGRESS REPORT**

13<sup>th</sup> September 2023

<b>Minute reference</b>	<b>Agenda item and Action required</b>	<b>Lead Officer</b>	<b>Status / Comment</b>
16	<p><b>Minutes of the meeting held on 19<sup>th</sup> July 2023</b></p> <p>Meeting with Monitoring Officer, Group Leaders, Chair and Commissioners to be arranged re terms of reference/best practice.</p>	Democratic Services to arrange.	<b>Completed.</b> Meeting held on 1 November 2023.
18	<p><b>Internal Audit Progress Report Quarter 2 2023/24</b></p> <p>Appendix B Overdue High Risk Actions: Fixed Penalty Notices - written reply detailing why this action is rated high</p> <p>Appendix to be updated for next meeting to include column with expected completion date, ensure all high outstanding actions are assigned, summary on all actions over a year old explaining why this is the case.</p>	<p>Head of Internal Audit</p> <p>Head of Internal Audit</p>	<p><b>Completed.</b> This was rated high in 9.21/22 Follow Up of Previous Management Actions - Quarter 2 as it was a repeat action from a prior audit. Furthermore, the action was again repeated in 26.21/22 Follow Up of Previous Management Actions- Quarter 3 where it was reclassified as a medium rated action as progress had been made to implement the action. The progress made relates to where “the Council has circulated the latest Fixed Penalty Notice (FPN) templates to relevant staff for use and ensure that dated versions are removed.”</p> <p><b>Completed.</b> See Agenda item 5.</p>

<b>Minute reference</b>	<b>Agenda item and Action required</b>	<b>Lead Officer</b>	<b>Status / Comment</b>
19	<p><b>Risk Management Update Quarter 2 2023/24</b></p> <p>Feedback comments to CLT Assurance Board whether need to add taking/accommodating asylum seekers as an emerging risk to the CRR.</p> <p>Risk 5 Temporary Accommodation:</p> <ul style="list-style-type: none"> <li>• Details of what stage housing strategy at to be circulated.</li> <li>• Number of TA dwellings in the borough to be provided</li> </ul>	<p>Executive Director, Finance &amp; Commercial</p> <p>Executive Director, Finance &amp; Commercial</p>	<p><b>Completed.</b> Will be considered at the CLT Assurance meeting 15/11/2023</p> <p>Up-to-date information to be provided post CLT Assurance meeting 15/11/2023 (performance reporting is discussed at these meetings with relevant services)</p>
22	<p><b>Work Programme 2023/24</b></p> <p>November meeting to include following additional agenda items -</p> <ul style="list-style-type: none"> <li>• Treasury Management Outturn 2022/23</li> <li>• Treasury Management Quarter 1 2023/24</li> </ul>	<p>Finance Manager, Treasury &amp; Pensions</p>	<p>Due to time and resource constraints scheduled for January 2024 committee meeting.</p>

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	22 <sup>nd</sup> November 2023
<b>Subject:</b>	Slough Children First Governance Review – Update on progress
<b>Chief Officer:</b>	Stephen Brown – 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 – SBC update on progress against SCF Governance Review – September 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 2021 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, the draft best value guidance states that a characteristic of a well-functioning authority is proper member oversight of companies and partnership bodies, in accordance with the Local Partnerships Local Authority Company Review Guidance.
- 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. This is the fourth update on SCF.

## Commissioner Review

Commissioners have reviewed the report and made no comments.

### 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. A governance review was undertaken in the summer of 2022 and reported to Cabinet. This review was conducted using the Local Partnerships framework. Local Partnerships is an entity jointly 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 is the framework recommended in the draft best value guidance.

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’. ..... 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 the DLUHC commissioners' third report on the best value intervention, commissioners referred to the appointment of the new Director of Children's Services and the positive impact this was having on impact, combined with a strong working relationship with the DfE Children's commissioner. The report notes the stronger children's leadership team and the reduced reliance on agency staff, whilst also reflecting that the challenges in the service area are deep and it will take time to build a sustainable and reliable service.
- 3.6 The Council's financial situation and the national pressures that are being experienced in children's services combine to create a tension between delivering improved services for children and young people and keeping within a constrained budget. Cabinet agreed to fund historic deficits accrued by SCF in the previous two financial years and to increase the 2023/24 contract sum to £40.514m on the basis of an improved business and improvement plan. The DLUHC commissioners commented in the September Cabinet report on the critical importance of operating and reporting arrangements, close working relationship, engagement with key stakeholders, sound corporate governance arrangements and regular reporting to the SCF Board and Council, including strengthened financial oversight to effectively manage the risks.
- 3.7 An update on recommended actions against the Governance Review 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
<b>September 2022</b>	11	21	14
<b>November 2022</b>	8 ↓	21 =	16 ↑
<b>February 2023</b>	5 ↓	23 ↑	18 ↑
<b>June 2023</b>	2 ↓	16 ↓	27 ↑
<b>September 2023</b>	2 =	21 ↑	23 ↓

- 3.8 There are some areas that have slipped back from green to amber. This is partly due to changes in personnel and the time taken to put in place proper reporting systems. A new Chair of SCF has been appointed and he has rightly taken time to get to know directors on an individual basis and is working with the Chief Executive and new Director of Finance to improve reporting to the board. This will in turn improve reporting to the Council in convened contract monitoring meetings.
- 3.9 There is some tension and healthy discussion as to how to ensure proper corporate governance and board reporting, whilst avoiding unnecessary duplication. There is also ongoing work to ensure SCF officers understand the contractual requirements and put in place an annual reporting cycle based on this. The absence of this has led to a failure to produce an annual report and delay in producing a business and improvement plan suitable for recommendation for approval by the Council.

3.10 Despite these historic issues, significant progress has been made and the approved business and improvement plan sets out a clear vision, strategic priorities and a short term, focused improvement plan, with aspirations for a longer term plan. Positive meetings have taken place between the Council officers and the SCF Chair, non-executive directors and new SCF Director of Finance. As with any improvement journey, it is necessary to prioritise. This has involved a focus on ensuring that strategies are fit for purpose and that the workforce strategy is leading to improved service delivery. There is now a focus on updating the contractual key performance indicators and ensuring the board and contract monitoring reports are streamlined and fit for purpose.

3.11 Areas that has slipped back to Amber include the following:

- (a) need for updated contractual KPIs to ensure that performance reporting is appropriately aligned to the business and improvement plan and focused on both partnership working and financial management. This is timetabled for discussion at the next contract monitoring meeting with a view to updated KPIs being agreed by Cabinet in December 2023.
- (b) Contract monitoring meetings at an operational and strategic level have not happened in a formal way, with discussions happening on a more informal basis. Meetings have now been timetabled, with agenda setting and reports produced in advance.
- (c) A clear focused business and improvement plan is a good step forward, but there needs to be a continued focus on ensuring there is appropriate regular reporting against this plan at both a board and Council level. Feedback from SCF Non-Executive Directors is that there is still work to be done to ensure the board receive the right level of detail in reports at the right time, but the board are confident that with the support of the new Chair of SCF, the November board meeting will see a new way of working.
- (d) Risk management is another area of concern and aligned to the Council's work on reviewing its risk management arrangements.

3.12 The red rated risks relate to the following and are linked:

- (a) External audit opinion on treatment of financial instruments. Whilst the accounts process has progressed, there is concern about the lack of detail in some areas and board members have robustly questioned these. There is discussion about options to utilise the same auditors as the Council use, albeit with a different team.
- (b) Effective internal audit programme – whilst this was previously rated green, a review of historic internal audits reports have resulted in a conclusion that this was inaccurate. The quality of audits and the lack of an internal audit plan informed by board input has led to a downgrading to red. There is discussion with the Council's new internal audit team to have in place an internal audit plan to ensure proper testing of SCF's systems of internal control.

3.13 The SCF board remain fully engaged and supportive of the governance review and are honest and transparent about the issues and improvements. Regular meetings take place between the SBC's Assistant Director of Legal and Governance, who acts as the member representative (equivalent of a shareholder representative) and SCF's Chief Executive, SCF Chair, SCF Council Non-Executive Director and SCF Chair of the Audit and Corporate Governance Committee. In addition, there is an open invitation to attend board meetings and view board reports and minutes. The Council is awaiting the outcome of a board skills audit, before nominating a new Council non-



executive director to ensure that the individual adds value to the existing experienced board.

3.14 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 and in-year funding requests, 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 2023/24 was £36.067m, but was increased to £40.513m in September 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 these deficits have now been funded by the Council, therefore it is anticipated that the loan will be repaid 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 seventh statutory direction was issued in August 2023. The effect of the direction is that prescribed children's services functions must be performed by SCF and the Council jointly and other prescribed children's services functions are performed by SCF on behalf of the Council.

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 arrangements for SCF are complex, with the services being under the statutory intervention of the DfE and an appointed DfE Commissioner overseeing this. The revised direction made clear the interplay between the DfE and DLUHC interventions, requiring the DfE Commissioner to work in partnership with the DLUHC Commissioner to contribute to the work to rebuild the finance and governance capacity of the Council and secure compliance with the best value duty and to report to the DfE on progress and recommendations on any future operating model taking into account the work of the DLUHC Commissioners. The DLUHC Commissioners have a role in supporting the Council to achieve financial sustainability and to ensure the Council's governance of its companies is adequate. As a separate legal entity, SCF is managed by a board of directors comprising executive and non-executive directors. The board collectively and individually have legal responsibilities. The Council as sole owner of SCF also has a role in ensuring it is well run and that services delivered are effective and efficient. Finally services for children and young people are delivered by a range of partnerships and both

SCF and the Council are part of a wider partnership, including statutory partnership boards such as the health and wellbeing board and children's safeguarding partnership.

4.2.4 *Local authorities have a best value duty under the Local Government Act 1999.* The draft best value guidance states that local authorities have a complex set of legal responsibilities and inherent levels of risk which need to be managed, but all should strive for excellence to be able to demonstrate continuous improvement.

#### 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, a positive organisational culture and effective risk management. It is important to ensure that this is given an appropriate focus both within SCF and by the Council.

#### 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.

#### 4.6 *Corporate parenting implications*

4.6.1 The Council, and by implication SCF, has duties under the Children and Social Work Act 2017 in relation to children who are looked after and care experienced young people. This duty requires the Council to have regard to the need to:

- (a) act in the best interests, and promote the physical and mental health and well-being, of those children and young people;
- (b) to encourage those children and young people to express their views, wishes and feelings;
- (c) to take into account the views, wishes and feelings of those children and young people;
- (d) to help those children and young people gain access to, and make the best use of, services provided by the local authority and its relevant partners;
- (e) to promote high aspirations, and seek to secure the best outcomes, for those children and young people;
- (f) for those children and young people to be safe, and for stability in their home lives, relationships and education or work;
- (g) to prepare those children and young people for adulthood and independent living.

One of the reasons for requiring the contractual KPIs to be reviewed and updated is to ensure there is a focus on children and young people participating in decisions which affect this. This is not limited to operational and individual case work decisions, but to decisions at a strategic level. This will allow strategic leaders and in particular elected members on different council bodies to understand the impact of their decisions on this group.

**5. Background Papers**

None.

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Aim	RAG Rating					Actions recommended	Update as at September 2023	Lead person
	0	1	0	0	0			
	9	1	2	6	9			
	2	2	2	2	2			
	0	0	0	0	0			
	2	2	2	2	2			
	2	2	3	3	3			
<p>C1 There should be evidence that the council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 19</p>						<p>Clarify role of scrutiny committees/panels.</p> <p>Clarity over role of Audit &amp; Corporate Governance Committee</p> <p>Clarify extent to which SCF is subject to internal controls of the Council ie. expenditure control panel.</p> <p>Review of the Articles of Association to consider whether to recommend changes to the number of Council nominated NEDs and independent NEDs and the quorum rules.</p>	<p>Role of Council member bodies clarified and being utilised effectively.</p> <p>Extent to which SCF subject to internal controls – this has been clarified in relation to expenditure control panels, however still work to do to ensure that systems are used effectively whilst recognising that SCF is a separate entity. For example risk management and complaint data reporting could follow the same system as in the Council, but need to build in need to report formally to the board and in contract monitoring reports, including the annual report.</p> <p>Review of Articles of Association was put on hold as request of previous DLUHC lead commissioner. This will be discussed with new Chairman of Board.</p>	<p>Assistant Director Legal and Governance</p>
<p>C2 There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives, and freedoms of the entity</p>						<p>SCF need to ensure that whoever is undertaking company secretariat functions is ensuring that the board of directors fully understand the contractual mechanisms and the requirements for contract sum re-negotiation and business plan submissions.</p> <p>SBC to review business plan to ensure it aligns with its own corporate plan and priorities.</p>	<p>Feedback from individual board members is that work is ongoing in relation to standardising reports to the board. These can then be utilised for reports to the Council as part of contract management arrangements.</p> <p>The lack of submission of an annual report for 202/23 may indicate that SCF officers do not have sufficient understanding of the contract arrangements.</p>	<p>SCF CE/Chairman / Director of Finance</p> <p>SCF officer undertaking company secretariat function</p>

The induction programme for new directors to include training/briefing on contractual requirements.

Annual timetable of deadlines for submission of documents to the Council for approval to be provided by SCF to the Council.

The annual business plan to be provided to the Council by 30 September each year to allow it to be taken through scrutiny and cabinet prior to approval of the contract sum as part of the Council's budget setting.

SBC Corporate Plan and SCF Business and Improvement Plan are aligned with a much clearer focus on children and young people.

Following approval of Business and Improvement Plan, Council has set a timetable for future reporting, including:

December 2023 – approval of 2024-27 Business and Improvement Plan, including updated KPIs and formally note SCF Annual Report for 2022/23

February 2024 – approve contract sum for 2024/25

June / July 2024 – note Annual Report for 2023/24 and receive update on progress against approved business plan.

SCF need to review the contractual requirements for submitting information to SBC, including annual report, business plan, in-year change requests and contractual monitoring data and confirm whether changes need to be made. In the absence of changes, SCF need to ensure compliance with this timetable.

Strategic commissioning meetings have been timetabled. Monthly contract monitoring meetings to be timetabled. Agenda has been provided for first contract meeting.

SCF officer undertaking company secretariat function

<p>C3 There should be a clearly designated council shareholder role or function which is both understood and recognised by the council and the entity (and documented in terms of reference)</p>					<p>A formal review of the KPIs and other performance indicators to be undertaken.</p> <p>Contract monitoring meetings to be set up and effective.</p>	<p>The equivalent of a shareholder role is established and officer is reporting to members and meeting key individuals, including council NED, NED leading on governance and SCF CE and Chairman. Officer has met DLUHC commissioner to discuss role.</p> <p>KPIs have still not been subject to a review. These need to be discussed at a contract meeting and recommended to members for a decision on amending the contract. These should be linked to business and improvement plan and wider than measuring children’s social care performance. It is suggested that the measures cover children’s social care, workforce, partnerships and financial performance.</p> <p>Strategic commissioning meetings have been timetabled. Monthly contract monitoring meetings to be timetabled. Agenda has been provided for first contract meeting.</p>	<p>AD Legal and Governance</p> <p>SCF CE/AD Legal and Governance</p>
<p>C4 There should be clarity regarding the role of shareholder, with reserved matters clearly documented and updated as required, reflecting any changes made as the entity has developed, in a shareholder’s</p>					<p>A review of the articles of association be undertaken particularly in relation to number of independent NEDs and council nominated NEDs and quorum rules.</p>	<p>Review undertaken and no changes made. Replacement council NED to be nominated following skills audit of the board.</p> <p>Reserved matters are set out clearly in Articles and shareholder representative function established.</p>	<p>SCF Chair / AD Legal and Governance</p>

<p>agreement (or as set out in the company's governing articles of association)</p>							
<p>C5 There should be evidence that the individual undertaking the shareholder role is provided with suitable training and support commensurate with the role</p> <p style="text-align: center;">Page 22</p>					<p>The AD Legal and Governance to continue acting as equivalent of "shareholder rep" under delegation from chief executive.</p>	<p>Regular meetings with council finance officers to discuss company governance matters. CLT receive draft reports on SCF matters in advance of going to member body to ensure information informed by expertise across CLT.</p> <p>Regular reporting to cabinet and Audit and Corporate Governance Committee, permitting review and challenge by internal and external audit and elected members.</p> <p>ToR of Cabinet Committee amended to include company governance matters.</p> <p>Meetings set up with Council nominated NED and other NEDs and Chairman in regular contact with any concerns.</p>	<p>AD Legal and Governance</p>
<p>C6 There should be evidence of formal periodic shareholder/ Chair/CEO meetings with effective supporting papers to inform subsequent company board meetings</p>					<p>Regular strategic contract meetings should be arranged, with the Council having internal agenda planning meetings in advance. These should be chaired by the Council's chief executive.</p> <p>The role of the TSG should be reviewed to avoid duplication between this and the contract management meetings.</p>	<p>The regular contract meetings ceased due to change of personnel at SCF officer and board level and change of personnel in SBC finance team.</p> <p>Dates set for strategic commissioning meetings, but dates need to be set for contract monitoring meetings and agenda shared and owned by both entity. Draft agenda sent for first contract meeting.</p> <p>If board reports improve to capture right level of information, these can be utilised for contract monitoring meetings.</p>	<p>SBC Chief Executive/officer leading on company secretariat role AD Legal and Governance</p>



						<p>Contractual KPIs need to be reviewed urgently to ensure performance reporting is aligned to improvement plans.</p>	
<p>C7 There should be documented evidence of transparent member and officer scrutiny, oversight, and approval of business plans</p>					<p>SCF to provide copies of board minutes to demonstrate that the board of directors appropriately challenged the business plan, to understand how plans were submitted that were later identified as undeliverable.</p> <p>Consideration to be given to what support could be provided to the board from an independent Director of Children’s Services from another local authority or from external organisations such as the LGA or Institute of Directors. This should include how to scrutinise financial management and risks and hold executive officers to account for a statutory, demand led service and how to review and challenge performance data.</p>	<p>Feedback from board members is there is work being done to improve reports being presented to board to allow NEDs to constructively challenge executive leadership team.</p> <p>Reporting to SBC members is embedded, with governance updates being given to A&amp;CG Committee quarterly, reports on SCF business and improvement plan presented in September and timetable for future cabinet reports.</p> <p>Cabinet approved a significant increase in the contract sum for 2023/24 as well as approval of historic deficits. Attention needs to be given to reporting on progress against the business and improvement plan to ensure risks are being managed and progress is being made. This picks up on feedback from Mutual Ventures that there was a lack of programme management capacity leading to a lack of progress on medium term strategies to manage demand, risks and financial resilience.</p>	<p>SCF Director of Finance</p> <p>SCF Chair</p> <p>SCF Chair</p>
<p>C8 There should be evidence of a clear set of KPIs that fall out of the business planning process</p>					<p>SCF to review KPIs and other performance indicators as set out in service delivery contract.</p>	<p>The new SCF CE and Director of Operations to formally review contractual KPIs and will make recommendations on any changes required. These should be linked to the improvement plans in the new draft business plan.</p>	<p>SCF CE/ Director of Operations SBC Head of Legal</p>

						<p>No further progress has been made on this and it is timetabled for discussion at next contract monitoring meeting and due to be reported to December Cabinet.</p>	
<p>C9 There should be evidence that senior company staff are performance managed against KPIs</p>					<p>The RNAC to be responsible for reviewing effectiveness of the board and sub committees and to provide assurance evidence to SBC.</p> <p>The SCF CE is responsible for performance managing the executive leadership team.</p>	<p>SCF Chair has set 2023/24 objectives for new SCF CE. There is a clear short term improvement plan which provides a framework for performance management. In future the views of the Council need to be taken into account in objective setting and appraisals of SCF CE.</p> <p>SCF CE has appointed a new Director of Operations and has appointed a new Director of Finance. There has been a period of absence for one of these directors which has impacted on performance management, but there is evidence of improvement in budget management and service delivery to support that a performance culture is in place.</p>	<p>SCF chairman and chair of RNAC SCF CE</p>
<p>C10 There should be evidence of ongoing assessment of value-for-money and quality offered by the entity through an adequately resourced monitoring function</p>					<p>SBC to request sight of external reports and internal assessments of value for money and quality on a minimum of an annual basis, to be incorporated into the Annual Report submitted by SCF. The outcome of these should be included in reports to elected members.</p> <p>SCF to ensure it utilises the in-year change mechanism to deal with demand pressures and invest to save pressures and the information provided is in accordance with the contractual requirements and backed up by independent evidence where available.</p>	<p>New SCF Director of Finance, Council NED and Chairman.</p> <p>SBC agreed an increased contract sum for 2023/24 and SCF appears to be on track to keep within its budget according to Quarter 2 budget monitoring.</p> <p>There is increased evidence of challenge by SCF A&amp;CG Committee as part of closure of accounts. Further evidence to be supplied on value for money, to include contractual KPIs to measure financial performance.</p>	<p>SCF Director of Finance/SBC ED Finance and Commercial</p>

						<p>SCF to consider which of its committees should be responsible for assessing and monitoring value for money and performance and to provide minutes of meetings to SBC upon request, as well as provide the opportunity for Council officers to attend on at least an annual basis. If a finance committee is required, this should not be delayed pending a further council nominated director being appointed. The independent NEDs should have the capability to chair such a committee.</p>		
<p>C11 There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are managed as part of the council's overall risk management approach, with appropriate escalation and reporting</p>						<p>There should be a formal review of KPIs and agenda'd discussions on risk at contract monitoring group meetings, reported up to strategic commissioning group where appropriate.</p> <p>This should be in addition to risks being included in the Council's corporate risk register and reported to Audit and Corporate Governance Committee.</p>	<p>The Council is in process of reviewing its risk management strategy and information included in its risk registers. This has highlighted a lack of clarity between issues and risks and how the severity of the risk is measured as well as adequacy of the mitigations.</p> <p>SCF should provide evidence of an effective risk management strategy and reporting mechanism and should report to SBC on risk at contract monitoring meetings, as well as including a summary on risk in the annual report.</p>	<p>SBC ED Finance and Commercial</p> <p>SCF CE/Chairman</p>
<p>C12 There should be evidence of a consistent approach across the council when it comes to engaging with its entities</p>						<p>SCF is a company set up under direction of the Secretary of State for Education. It also manages statutory services. There is a rationale for it being managed differently to the Council's other entities. It is also of a size that it has a separate process for finalising and auditing its accounts.</p>	<p>No update required.</p>	
<p>C13 The council should have clear and unfettered access to audited</p>						<p>The Council should ensure that its internal auditors programme in audits relating to the functions of SCF, as well as the governance of the company.</p>	<p>An independent NED is leading on a review of the audit function within SCF. This has included clarity on the internal audit plan and meeting with the external auditors.</p>	<p>SBC ED Finance and Commercial</p>

accounts for its entities							
C14 A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models, should be available to review.					SCF is a company set up under direction of the Secretary of State for Education.	AD Legal and Governance met with DLUHC Commissioner to discuss SCF company governance and direction of travel. The services are under statutory intervention of the DfE and it is accepted that the DfE will wish to see sustained improvement before considering a timetable for the services returning to the Council. It is also accepted that any change in delivery model needs to be planned and consideration given to the need for adequate resources to effect the change.	SBC Chief Executive / DfE Commissioner / DLUHC Commissioners
C15 Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support council policy and strategy, including periodically reviewing the business case to ensure it is still valid					Future year's business plans should have clear objectives linked to the Articles of Association and service delivery contract as well as to the Council's priorities. These priorities must include value for money, as well as quality of practice.	Approved business and improvement plan aligns to the objects in the Articles of Association.	SCF CE/SCF Chair
C16 Agreements should be documented between the council and the entity for any support or services provided by either party to the other party					Ensure that relevant individuals understand the contractual and governance mechanisms and that these are adhered to and non-compliance is reported.	There are clear contractual provisions in place for service delivery and support services. SCF needs to ensure its officers are aware of the contractual provisions and requirements.	SCF CE/SCF officer undertaking company secretarial role

<p>C17 All agreements should be clear, up-to-date, and regularly monitored and reviewed, with any changes to agreements documented so that a clear audit trail exists</p>					<p>New agreements were put in place in 2021.</p>	<p>Deed of variations completed as required, including for pension arrangements.</p>	<p>AD Legal and Governance</p>
<p>C18 There should be evidence that a culture exists whereby actual or potential conflicts of interests are identified, declared, and acted upon, including evidence of appropriate training across the organisation</p>					<p>Evidence of induction and training for directors and senior managers in SCF to be provided.</p>	<p>The board has had a development day and a new Chair has been appointed. The new Chair has experience as a director of a company and as chief executive of a local authority.</p>	<p>SCF Chief Executive / Chairman</p>
<p>C19 The council should have clear and up-to-date policies and processes to consistently manage actual conflicts or potential conflicts of interest, including a clear process for investigations and procedures for appropriate disciplinary actions in the event of breaches</p>					<p>The Council will deliver training / support on management of conflicts of interest for its officers or elected members who are to be nominated or appointed to an outside body.</p>	<p>Code of Conduct for Employees covers management of conflicts of interest. Guidance given to new council nominated NED. No elected member appointed to board.</p> <p>SCF CE not invited to meetings to discuss risks around SCF governance where this would lead to a conflict of interest, but separate meetings held to ensure CE is aware of council's position. Clear separation of functions, with reports being presented to Cabinet not authored by SCF officers or joint officer.</p>	<p>SBC AD Legal and Governance</p>

						Conflict of interest protocol appended to secondment agreement for SCF CE and provided to post holder.	
C20 The roles, responsibilities and reporting lines of officers and members who are involved in council oversight of the entities, the provision of services between the entities or the running of the entities should be clearly defined and documented					No action required.	No update required.	
C21 There should be evidence that appointments to the board are subject to a documented formal, rigorous, and transparent procedure based on merit and published objective criteria which also promote diversity					<p>Declarations of interest to be provided by SCF to the Council as evidence of compliance</p> <p>A review of the board to be undertaken to identify which council officers or members should be nominated to the board and options for appointing an officer to a specific role to undertake council director duties.</p> <p>Evidence to be submitted by SCF of the annual evaluation process of the board and individual directors.</p> <p>Further information is required to provide assurance there is an effective system of evaluation and performance management of the whole board and individual executive directors.</p>	<p>The previous SCF chair completed appraisals and 2023 objective setting for the three independent NEDs and the council nominated NED in mid January 2023.</p> <p>The appointment of the new Chair was managed by the DfE. Elected members and board members were consulted prior to the appointment being made and feedback was provided to the DfE. Pre-employment checks were undertaken by the Council prior to appointment and a formal report was presented to the SBC CE for a decision to be made.</p> <p>In addition feedback on amendments to the process in the future was provided, including opportunities for board and elected member involvement in the recruitment process and consideration as</p>	<p>SCF Chair</p> <p>DfE/ SBC CE</p> <p>SCF Chairman</p>

						<p>to the use of a specialist recruitment agency. This will assist with increasing diversity at board level.</p> <p>There is a vacancy for a Council NED and the Council has requested that SCF undertake a skills audit and identify any skills they are looking for before the Council nominates a new NED.</p>	
E1 The entity's articles of association should be clear, up-to-date, and reflective of how the entity is run					No action required.	No update required.	SBC Principal Lawyer
E2 There should be evidence of an up-to-date business plan that is reflective of the current circumstances and environment in which the entity operates					<p>Business plan to be updated and approved by the Council.</p> <p>In future years, annual business plans must be submitted within the deadlines set out in the SDC and must have been subject to appropriate scrutiny by the board.</p>	<p>The 2023-26 Business and Improvement Plan was approved by Cabinet in September 2023. This is 12 later than the date the draft should have been submitted. Cabinet is timetabled to receive the draft business and improvement plan for 2024-27 in December 2023.</p> <p>The new business and improvement plan is a significant improvement on previous plans and sets out a high level improvement plan on a short and medium basis. The plan is appropriately aligned to the Council's corporate plan.</p> <p>A number of strategies are being presented to Cabinet for approval, providing further evidence that SCF is reviewing its strategies in accordance with its priorities.</p>	<p>SCF Chief Executive / SBC Chief Executive</p> <p>SCF CE / Chair</p>

<p>E3 There should be evidence that the board meets regularly to consider, review and record discussions and conclusions</p>					<p>Samples of minutes and dates of meetings to be provided to the Council for assurance.</p> <p>Whilst dates of meetings have been given, no documentary evidence has been supplied of agendas or extracts of minutes to demonstrate the quality of the discussion and conclusions. Further evidence is required to provide assurance on this.</p>	<p>Council officers have been invited to and attended board meetings on an as and when basis.</p> <p>Sample minutes will be requested and supplied to provide further assurance, plus there are regular meetings with Council NEDs to seek views on board discussion.</p> <p>Whilst there is evidence that the board meets regularly, and the SCF Chair has asked for 6 board meetings a year instead of 4, there is concern that the reporting to the board may not contain the right information at the right time. This is particularly of concern in relation to financial reporting, as board NEDs have stated they were not aware of the financial sustainability issues in-year for 2023/24.</p>	<p>SBC Head of Legal</p> <p>SCF CE / Chairman</p>
<p>E4 There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information</p>					<p>Evidence of board challenge to be provided to the Council.</p> <p>Internal scheme of delegation to be provided to the Council.</p> <p>Review best practice to consider whether 5 committees of the board are required and whether quality of practice and finance and business could be merged into an operational practice committee, to avoid financial performance and quality of practice being considered in isolation.</p>	<p>Council officers have attended board meetings and seen improved quality of reporting. Pre-board finance meetings will now be held with council finance officers to assist the board with financial scrutiny.</p> <p>No progress on internal scheme of delegation, although an example of SBC internal scheme has been sent through.</p> <p>The committee structure should be reviewed by the new SCF Chair.</p>	<p>SCF Director of Finance / Chairman</p> <p>SCF Chief Executive</p> <p>SCF Chair</p>
<p>E5 There should be evidence of the desired culture and behaviours</p>					<p>The SCF Board to consider its current set of values and behaviour as part of its annual review and put in place any required actions in response.</p>	<p>The board had a facilitated development day, with attendance from Council's CE and Head of Legal to ensure alignment of priorities. There is a new council NED with</p>	<p>SCF Chairman</p>



					<p>In accordance with good governance instituted recommendations, SCF will undertake a survey of key stakeholders on this. Working with the Council, SCF Chairman to review the make up of the board in relation to number of independent NEDs and council nominated NEDs to ensure appropriate skills, experience and knowledge.</p>	<p>board and finance experience. A number of the board are experienced board members.</p> <p>The SCF CE has worked with the interim Chair on ensuring the board is focused on strategic decision-making and that challenge is constructive.</p> <p>The new Chair has commenced in role and has regular meetings with SBC CE, SCF CE, DfE Commissioner and has met AD Legal and Governance. He has also met NEDs individually.</p>	<p>SCF Chair / SCF CE</p>
<p>E6 The company structures should be regularly scrutinised in order to ensure they remain fit for purpose</p>					<p>SCF to include its organisational structure in its annual business plan</p>	<p>The executive leadership team structure is being reviewed with the departure of the Director of Finance.</p> <p>The new Chair should consider whether the board structure meets the needs of SCF.</p>	<p>SCF Chief Executive</p> <p>SCF Chair</p>
<p>E7 There should be evidence that the board has clear policies and procedures for its members to ensure that actual or potential conflicts of interests are identified, declared, and acted upon</p>					<p>SCF to provide details of its codes of conduct for staff, terms of appointment for independent NEDs, declaration and registers of interests and policies for managing conflicts of interests in general.</p>	<p>Documentation yet to be provided.</p>	<p>SCF Chairman / SCF CE</p>
<p>E8 There should be evidence that directors have sufficient skills and</p>					<p>Evidence of induction and training to be supplied</p> <p>Evidence of process for evaluating effectiveness of board to be supplied</p>	<p>Individual performance evaluation meetings have taken place for board members. RNAC is considering independent support for a skills audit of the board. A new council director has been</p>	<p>SCF Chairman</p>

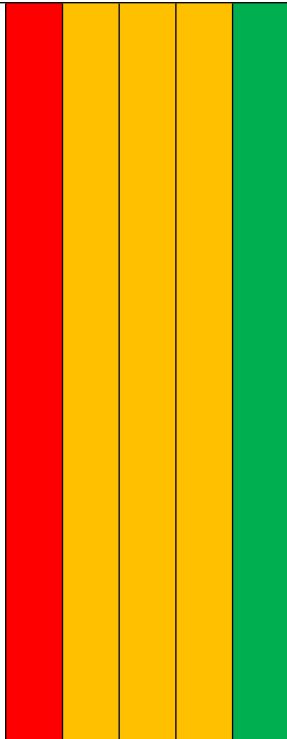
<p>experience to run the entity</p>					<p>SCF to undertake a review of the Board effectiveness and to evaluate the effectiveness of individual directors, including executive directors.</p>	<p>appointed who has experience as a NED for a children’s company.</p> <p>New Chair in role and appointment process including seeking references on previous governance experience.</p>	<p>SCF Chairman</p>
<p>E9 There should be evidence that directors’ behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan Principles as well as Cabinet Office’s Code of Conduct for Board Members of Public Bodies</p>					<p>Evidence to be supplied.</p>	<p>Details of appraisal meetings by former SCF CE have been supplied. Board evaluation is a focus for RNAC and the development day. A number of board members are experienced company directors, with a range of skills including audit, financial management and HR.</p> <p>A new Chair has been appointed. A skills audit is required to ensure all board members are familiar with Companies Act requirements. This picks up on findings from an LGA Peer Review of SCF in March 2023.</p>	<p>SCF Chairman</p> <p>SCF Chairman / SCF CE</p>
<p>E10 The scope of directors' authorities should be documented and clear to all parties</p>					<p>Internal scheme of delegation to be supplied, including terms of reference for committees</p> <p>The ToR of each committee/sub-committee should be reviewed urgently by the board and on an ongoing basis at least every two years. Documentary evidence to be supplied that there is an effective scheme of delegation in place covering all operational functions to include, but not limited to, finance, HR and procurement.</p>	<p>The ToR of each committee have been reviewed and agreed at board level. Financial policies were reviewed at ACG Committee in February. More work is required on internal schemes of delegation to ensure staff at different levels understand their authority to make decisions that are not related to children’s casework.</p> <p>The board structure will be a focus for the new SCF Chair.</p>	<p>SCF Chief Executive / SCF Chairman</p>

<p>E11 There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively</p>					<p>Council to review who to nominate as council nominated directors.</p>	<p>The Council has appointed an individual as an officer who will also act as a council director and has finance experience and experience on a board of a children’s company delivering statutory services.</p> <p>The Council has requested a skills audit of the board before nominating an individual to the vacant Council NED position.</p>	<p>SBC Chief Executive</p> <p>AD Legal and Governance / SCF Chair</p>
<p>E12 There should be evidence that board membership is reviewed regularly for composition and fitness for purpose</p>					<p>Evidence to be supplied of evaluation process</p>	<p>The SCF Chair was evaluated by the DfE Commissioner with input from independent NEDs. There needs to be more formal process for obtaining views of the Council and other stakeholders.</p> <p>A skills audit is to be commissioned by RNAC.</p> <p>This should be a focus of the new SCF Chair.</p>	<p>SCF Chairman</p>
<p>E13 There should be evidence that the board understands the organisation’s risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite</p>					<p>Risk management procedures to be supplied</p> <p>Sample of minutes to be supplied to demonstrate consideration of risk, in particular financial risk</p> <p>Risk management strategy to be formally reviewed and agreed at the board and a copy of strategy and the minutes of discussion to be supplied to the Council.</p> <p>The lead member for children’s services to be removed as risk owner and her role in attending board meetings to be clarified and a protocol to be drawn up if the lead member continues to attend board meetings.</p>	<p>The ACGC has responsibility for risk management and at its meeting in February 2023 review the risk register. This will be a standing agenda item.</p> <p>Risk log in place however, further review of documents relating to risk management required to provide further assurance, particularly around financial risk management.</p>	<p>Chair of SCF A&amp;CGC</p> <p>SCF Chief Executive</p>

					SCF to consider commissioning support from SBC or an external provider on reviewing its risk management procedures and delivering training on risk management.		
E14 There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience					Details of last skills audit to be supplied	Skills audit supplied and informed council nominated director appointment.  A new council director has been appointed.  RNAC is considering commissioning external support for a skills audit.	SCF Chairman
E15 There should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles					Training records to be supplied.	The board has held a development day and RNAC is responsible for ensuring board evaluation and a development programme.  Further information on training programme to be supplied as further assurance.	SCF Chief Executive  SCF Chairman
E16 There is evidence that the role of executive directors is clearly defined and documented					Role profiles for all executive directors to be supplied	The SCF CE was appointed following a competitive process and has a role profile and the secondment agreement sets out the separation of functions between SBC and SCF roles and a protocol for managing conflicts of interest.  SCF has a permanent Director of Operations. SCF had recently reviewed its executive leadership team and has appointed a Director of Finance. Role profiles in place for these roles.	SCF Chief Executive  SCF Chief Executive
E17 Non-executive directors are in place					Further evidence to be supplied by SCF	Head of Legal and finance lead attended board meetings. The reports supplied and	SCF Chairman

<p>to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct</p>					<p>Despite good evidence being supplied to demonstrate the value that NEDs are adding, this is reliant on the right information being provided at the right time and that requires a culture and governance arrangements that are receptive to constructive challenge and the need for assurance. This needs to be kept under review over the next 12 months and considered as part of the review of board effectiveness.</p>	<p>debate and constructive challenge was evidenced.</p> <p>Meeting with Council NEDs on an ongoing basis to provide further assurance.</p> <p>Concerns still being raised that right information at right time reporting is not always happening. Director of Finance is working with NED on standardised reports to assist with this.</p> <p>Good evidence of challenge at board level, with engagement and requirements for additions to the updated draft business and improvement plan.</p>	<p>SCF Chairman</p>
<p>E18 There is documented evidence that the board values the role of non executive directors, and their views are influential in the board's decisions</p>					<p>Sample of minutes of meetings to be provided for assurance purposes</p> <p>The review of the effectiveness of the board should consider the culture of SCF in terms of valuing the role of NEDs and of the right information being provided at the right time.</p>	<p>The meetings in February indicated there is a greater understanding of the legitimate role of NEDs. The board development day is a positive way of ensuring that the board and executive leadership team work together closely and understand each other's roles.</p> <p>Feedback from Chair of Board is that NEDs are able to constructively challenge executive team, evidenced by requiring amendments to the business and improvement plan before being submitted to the Council for approval.</p>	<p>SCF Chairman</p> <p>SCF Chairman</p>
<p>E19 There is evidence that the chair provides clear board leadership, supporting the</p>					<p>Evidence to be supplied</p> <p>The Council to formally request information and evidence to demonstrate the appraisal</p>	<p>The SCF Chair is new in the role. He has met with NEDs, SCF CE, SBC CE and AD Legal and Governance. He is increasing number of board meetings from 4 to 6.</p>	<p>SCF Chairman /</p>

directors and chief executive and taking account of the shareholders views



process in place to assess the effectiveness of the Chair.

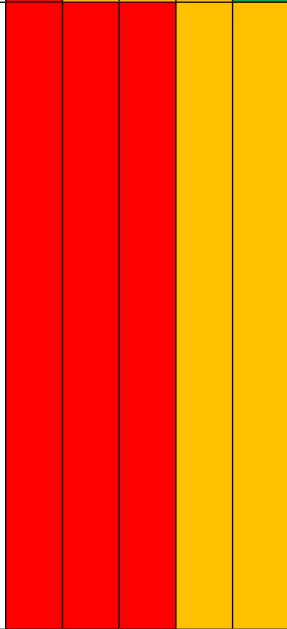
A skills audit is planned to inform any gaps in skills and knowledge at board level.

Changes are being made to agenda setting and attendance at board meetings to allow the chief executive and executive directors to present and answer questions and reduce the number of non directors presenting at board meetings. This will allow the board to have constructive, confidential discussions about progress, risks and issues.

The Chair has flagged a desire to seek opportunities for the lead member and Cabinet to meet and work with the board on wider improvement plans for children and young people.

DfE Commissioner

E20 There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports



Evidence to be supplied and evaluation of performance of the board in terms of monitoring and management of financial performance.

Whilst there is evidence of challenge on the business plan by NEDs, the business plan process has been convoluted and the historic issues with overspend have been replicated in the first year of trading, with the in-year change mechanisms not being utilised until July 2022. More evidence is required to demonstrate that the business plan is effective and focused on the right priorities. This will be informed by the Mutual Ventures report.

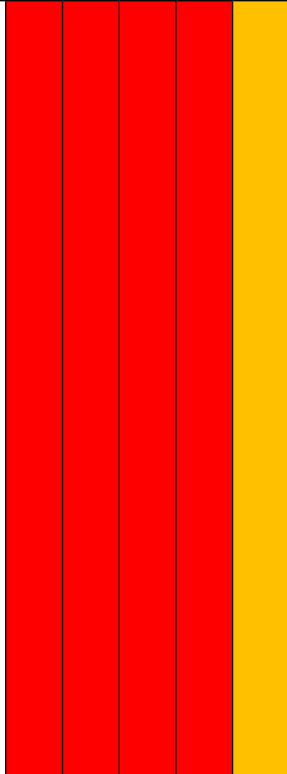
The new Business and Improvement Plan was approved by Cabinet in September. It is a considerable improvement on previous versions. A draft plan for 2024-27 is expected to be approved by Cabinet in December.

It is too early to say whether the plan accords with monthly financial and non-financial performance reports, as these reports need to be embedded and provided to the board and at Council contract monitoring meetings.

SCF Chairman

SCF Chairman/  
SCF CE

E21 The financial transactions and values attributable to the company within the council's medium term financial plan should agree with the projections in the business plan



To be addressed in future business plans

The board should be able to effectively scrutinise and challenge financial information and agreed and monitor budgets. A training and development plan should be supplied to the Council to demonstrate that appropriate support is being given to the board to undertake its functions. Whilst SCF can review whether further financial expertise is required on the Board, the reliance on one individual to address this issue fails to recognise the role of NEDs and the board as a collective.

SCF has been given an increased contract sum to reflect agreed in-year funding increases and the MV review. Its draft business plan requests a considerable increase in funding for 2023/24 as well as payment of historic deficits. This is placing considerable financial pressure on the Council and impacts on its MTFS.

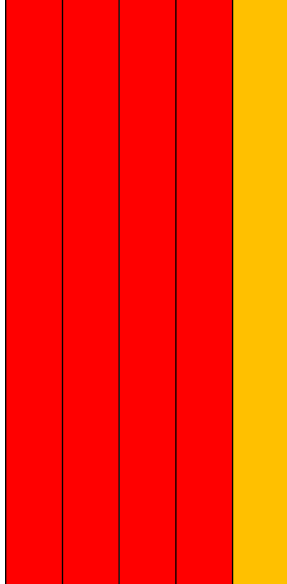
Pre Board finance meetings between SBC 151 officer, the NEDs representing the Council and SCF to consider financial issues to ensure SCF Board and the Council are financially better aligned.

Extraordinary board meeting on 31 October 2023 to discuss business and improvement plan, with appropriate challenge from the board on lack of detail on efficiencies.

SCF Chairman and SCF Chief Executive

SCF Chief Executive/SBC 151 Director of Finance

E22 Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cash flow statement and balance sheet



There is insufficient information supplied to demonstrate the board is receiving appropriate financial information on a regular basis and managing the risks appropriately. An action plan to address this should be provided.

SCF Board should consider whether reports should have a financial implications section as standard.

Two in-year change requests submitted in 2022/23 and further requests submitted to cover historic deficits.

In Sept 2022 the Mutual Ventures report analysed assumptions and identified concerns about optimism bias.

This is a focus of the newly appointed council director and the ACG Committee and will need to be a focus of the new Chair.

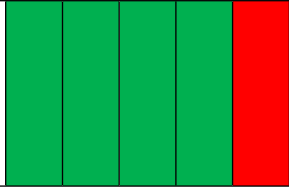
A new Financial Director was appointed on 29<sup>th</sup> June.

SCF Director of Finance

SCF Chairman

			<p>There has been positive progress on agreement to provide financial monitoring information in a standard format and to simplify board meetings to have reports presented by the Chief Executive and Director of Finance.</p>	
<p>E23 There should be evidence of an annual audit letter from the council's external auditors, confirming the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company</p>		<p>Assurance processes in place regarding treatment of financial instruments and consolidation.</p>	<p>SCF accounts process has highlighted some errors, which will need to be subject to scrutiny by the board and external auditors. This is a focus of the ACG committee and SCF auditors have been held to account.</p> <p>New finance audit currently taking place June/July 2023. Consideration being given to changing auditors next year due to concerns about progress. Discussion ongoing as to whether to use a separate team from the Council's auditors.</p>	<p>SBC s.151 Officer</p>
<p>E24 Documented financial policies and procedures should be available</p>		<p>Financial policies to be reviewed, updated and approved by board. It is not appropriate to wait for the set up of a new finance committee, unless this is happening imminently.</p>	<p>Financial policies have been reviewed and a number of policies were being considered at February meeting of ACG Committee. Further work is being done on a financial scheme of delegation and a travel expenses policy.</p>	<p>SCF Director of Finance</p> <p>SCF Director of Finance</p>
<p>E25 There should be evidence of an effective annual internal audit programme</p>		<p>SBC to consider the effectiveness of the internal audit programme for SCF and the quality of internal audits undertaken in 2022/23.</p>	<p>To be reviewed as part of in-sourcing internal audit.</p> <p>Independent NED leading on governance is reviewing this as part of review of committee ToR.</p> <p>There is dialogue with the Council's internal audit team to ensure an effective internal audit plan to provide assurance</p>	<p>SBC s.151 officer / SCF Chair of Audit Committee</p>





over internal controls and financial governance.  
Review of historic internal audit plans indicate the historic rating of green was inaccurate.

**Slough Children First Governance review – Progress update to September 2023**

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**SLOUGH BOROUGH COUNCIL**

**Report To:** Audit and Corporate Governance Committee

**Date:** 22 November 2023

**Subject:** Risk Management Strategy

**Chief Officer:** Adele Taylor – Executive Director of Finance and Commercial (S151)

**Contact Officer:** Phillip Watkins, Interim Risk, and Insurance Manager

**Ward(s):** All

**Exempt:** No

**Appendices:** Appendix 'A' – Draft Risk Management Strategy

**Executive Summary:****1. Summary and Recommendations**

- 1.1 This report seeks Members comments on Slough Borough Council's new draft Risk Management Strategy which is attached as Appendix A. The document sets out the Council's strategy and approach to the management of risk and demonstrates its intention to continue to develop the maturity of Enterprise Risk Management (ERM) across the organisation during 2023/24 and beyond to support the delivery of the Council's Strategic Priorities and Outcomes.

**Recommendations:**

The Audit and Corporate Governance Committee is recommended to:

- (a) Comment on and endorse the proposed Risk Management Strategy for 2023/24 which incorporates:
- i. Revised likelihood measures.
  - ii. A quadrant-based system of risk treat allocation.
  - iii. An outcome orientated approach to defining risk.
  - iv. Pursuance of a systemised solution to the recording and management of risks.
- (b) Recommend the Risk Management Strategy to Cabinet for approval.

**Reason:**

Risk is inherent in all activities across the Council and risk management is an integral part of the Council's corporate governance arrangements. Managing risk improves the way we do business. It plays a key role in helping achieve our strategic objectives. It helps ensure decision making is better informed, precious resources are used efficiently and effectively and helps avoid unwelcome surprises. Good risk management is a key part of our everyday business.

The Committee is responsible for monitoring the effective development and operation of risk management in the Council and to monitor progress in addressing risk-related issues reported to the Committee.

The new strategy is intended to:

- i. support greater accuracy in defining the expected occurrence of incidents/risks.
- ii. supports officers in steering their risk mitigation efforts based upon severity and likelihood of risks.
- iii. supports the Council to understand the desired outcome for each identified risk.
- iv. streamline processes and support interactive analysis of risks and key risk indicators.

## **Commissioner Review**

Commissioners have reviewed the report and made no comments.

## **2. Report**

### **Introduction**

- 2.1 Risk is a part of all our lives. Slough Borough Council deals with risk every day from managing its infrastructure, delivering its services, managing its supply chains, maintaining the safety and security of its staff and residents, and delivering on a wide range of projects including its corporate objectives. Risk can cause uncertainty in achieving business objectives but can also present opportunities.
- 2.2 The Council recognises that risk management is a journey and to be effective it must be characterised by a set of consistent principles, language, framework and processes. In order to achieve its strategic outcomes and objectives. The Council is committed to proactively managing its risks in a systematic way.
- 2.3 The Committee is being asked to review the strategy and recommend its approval to Cabinet. This includes a policy statement signing the Council up to the following cultural statements regarding risk:
  - Slough Borough Council promotes a transparent ‘no surprises’, ‘no blame’ culture where well managed risk taking is encouraged, and learning from the risk management experience is key to a healthy culture
  - Councillors and managers will lead by example to encourage the right behaviours and values
  - Risk management behaviours and practices will be embedded into all Council activities including those with partners, contractors, and arms-length organisations such as the Children’s Company.
- 2.4 The strategy sets out the Council’s commitment to managing risk effectively across its business, and the standard of risk management expected across the organisation.

- 2.5 In order to maximise the effectiveness of our risk management arrangements we will ensure:
- an environment that will allow the effective management of risk to flourish
  - our people have the skills and knowledge they need to fulfil their risk management responsibilities; and
  - there is a commitment from the highest level to the consistent application of the agreed risk management approach across the organisation.
- 2.6 Effective risk management identifies what might go wrong, what the potential consequences could be, and how to stop the risk being realised, or its impact should the risk materialise. Our goal is to minimise the probability of unwelcomed events where we can and reduce negative consequences of risk scenarios. This is achieved by developing mitigations and contingencies. Risk management also covers opportunities, defined as uncertain events where the positive impact of seizing the opportunity outweighs the status quo.
- 2.7 When implemented and maintained, the effective management of risk enables the organisation to:
- increase the likelihood of achieving its goals and delivering outcomes
  - improve the identification of opportunities and threats
  - improve governance, stakeholder confidence and trust
  - establish a reliable basis for decision making and planning
  - effectively allocate and use resources for risk treatment
  - improve organisational resilience.
- 2.8 It is the role of the Risk and Insurance Team within the Council to provide support, guidance, professional advice and the necessary tools and techniques to enable the organisation to take control of the risks that threaten delivery. It is however everybody's responsibility to manage risk wherever they work in the organisation.
- 2.9 The work of the team will be directed to implement the achievement of the following risk management objectives:
- align the Council's culture with the risk management framework
  - integrate and embed the risk management framework across the Council
  - enable the Council to recognise and manage the risks it faces
  - improve risk awareness so the Council is better placed to avoid threats and take advantage of opportunities
  - minimise the cost of risk
  - anticipate and respond to emerging risks, internal and external influences and a changing operating environment
  - implement a consistent method of measuring risk.
- 2.10 The implementation of the new Risk Management Strategy will assist the Council to:
- reduce risks
  - enhance our processes
  - improve effectiveness of partnerships including realisation of anticipated benefits
  - maximise opportunities

- improve governance and stakeholder trust
- support the delivery of the Council's Corporate Plan and objectives

2.11 The risk management strategy will be approved by Cabinet, following a review by this Committee

### 3 Implications of the Recommendation

#### 3.1 Financial implications

3.1.1 There are no direct financial implications from this report. However, having sound risk management arrangements are essential to financial management of any organisation to mitigate and minimise risks where possible. The balance of resources that are used to prevent the occurrence of risks and the financial consequences of not taking appropriate action have to be carefully considered to ensure best value is maintained.

#### 3.2 Legal implications

3.2.2 The Council's Policy Statement on Corporate Governance is contained in the Constitution and emphasises the importance of effective risk management. This is particularly relevant in relation to Principle F - Managing risks and performance through robust internal control and strong public financial management.

#### 3.3 Risk management implications

3.3.1 This strategy sets out the Council's commitment to managing risk effectively across its business, and the standard of risk management expected across the organization.

- Risks are not identified.
- Actions are not planned, and progress reported.
- Members are not made aware of the serious risks facing the Council.

#### 3.4 Environmental implications

3.4.1 There are no direct environmental implications in this report.

#### 3.5 Equality implications

3.5.1 Section 149 of the Equality Act 2010 requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected character.

3.5.2 There are no specific equality implications arising directly from this report, although risks relating to Equality and diversity issues should be managed through the application of this strategy.

#### **4. Background Papers**

None.

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# **Draft Risk Management Strategy**

**2023**

DRAFT

DRAFT

<b>Next review date:</b>	<b>Oct 24</b>	<b>Risk and Insurance Manager</b>
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## Contents

1. Introduction
2. Policy Statement.
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7. Planning to achieve our objectives
8. Risk Management Process
9. Risk Monitoring and review
10. Recording and reporting
11. Risk Management – Escalation of risks
12. Integrating with the Control and Assurance Framework
13. Risk System
14. Guidance Education and Training
15. Quality Assurance and Review Procedures
16. Evaluating Success

## 1 Introduction

### What is a Risk?

Risk is a part of all our lives. Slough Borough Council deals with risk every day from managing its infrastructure, delivering its services, managing its supply chains, maintaining the safety and security of its staff and residents, and delivering on a wide range of projects including its corporate objectives. Risk can cause uncertainty in achieving business objectives but can also present opportunities.

Risk is defined as:

*“The possibility of an event occurring that will have an impact on the achievement of our objectives either negatively or positively.”*

### Why is Risk important?

Risk is inherent in all activities across the Council and risk management is an integral part of the Council’s corporate governance arrangements. Managing risk improves the way we do business. It plays a key role in helping achieve our strategic objectives. It helps ensure decision making is better informed, precious resources are used efficiently and effectively and helps avoid unwelcome surprises. Good risk management is a key part of our everyday business.

### Slough BC’s Risk Management Strategy

This document sets out the Council’s strategy and approach to the management of risk and demonstrates its intention to continue to develop the process of managing risks across the Council to support the delivery of the Council’s Strategic Priorities and Outcomes. This strategy is supported by the key elements of the Council’s Constitution most notably Financial Procedural Rules and Financial Regulations and its supporting risk management toolkit.

The Council recognises that risk management is a journey and to be effective it must be characterised by a set of consistent principles, language, framework, and processes. In order to achieve its strategic outcomes and objectives. The Council is committed to proactively managing its risks in a systematic way.

## 2 Policy Statement

The Council has signed up to the following cultural statement regarding risk:

- Slough Borough Council promotes a transparent ‘no surprises’, ‘no blame’ culture where well-managed risk taking is encouraged.
- Councillors and Managers will lead by example to encourage the right behaviours and values.
- Risk management behaviours and practices will be embedded into all Council activities including those with partners, contractors, and arms-length organisations such as the Slough Children First.

This strategy sets out the Council’s commitment to managing risk effectively across its business, and the standard of risk management we expect across the Council.

In order to maximise the effectiveness of our risk management arrangements we will ensure:

- We have an environment that will allow the effective management of risk to flourish.
- Our people have the skills and knowledge they need to fulfil their risk management responsibilities; and
- There is a commitment from the highest level to the consistent application of the agreed risk management approach across the Council.

### Benefits of Good Risk Management

Effective risk management identifies what might go wrong, what the potential consequences could be, and how to minimise the risk materialising. Our goal is to minimise the probability of unwelcomed events and reduce negative consequences of risk scenarios. This is achieved by developing mitigations and contingencies. Risk management also covers opportunities, defined as uncertain events where the positive impact of seizing the opportunity outweighs the status quo.

When implemented and maintained, the effective management of risk enables the Council to:

- Increase the likelihood of achieving its goals and delivering outcomes
- Improve the identification of opportunities and threats
- Improve governance, stakeholder confidence and trust

- Establish a reliable basis for decision making and planning
- Effectively allocate and use resources for risk treatment
- Improve organisational resilience.

### 3 Roles and responsibilities

The risk management framework has been fully endorsed and supported by the senior officers, Audit and Corporate Governance Committee and Cabinet, who collectively set the tone for risk management and champion the benefits through all levels of the business. Risk management is only considered to be truly embedded when it functions as part of the Council’s day-to-day operations. In order for this to be achieved it is vital that clarity exists to determine the various roles and responsibilities of individuals involved throughout the Council in the risk management process and this strategy formalises those responsibilities. The table below outlines the key responsibilities for each group/stakeholder.

Group/Stakeholder	Role Description
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Oversee delivery of the Risk Management Strategy</li> <li>• Review progress of the management of strategic risks</li> <li>• Ensure consideration of risk in agreeing the Council’s direction of travel.</li> </ul>
<b>Audit and Corporate Governance Committee</b>	<ul style="list-style-type: none"> <li>• Review the effectiveness of risk management arrangements</li> <li>• Provide comment and challenge on risk management activity and progress.</li> </ul>
<b>Corporate Leadership Team</b>	<ul style="list-style-type: none"> <li>• Overall accountability for risk management across the business including ensuring the Management Board strategic risk register is a live and up to date record of the current risk exposure</li> <li>• Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework</li> <li>• Establish a control environment and culture where risk can be effectively assessed and managed</li> <li>• Regularly discuss and review the strategic risk register and associated risk reports.</li> </ul>
<b>Risk and Audit Board</b>	<ul style="list-style-type: none"> <li>• To ensure that the Council is proactively managing strategic risk</li> <li>• To ensure that there is a clear process in place to allow Corporate Leadership Team, Audit &amp; Corporate Governance Committee and Cabinet to have assurance that risk is being robustly managed within the authority</li> <li>• Consider and challenge the management of risk to provide assurance that a strong control framework and good governance arrangements are in place</li> <li>• Ensure any emerging risks identified through governance reporting are escalated in accordance with the risk management framework.</li> </ul>

<b>Head of Paid Services,          Section 151 Officer,          Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Overall accountability for the effective delivery of the Council's governance functions in accordance with industry best practice.</li> <li>• Ensure risk management features as part of the Council's proper administration to protect the authority from financial, strategic and operational risk.</li> </ul>
<b>Departmental Leadership Teams</b>	<ul style="list-style-type: none"> <li>• Ensure adherence with the risk management strategy and framework</li> <li>• Champion the benefits of effective risk management</li> <li>• Take ownership for risks within their function and ensure risk registers are regularly discussed, reviewed, updated and escalated as appropriate.</li> <li>• To appoint a risk coordinator to drive forward the risk management framework within their function.</li> </ul>
<b>Heads of Service, SBC Managers</b>	<ul style="list-style-type: none"> <li>• Record and manage risks effectively in their service area, in accordance with the risk management framework.</li> <li>• Where necessary escalate risks to Function Leadership Teams</li> <li>• Ensure their staff have appropriate understanding and training on risk management</li> <li>• Champion the benefits of risk management across their service and communicate the corporate approach to managing risk.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Manage risk as part of their role and report risks to their managers</li> <li>• Develop understanding of risk management in SBC</li> <li>• Maintain awareness of risks, their impact, including costs, and feed these through the adopted risk management process.</li> </ul>
<b>Head of Financial Governance, Risk and Insurance, Counter Fraud and Internal Audit</b>	<ul style="list-style-type: none"> <li>• Overall leadership for the effective delivery of the Council's risk management assurance function in accordance with industry best practice.</li> <li>• Establish and embed the risk management framework across the Council</li> <li>• Provide oversight, challenge, and assurance that risk is being effectively managed.</li> </ul>
<b>Risk and Insurance Team</b>	<ul style="list-style-type: none"> <li>• Develop guidance, tools and training to support the business to manage risk effectively in Team accordance with the risk management framework.</li> <li>• Embed the risk management strategy and process to drive consistency in its application</li> <li>• Provide support and training on the risk register system</li> <li>• Provide assurance, support, and challenge to the business on all areas of risk management.</li> </ul>

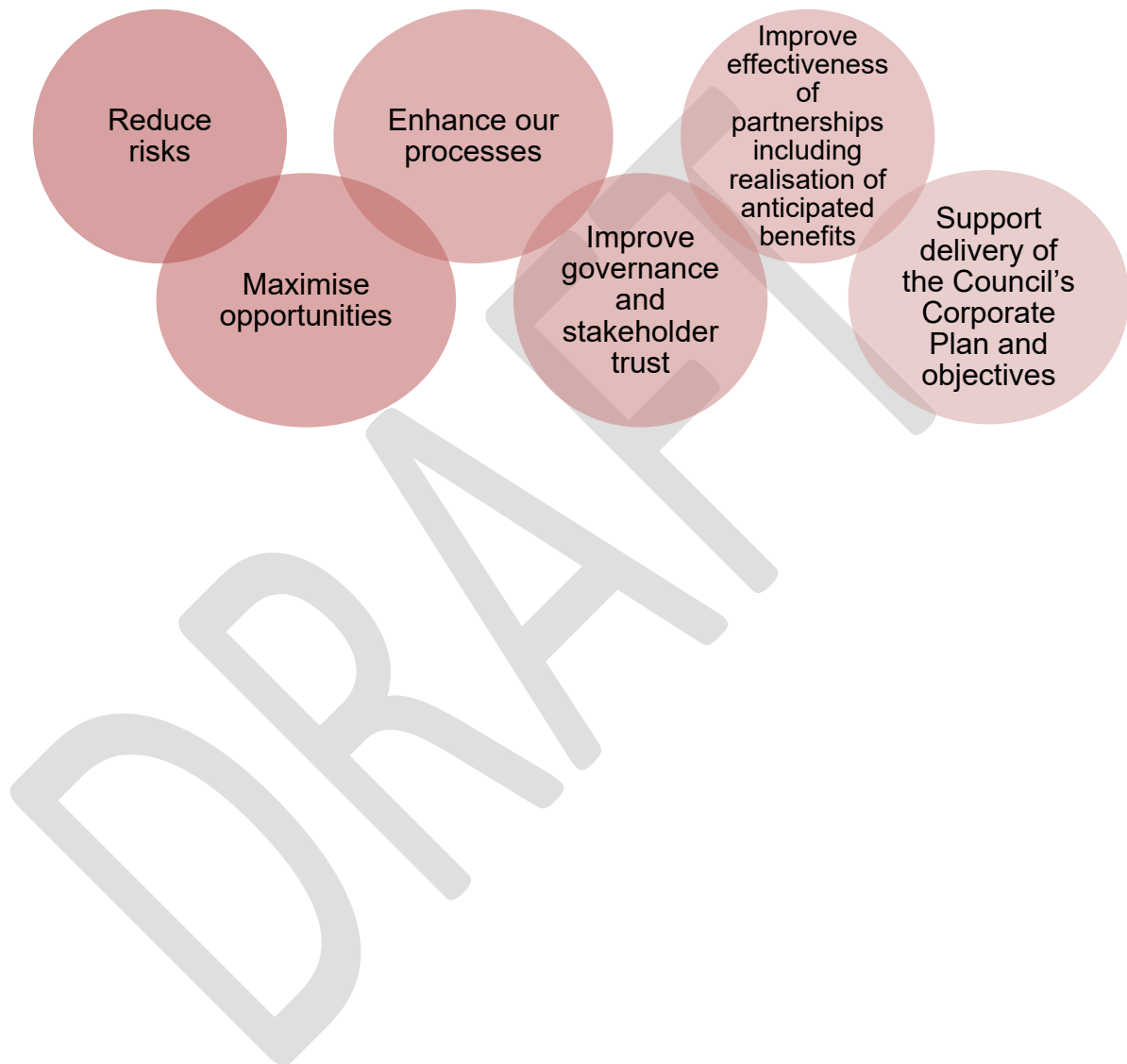
It is the role of the Risk and Insurance Team within the Council to provide support, guidance, professional advice and the necessary tools and techniques to enable it to take control of the risks that threaten delivery. It is however everybody's responsibility to manage risk wherever they work in the Council.

The work of the team will be directed to effect the achievement of the following risk management objectives:

- Align the Council's culture with the risk management framework
- Integrate and embed the risk management framework across the Council
- Enable the Council to recognise and manage the risks it faces
- Improve risk awareness so the Council is better placed to avoid threats and take advantage of opportunities

- Minimise the cost of risk
- Anticipate and respond to emerging risks, internal and external influences and a changing operating environment
- Implement a consistent method of measuring risk.

The implementation of the Risk Management Strategy will assist the Council to:





## 4 Risk Management Framework

At Slough Borough Council, we are committed to ensuring risk management is embedded across the whole Council. The risk management framework and the annual work and project plan of the Risk and Insurance Team follows industry best practice to provide a best-in-class risk management service helping the Council to be the most effective and efficient organisation.

For risk management to be successful, it is imperative that there is a single yet flexible approach for the management of business risk, adopted through all levels of the Council. This strategy is one part of the overall risk framework, the essential elements of which include:

- Risk Management Policy Statement and Strategy (including governance and accountabilities)
- Risk Management Methodology
- Risk Management Tools and Guidance to support the methodology
- Risk Management Training Programme
- Risk Assurance Statement.

Our approach is to ensure that the discipline of effectively managing risk is integrated throughout the Council and involves all key stakeholders including - but not limited to - officers, leaders, Members, partners and suppliers. Our framework is our end-to-end process of managing risk.

Primarily, Members and senior leaders of the Council will be focussed on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operations risks will be the primary concern of services and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

Identified risks and mitigations are managed through the Council's corporate risk register and should be regularly discussed, reviewed and updated. Frequent risk reporting takes place across all levels of the Council. The governance and reporting arrangements which set out what risk information is reported to which audience and when is covered in more detail in section 9 of this strategy.

The Risk and Insurance Team has a key role to play in supporting the operating principles of the Council and helping to achieve the strategic aims and priorities by providing oversight, challenge and assurance that risk is being effectively managed across the Council; whilst delivering a high performing, customer focused service. It is the role of the Risk and Insurance Team to develop and set the risk framework for the

Council to follow; ensuring that this adds value and is in line with the very latest industry standards and requirements. Section 11 of this strategy provides more detail on the roles and responsibilities of all stakeholders in relation to risk management.

## 5 Risk Appetite

Risk appetite is best summarised as "the amount of risk an organisation is willing to accept" and is about looking at both the propensity to take risk and the propensity to exercise control.

Ensuring the on-going effectiveness of risk management requires strong and sustained commitment by the Members and senior leaders of the Council as well as strategic and rigorous planning to achieve commitment at all levels. The tone set by senior management towards risk management has the greatest impact on organisational appetite.

As a large and diverse organisation, it is recognised that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply.

Slough Borough Council aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the Council. To deliver its strategic aims, the Council recognises that it will have to take and manage certain business risks. Intolerable risks are those that could:

- Negatively affect the safety of employees or our customers/clients
- Have a damaging impact on our reputation
- Lead to breaches of laws and regulations
- Endanger the future operations of the Council.

## 6 Risk Maturity

All organisations, including Slough Borough Council, are on a risk management journey. Risk maturity refers to where the business is on that journey and how well-established risk management is as a discipline across the Council. A risk maturity assessment measures an organisation's processes according to best practice, against clear external benchmarks. This establishes the 'risk maturity level' and assists with identifying areas of improvement to become more risk mature.






Risk management is currently embedded and integrated across Slough Borough Council with a low level of risk maturity. There is increasing complexity of risks facing the Council, public service organisations and our senior leaders recognise and actively support the driving forward of the risk management agenda. We continue to review our current risk management capability to help us direct our resources to areas that need improvement and further development, ensuring that risk management arrangements remain fit for purpose in this changing environment.

We network and share information with other Councils across Berkshire and the wider Unitary Council's network. The Council regularly engages with external risk management bodies such as Alarm (the Association of Local Authority Risk Managers) and the Institute of Risk Management. These provide additional opportunities for Slough Borough Council to

compare itself with industry best practice and ensure that it continues to move forward on the risk management journey.

## 7 PLANNING TO ACHIEVE OUR OBJECTIVES

In order to improve our risk maturity, we will, during 2022-23, focus on the development of the Council’s ERM framework using the framework promulgated by the Association of Local Authority Risk Managers (ALARM). As a starting point we will undertake a self-assessment of our Risk Management maturity as the basis for developing a multi-year plan for improvement. The Table below shows initial areas for inclusion in the plan, but these will be refined once the maturity assessment has been concluded:

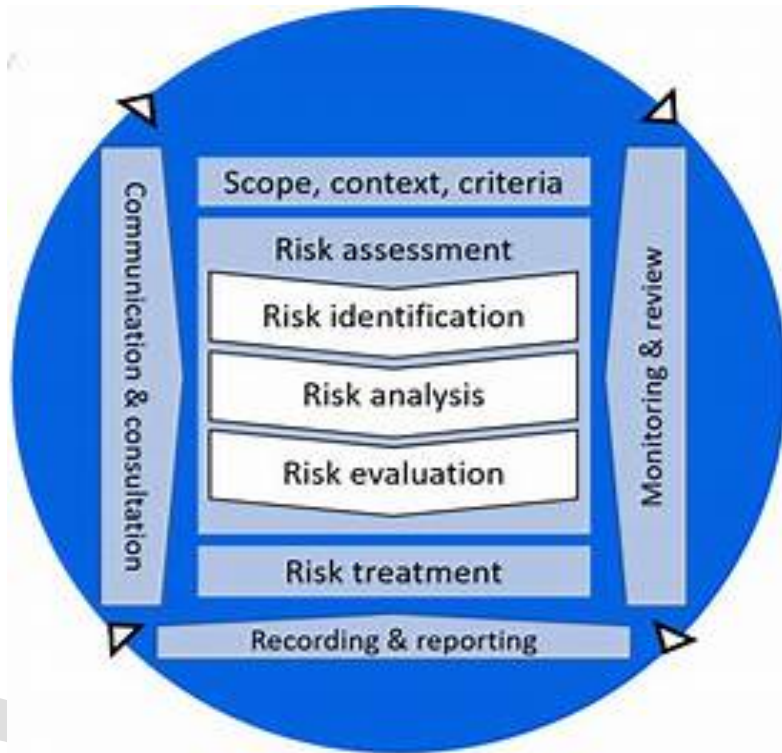
Focus Area	Plans over the next 12 months
 <b>Risk Strategy and Governance</b>	Establish risk and insurance team as ‘go to’ resource for advice on risk matters.  Formalise and embed governance structure through the currently established forums – Cabinet, CLT, Audit and CG Cttee, Risk and Audit Board – consider setting up wider Governance Group  Agree oversight roles across all significant risk areas including partnership arrangements
 <b>Risk Culture</b>	Undertake risk culture exercise with CLT and Departmental Management teams Introduce regular risk training and refresher courses tailored to different requirements
 <b>Risk Enabled process</b>	Unified risk methodology, consistent language and assessment criteria used across the Council  Improved clarity on risk ownership, development, and implementation of mitigating actions to enable greater accountability  Single Corporate Risk Register that is single source of the truth and builds on departmental risk registers
 <b>Risk Appetite</b>	Formal expression of risk appetite that is reflected in strategic and departmental plans Structured mechanism to monitor and flag risk appetite exceptions
 <b>Technology Enablement</b>	Embed risk management reporting then consider move away from Word based risk registers to a technology-based solution by the end of 2022-23.  Introduce and embed risk management training and ethos across the Council starting with the Members and Senior Managers.

## 8 Risk Management Process

The risk management process is a series of logical steps which are carried out in sequence to progress through each stage of managing a risk. The process is cyclical, and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete

picture of the risks to the activity/outcome being assessed. Whilst we advocate there being less focus on following a rigid process and there being greater concentration on quality risk identification and action, there is a need to provide the Council with risk management methodology.

There are many variations of the 'Risk Management Process' and at Slough Borough Council, the risk management process adopted is in line with the International Standard in Risk Management - ISO31000. The Risk and Insurance Team has developed detailed guidance and accompanying training to take users through completion of the process step by step.



The risk management process begins by establishing **the context** around which you want to identify and assess risks. This could relate to an activity, objective, or outcome.

**Risk identification** sets out to identify an organisation's exposure to uncertainty. This requires knowledge of the organisation, the market in which it operates, the legal, social, political, and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives. The Council is exposed to a wide range of risks. These risks can be grouped in different ways, to help with the assessment and evaluation of the risks. The Council has categorised these risks to provide a simplified method to manage, respond to and report on risks in the Table below:

Risk Type	Definition
Financial	Risks that a weakness in financial controls could result in a failure to safeguard assets, impacting adversely on the Council's financial viability and

	capability for providing services. Financial risks include fraud, corruption, and money-laundering.
Service Delivery	Risks that threaten the day-to-day delivery of services. Examples include procurement issues; supply chain; maintenance of property/systems and IT, and others such as geopolitical (e.g., Brexit) and pandemic (e.g., Covid-19).
Reputational	Risks that the Council receives negative publicity which impacts on service user and public confidence in the Council (e.g., CIPFA and DLUCH reports, adverse inspection reports).
Legal / Regulatory	Risks which may impact on the ability of the Council to deliver high quality services in accordance with the requirements of regulators and national standards. This can include information governance (e.g., GDPR/Data protection, Planning Law, Health & Safety at Work Law, Procurement regulations)
People/ EH&S	Impact on the health, well-being or health and safety of the Councils employees or the public. Failure to invest in people and culture of the Council. Examples include stress in the workplace, lack of training and development opportunities, exposure to hazardous substances, investment in planned maintenance, safe working, lack of PPE.
Economic	Direct impact on the economy of Slough. For example, loss of revenue due to Covid-19 and potential loss of major sectors (e.g., finance, hospitality, fisheries), changes in growth of Heathrow airport.
Environmental / Social	Relating to the environmental consequences of progressing the Council's strategic objectives (e.g., in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions etc.). This could include not investing in environmental and sustainable projects as a result of pressures on finances.

**Risk Analysis** - Once identified, each risks needs to be **assessed and assigned a score for both their impact and probability** - the combined outcome of this produces the risk rating. To ensure consistency and the ability to compare and report on the various levels of risk; Slough Borough Council has adopted a 6x4 risk matrix to be used when determining the risk rating.

The risk score is calculated as *(impact) x (likelihood) = risk score*

The opening risk score is determined by assuming no control measures are in place.

Likelihood	Very High	6	12	18	24
	High	5	10	15	20

Significant	4	8	12	16
Low	3	6	9	12
Very Low	2	4	6	8
Almost impossible	1	2	3	4
	Negligible	Marginal	Critical	Catastrophic
	<b>Impact</b>			

## Measuring Impact

Risk Category	Impact Category			
	Negligible	Marginal	Critical	Catastrophic
Risk Score	1	2	3	4
<b>Economic/ Financial</b>	Financial impact up to £50,000 requiring virement or additional funds	Financial impact of £50,000 and £500,000 requiring virement or additional funds	Financial impact of £500,000 to £1,000,000 requiring virement or additional funds	Financial impact in excess of £1,000,000 requiring virement or additional funds
<b>Political</b>	. Could have a major impact on one departmental objective - no impact on a Council strategic objective	Could have a major impact on a departments' objectives - some impact on a Council strategic objective	Severely impact the delivery of a Council strategic objective	The council would not be able to meet multiple strategic objectives.
<b>Health &amp; Safety</b>	Reduced safety which if left unresolved may result in minor injury.	Minor injuries	1 death or multiple serious injuries	Multiple deaths
<b>Environment</b>	Minimal short-term/temporary environmental damage	Borough-wide environmental damage	Major long-term environmental damage	Very severe long-term environmental damage
<b>Legal/Regulatory</b>	Minor breach resulting in small fines and minor disruption for a short period	Regulatory breach resulting in small fines and short-term disruption for a short period	Minimal CMT but major departmental management effort required	Very severe regulatory impact that threatens the strategic objectives of the Council
<b>Operational (including Contractual)</b>	Minimal contract management required	Minimal departmental but major contract management required	Minimal CMT but major departmental management effort required.	Major CMT management effort would be required

<b>Programmes and Projects</b>	Risk does not affect overall project tolerances	Risk affects delivery of a milestone, but overall project tolerances are unaffected	Risk affects project tolerances to Amber RAG rating	Risk affects project tolerances to Red RAG rating

## Measuring Likelihood

Score	1	2	3	4	5	6
	Exceptional	Rare	Unlikely	Possible	Likely	Almost certain
Time Frame	Multi-year	Annual	6 Month	Quarter	Month	Week
Frequency	Occurred a few times in >10 years in this or similar org	Occurred <2 times in 10 years in this or similar org	Occurred <3 times in 10 years in this or similar org	Occurred >3 times in 10 years in this or similar org	Occurred >7 in the last 10 years in this or similar org	Occurred >9 times in the last 10 years in this or similar org
Probability	<5%	<20%	<35%	>35%	>65%	>95%
Chance	Would only occur in exceptional circumstances	Could occur at some point	Might occur at some point	Likely to occur at some point	Will probably occur in most circumstances	Is expected to occur in most circumstances

Those risks which normally score between 16 and 24 will be regarded as strategically significant risks and will be included in the Corporate Risk Register which is considered by the Corporate Leadership Team. However other risks with an impact (consequence) score of 3, 4, or 5 may be recommended by a Departmental Leadership Team (with advice from the Departmental Risk Group) or proposed by the CLT for inclusion on the Corporate Risk Register on the basis that the nature of the impact (consequence) of the risks means that the CLT should have continued oversight – even though a high level of controls / mitigation are in place.

**Risk Outcome** – for each defined risk we must have a clear definition of the objective or desired goal for the risk, not simply as an intangible number on a page, but rather as a specific terminus point measured in time and quantified against a clear metric. This outcome orientation supports colleagues in defining clear treatment and control processes and developing measures and indicators which will support the assessment and monitoring of risk.

To define risk outcomes colleagues will receive training in the use of OKR and SMART tool kits for setting objectives.

**OKR** – Objective and Key Results, is a framework for defining a clear objective within a team setting. The objective ought to set the vision for the team, the key results are the measures by which they will determine their progress towards the goal, the latter doubling as risk indicators.

**SMART** – The SMART objective setting framework support definition of clear, measurable and time-based objectives for risks. The below image provides a reference for colleagues.

Specific	<ul style="list-style-type: none"> <li>•Who, what, when and why?</li> </ul>
Measureable	<ul style="list-style-type: none"> <li>•How will we measure progress</li> <li>•How will we know if goal met</li> </ul>
Achievable	<ul style="list-style-type: none"> <li>•Is it reasonable to achieve the goal in the stated time</li> </ul>
Relevant	<ul style="list-style-type: none"> <li>•Is this goal related to our overall success</li> </ul>
Time-Bound	<ul style="list-style-type: none"> <li>•How long will it take to deliver the objective</li> <li>•When will we check on progress</li> </ul>

**Risk Treatment and Control**- Following identification and assessment, a decision must be taken on **how best to respond** to the risk and if accepted then control measures need to be determined to manage the risk. Actions will be developed to ‘manage down’ those risks to the Council’s tolerance threshold. The options available will be one or more of the following:

**Tolerate** – Where our ability to take effective action is limited or where the cost of mitigating the risk outweighs the potential benefit.

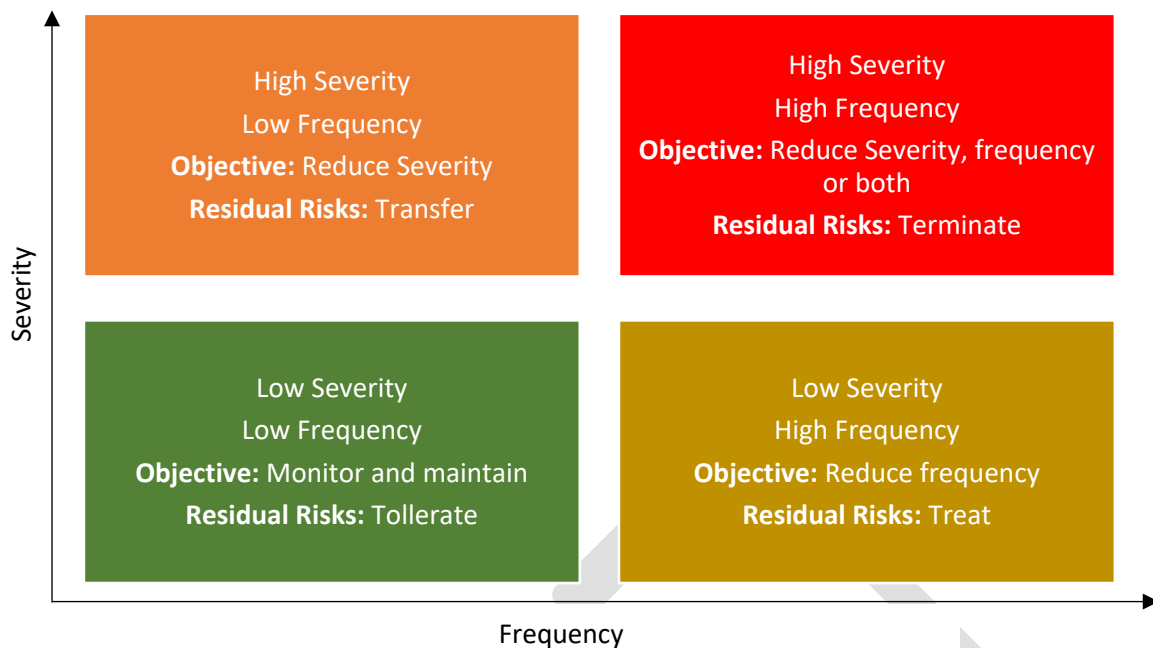
**Treat** – Take action to control the risk to an acceptable level by means of containment (before the risk materialises) or contingent actions (once the risk has happened).

**Transfer** – Pass some aspects of the risk to another party. This can take the form of a conventional insurance transaction or paying a third party to take on risk in another way (for example through outsourcing services). The Council acknowledge that service and reputation risk cannot be transferred and that contracting can raise a range of other risks that need managing.

**Terminate** – Where feasible we will, by doing things differently, remove certain risks. Most risks can be managed by ‘treating’ them. Relatively few risks have to be transferred. Any proposals to address risks must identify the resources required to deliver the improvements, the individual responsible for their implementation and the key date(s) involved. They will be incorporated into service and project plans and recorded in each risk register.

These treatment and controls generally map to one of four high-level quadrants as shown in the figure over the page.





**Using quadrants** – The quadrants are a quick tool to steer colleagues thinking about the immediate objectives for the management of a risk, and ultimately how we might approach the management of residual risks which remain in the respective quadrants. Colleagues will have to consider the materiality of specific risks in determining how they map to the quadrants.

**Communication and Consultation** - There should be communication and consultation throughout the process and the need for continual monitoring and review of the risk(s) throughout the lifecycle of the activity/objective/outcome. Each risk at the strategic and function levels needs to have a **clear link to one or more of the strategic aims that are in the Slough Recovery and Improvement Plan**. The relevant strategic aim is included as part of the captured risk information providing increased assurance that there is effective identification and management of risk.

## 9 RISK MONITORING AND REVIEW

Our ambition is for the Council to have one Corporate Risk Register which is populated from the risk assessments carried out at all levels within the Council whilst enabling directorates, service areas, functions and project leads the ability to access information that is relevant to them (in supporting risk registers) in order to allow them to manage their part of the business. The Council’s risk profile will be articulated using a 3-tier hierarchy.

**Corporate – emergency risks dealt with through resilience forum and joint planning**

**Strategic – those that could materially affect the Council’s business model**

**Operational / Projects – those that impact day to day activities and projects**

Each tier refers to a dedicated risk register or set of risk registers. We set out later in this report the criteria for escalation and / or aggregation of risks. Further information is

contained within the Risk Management Toolkit Guidance. Once a risk has been identified, analysed, prioritised and further control actions agreed, it will be recorded in the relevant risk register. The total risk score will be used to measure performance in managing that risk and will be reviewed by the risk owner. High scoring risks will be subject to more frequent review.

## 10 RECORDING AND REPORTING

Regular reporting on the status of strategic and emerging risks and of the measures of success will support two outcomes:

- Increased accountability for delivery upon the actions, and
- Communications to the Full Council, Cabinet, Corporate Leadership Team and the Audit and Corporate Governance Committee that demonstrates the Council’s commitment to risk management.

Having complete and current risk information available is vital to the Council, as this information drives business performance through the ability to make informed and calculated decisions. The table below outlines **the type of risks that the Council will report on its Corporate Risk Register:**

Types of risk	Description
Strategic Risks	Significant or strategic risks to the achievement of the Council’s priorities. These risks are maintained by the Risk and Insurance Team and reviewed at least quarterly by the CLT.
Operational Risks	Report focused on common risks identified across the Departments. Risk Analysis on a regular basis through the Risk and Audit Board will allow for the identification of efficiencies and synergies in how the risk is managed.
New and Emerging Risks	New and emerging risks provide an opportunity to highlight emerging risk trends that could potentially impact the achievement of the Council’s objectives. These are usually external risks e.g., new regulations or geopolitical relations. CLT will determine whether the new or emerging risks warrant inclusion in the Council’s Corporate Risk Register.
Risks by exception	These are risks specific to one or more Departments that are escalated for review, potentially by theme, and consideration because of one or a number of the following reasons: <ul style="list-style-type: none"> <li>• the risk rating cannot be controlled / contained at the current level</li> <li>• the risk remains very high even after mitigations are implemented</li> <li>• action/ support is required from the relevant oversight body</li> <li>• the risk will impact on more than one public service / functions</li> </ul> If the risk rating decreases significantly, these will be moved lower to the Departmental level once approval is obtained from the CLT.

## 11 Risk Management - Escalation of Risks

Our approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the Council. The risk culture that emanates from

the Corporate Leadership Team throughout the Council is essential in ensuring all levels buy into and adhere to the corporate risk process.

***A risk may need to be escalated to a higher level if:***

- the risk becomes too unwieldy to manage at the current level
- the risk rating cannot be controlled contained within its current level
- the risk remains very high even after mitigations are implemented
- the risk will impact on more than one service project or function if
- the risk event materialises
- the risk moves outside the appetite boundaries I comfort zone.

***A risk may need to be moved to a lower level if:***

- the risk can be controlled and managed at a lower level
- the risk rating decreases significantly, and the risk event will only affect one function 1 service area or 1 team, and
- the impact will be limited then this should be controlled more locally at a lower level.

If a risk owner identifies that the risk needs to be moved because it fits into one of the categories as stated above the advice of the relevant Risk Coordinator or the Risk and Insurance Team should be sought regarding moving the risk. If this results in a change of risk owner, the potential new risk owner must be contacted for handover.

If a risk is multi service or Council wide the risk owner should consult with other relevant parties before recommending a change of level.

**Strategic Level** - If the risk is to be moved to the Strategic Level, then the Risk and Insurance Team will need to be consulted so this can be considered by Corporate Leadership Team (CLT) for inclusion on the Strategic Risk Register. If CLT endorse the inclusion of this risk, then the Risk and Insurance Team will ensure the risk features in the Corporate Risk Register and falls within the standard monitoring and review cycle.

**Function Level** - If the risk is to be escalated to the Function level, then, in conjunction with the Risk Coordinator, the risk owner needs to consult with senior management regarding inclusion to the function risk register. This ideally should be raised with the function leadership team either at the next available meeting or remotely. Similarly, to the escalation process if the risk is considered to be moved down a level, then the appropriate Risk Coordinator should be involved to assist in the process.

## 12 INTEGRATING WITH THE CONTROL AND ASSURANCE FRAMEWORK

Risk management complements Slough Borough Council's internal control environment, alongside other financial, operational and compliance controls. The UK Corporate Governance Code (2016) dictates that –

*"The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems".*

Sections 11 and 12 of this strategy outline the roles and responsibilities, and governance framework for risk management within Slough Borough Council, demonstrating our arrangements for dispersing accountability and responsibility for risk management throughout the Council. With particular focus on internal control, the Audit and Corporate Governance Committee are the Council's oversight body for risk management, providing check and challenge to the risk management strategy, process and delivery.

The Risk and Insurance Team work closely with the Risk and Audit Board, internal audit and governance colleagues to ensure the principles of good governance are adopted. Auditing of the business risk management framework is undertaken by the Council's internal audit team in accordance with their audit plan and recommendations arising are fed back through the risk management framework to ensure continual improvement.

The Institute of Internal Audit issued a report entitled "the three lines of defence in effective risk management and control". This provides a model for clarifying response at both an operational and strategic level and this has been adopted for Risk Management at Slough Borough Council as a 'Three Lines of Assurance' model.

First Line of Assurance	Second Line of Assurance	Third Line of Assurance	External Third Parties
Managers in Functions and Service Areas	Risk Management Health and Safety Business Continuity Emergency Planning Information Data Security Insurance	Internal Audit	External Audit Regulators

Within this model, management control is seen as the first line of assurance; this shows how each function area complies with risk management sources of assurance. The second line of assurance shows the oversight functions of Assurance Services. The third line of assurance provides Internal Audit's assessment of the risk management sources of assurance. Assurance is also offered from external sources such as external audit. This model provides active scrutiny and challenge to ensure assurance is achieved.

## 13 RISK SYSTEM

As part of good governance, the Council manages and maintains a register of its key strategic and operational business risks - assigning named individuals as responsible officers for ensuring the risks and their control measures are monitored and effectively managed. The risk register is a critical tool for capturing and reporting on risk activity and the Council's risk profile.

The various risk registers are currently maintained in Word or Excel documents. This is cumbersome and a move to an electronic solution utilising a live database where new risks are captured will be introduced during 2023-24.

We have reviewed several platforms that can systemise our Risk Management process, we are undergoing the ECP and TDA approval processes in relation to GOAT.

## **14 GUIDANCE, EDUCATION AND TRAINING**

The Risk and Insurance Team is responsible for developing workforce risk management capability across the Council, through the provision of guidance, education, training and support. Guidance materials are under regular review to ensure they reflect the needs of the Council and are compatible with the Council's structure having the flexibility to adapt to new and changing structures. New ways to engage with officers and leaders to help with the understanding and embedding of effective risk management is under regular review, with the options for digital learning and development high on the agenda. The risk management intranet pages are continually being improved.

New training with accompanying companion guidance has been and will continue to be developed and rolled out. The risk management strategy, guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the Council and incorporate the very latest industry best practice. The most recent training programme is now on the Cornerstone site.

## **15 QUALITY ASSURANCE AND REVIEW PROCEDURES**

To ensure the risk management framework remains fit for purpose, we continually seek to review and improve our risk management methodology and embrace new initiatives and industry practices that suit the needs of our Council. We adapt to our changing operating environment and economic conditions and have a risk framework with sufficient flexibility to cope with these changes.

We aim to improvise, innovate and experiment in addressing challenges and exploiting opportunities learning from both success and failure, which strengthens the Council and its dependent networks. Members of the Risk and Insurance Team have the necessary skills, professional knowledge and relevant qualifications in their field and are members of external risk forums, working groups and related risk education and learning industry groups.

Risk skills and knowledge from these are fed back into our day-to-day practices at Slough Borough Council to ensure we are at the forefront of enterprise risk management. The risk management policy & strategy, guidance and associated tools are regularly reviewed to

ensure the impact of new legislation, government guidance or internal changes in practice are captured and reflected. Risk management is subject to the Councils internal audit practices and as such, is audited in line with the timetabling set by the Internal Audit Plan. Any recommendations arising from audit activity is channelled back through our annual work plans to ensure they are addressed.

## 16 EVALUATING SUCCESS

In order to determine whether the risk strategy has delivered its anticipated benefits the following measures will be developed and monitored to assess the success of the strategy.

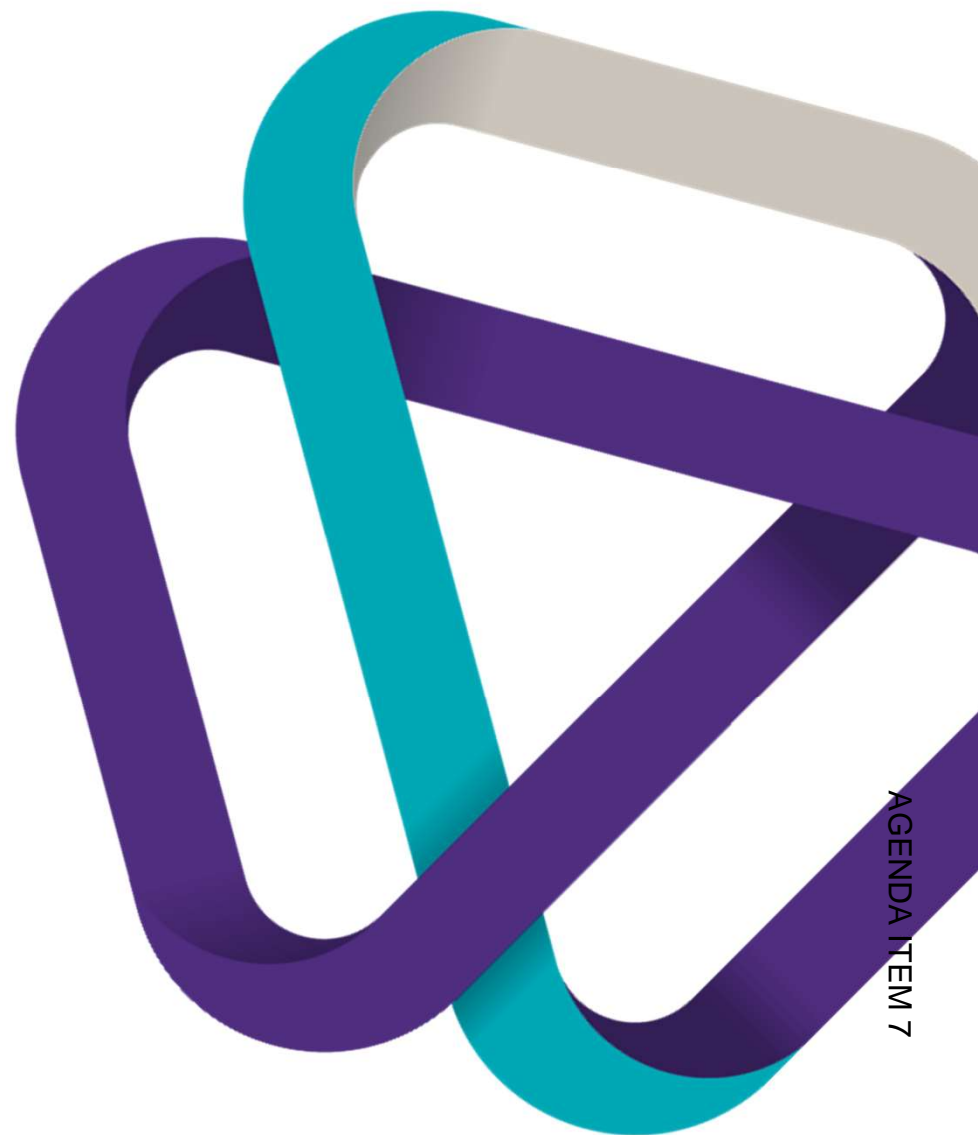
Expected Benefit	Measure
Effective decision making through better understanding of risk exposures	Improved current risk ratings / reduction in level of risk exposure across the Council Documented evidence of 'risk consideration' in approvals of strategic decisions e.g., Recovery and Improvement Plan, business plans, project plans etc.
Effective use of the Councils' resources to deliver outcomes for residents	Improved risk reporting / decision making (e.g., hours saved by risk function, number of risk related advice information requested)
Compliance with legal and regulatory requirements	Reduction in number of breaches and size of penalties / fines Reduction in number of exemptions
Improved confidence and proactivity to manage risk	Positive stakeholder feedback Improved ratings from internal and external audits e.g., Scrutiny, External Audit, Internal Audit
Capitalising on opportunities	Increased number of opportunities recognised and realised Costs saved / profit made through successful opportunities
Increased organisational risk maturity	Improving risk maturity score against ERM maturity model
Confidence and trust of stakeholders	Positive stakeholder feedback through risk surveys
Accountability for risk	All risks and treatments with named owners  % of 'active' risks with mitigating activities taking place
Enhancement of the Councils' reputation	Number of external audit findings addressed in a timely manner and meeting / exceeding customer expectations

# Slough Borough Council

Audit of Accounts 2018/19

October 2023

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# Accounts production issues

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## Summary

Local authorities have a duty under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs and appoint a s151 officer, also known as a Chief Financial Officer (CFO), to be responsible for those arrangements. The requirements are amplified in the Accounts and Audit Regulations 2015, which included provisions in relation to the content and timing of an annual statement of accounts, along with the requirements for the audit of the financial statements.

Grant Thornton was appointed as auditors of Slough Borough Council from 2018/19 onwards. The previous auditors, BDO, had reported on significant issues in the quality of accounts production in earlier years, but the scale of the issues in 2018/19 represents an unprecedented failure in the Council's financial arrangements. While a draft Statement of Accounts was produced in June 2019, numerous difficulties were encountered in the early stages of the audit work and officers had to produce a new draft statement of accounts as well as deal with a large volume of queries. There were then a large number of staff changes within the finance team, and a new interim team was put in place in the spring of 2021. Despite the extensive efforts of this new team, we were unable to issue an opinion on the 2018/19 accounts until Summer 2023, and that opinion was in the form of a 'disclaimer', meaning that we had been unable to obtain sufficient evidence to support the information in the accounts, at a pervasive level. The difficulties in the audit also led to a very significant increase in audit fees, with actual fees for 2018/19 estimated in the region of £825,000 compared with a PSAA scale fee of £98,193.

These problems have been occurring alongside other failings in the way the Council was being managed, including in its overall financial management, and this led to the Secretary of State for Levelling Up, Housing and Communities commissioning an external assurance review in June 2021 and appointing commissioners in December 2021. The interim s151 officer also issued a 'section 114' report in July 2021 to draw attention to his view that the Council did not have the resources available to meet its expenditure commitments and, as a consequence, put in place strict spending controls.

While the Council's wider financial issues and concerns with its overall management have been widely reported in the public domain, we believe it is important to also highlight the problems with the accounts production processes, so that not only Slough but also other authorities can be clear on the lessons to be learned.

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# Accounts production issues continued

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From our work, we have not identified one dominant causal factor: rather, the problems were caused by a range of issues, some of which were linked to the wider problems in the Council and others which were more specific to the finance function. Taken together, these issues confirm that there were inadequate arrangements in place for the proper administration of the Council's financial affairs and the section 151 officer had not met the statutory requirements placed on him to put such arrangements in place. The key factors were:

- Finance team structure and resources: successive restructurings over a number of years had greatly reduced the size of the corporate finance team, at a time when the demands on it were increasing due to the increase in more complex accounting transactions as the Council undertook major property transactions and increased its interests in other organisations such as the Slough Urban Renewal joint venture.
- Use of interims: flowing from the reduced in-house capacity, the corporate finance function was over-reliant on interim staff for the accounts production and audit processes and arrangements for supervision and handover were poor overall.
- Accounting processes and systems: various aspects of the way accounting systems and processes were set up led to increased complexities in the accounts production process and in demonstrating the audit trails.
- Poor quality or missing working papers: the external audit team and the interim finance team both had significant difficulties caused by inadequate or missing working papers.
- The 'Big Red Button': the Council implemented CIPFA's accounts compilation tool for the 2017/18 accounts and used it again in 2018/19, but because of the underlying issues at the Council, it did not work effectively and contributed to the problem of inadequate audit trails.
- Covid-19: the initial delays to the accounts process meant that the remote working as a result of the pandemic became a further hindrance.
- Context and culture: the finance function was not valued within the wider organisation leading to practical issues as well as affecting the morale of finance staff
- Our futures: the Council-wide transformation programme led to a further deterioration in morale and loss of capacity and expertise in the corporate finance team.

In carrying out our audit work, there has been a heightened level of professional scepticism that errors identified and difficulties in following audit trails could be as a result of attempts to deliberately manipulate the Council's reported financial position, given the increasing pressures it was under. Indeed, the scale and nature of adjustments identified as a result of both the audit, and the subsequent work by the new finance team preparing the revised financial statements, showed that the original draft accounts gave a significant favourable misstatement of the Council's reported financial position. There was, however, no evidence from our work that these misstatements amounted to fraudulent manipulation, although the control weaknesses already reported in the Audit Findings Report heighten the risk. It is worth noting that the most significant financial issue in the accounts over the past few years relates to the incorrect accounting for the Minimum Revenue Provision which was analysed in great detail in the July 2021 section 114 report. This report was clear that the prior year accounts had been misstated but this was not a cash loss but an accounting one- effectively deferring revenue implications of borrowing to later years. Whilst the control deficiencies in place during this period undoubtedly increased the risk of misappropriation of assets, this cannot be established with any certainty unless the Council was to commission an independent forensics review. The weaknesses in the control environment have meant that the 2018/19 audit opinion will be disclaimed which is extremely rare in local government.

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# Background

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Local authorities have a duty under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs and appoint a s151 officer, also known as a Chief Financial Officer (CFO), to be responsible for those arrangements. The requirements are amplified in the Accounts and Audit Regulations 2015, which included provisions in relation to the content and timing of an annual statement of accounts, along with the requirements for the audit of the financial statements.

Grant Thornton was appointed as auditors of Slough Borough Council from 2018/19 onwards. The previous auditors, BDO, had reported on significant issues in the quality of accounts production in earlier years and the 2017/18 opinion was not given until November 2018, following a large number of audit adjustments.

Our audit commenced in July 2019, when the Council first produced its first draft statement of accounts. Unfortunately, we quickly identified a number of significant matters in the draft accounts and Council officers were unable to provide us with appropriate evidence to support the accounting entries. Little progress was made over the following months. In March 2020, at a meeting between Grant Thornton and the Council's Chief Executive and S151 officer, it was agreed that the Council would produce a revised set of accounts supported by appropriate working papers and Grant Thornton would provide an experienced team to audit these revised accounts between May and September 2020.

In the event, some progress was made and we issued an Interim Audit findings Report to the Audit and Corporate Governance Committee in August 2020 which set out our findings at that stage and highlighted a wide range of areas where work had not been completed as information and evidence was awaited, including journals, debtors and creditors, group accounts and building floor areas.

There were also some significant changes in the personnel involved, with both the Deputy s151 officer and an interim who had been coordinating the revision of the Statement of Accounts leaving around September 2020. Interim officers struggled to process the necessary audit adjustments in September 2020, as a result of difficulties in the Big Red Button software and inexperienced staff within the finance team to prepare the required adjustments. Consequently, the September 2020 audit committee was cancelled.

The Council recruited a replacement interim accountant in late August 2020, The Council's Audit Committee was informed at its December 2020 meeting that the only significant outstanding issue with the 2018/19 accounts was the production of group accounts, consolidating the Council's interests in other entities such as Slough Urban Renewal, and the receipt of assurances from the Berkshire Pension Fund auditor. This was not the case, however, with the replacement interim quickly agreeing with the audit team that a wide range of queries was still outstanding.

Throughout this period, issues had been emerging with the Council's overall financial position. In early 2021, the Council began discussions with the Department for Levelling Up, Housing and Communities with a view to obtaining a 'Capitalisation Direction' which would have enabled it to treat revenue expenditure of £10-£14m as capital, and thus fund it by borrowing. During these discussions, the consultant who was then coordinating the accounts production process identified a further major issue which related to the way that purported income from Slough Urban Renewal had been accounted for, and this worsened the Council's overall financial position by £7m. The s151 officer left the Council shortly after and a new interim finance team was brought in, bringing considerable financial expertise and experience of working with or for other local authorities in the sector. The team was responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of financial statements for 2018/19. The interim s151 officer quickly moved to issue a 'section 114' notice on 2 July 2021, informing the Council that in his view it was in a very serious financial position, with its expenditure exceeding the resources available to it. We issued Statutory Recommendations to the Council in May 2021 in relation to its accounts production processes, level of reserves and overall financial governance.

As a result of the deteriorating financial position, the Secretary of State, on 30 June 2021, announced an external assurance review of the Council's financial position and its wider governance arrangements, resulting in several recommendations being raised and the appointment of Commissioners in December 2021.

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# Background continued

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During their review, the new finance team identified further financial accounting and record keeping issues at the Council, leading to a need for a substantial re-write of the original 2018/19 draft accounts. The revised draft accounts produced in June 2022 included 16 Prior Period Adjustments, revised core statements, revised accounting policies, presentation and disclosure of notes.

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We agreed to recommence the audit of the revised accounts in July 2022, based on the revised set of accounts produced by the new finance team in June 2022. As a result of the scale and number of misstatements and amendments to the 18/19 draft accounts, we revisited our planning and risk assessment and re-issued an updated Audit Plan on 29 September 2022 to the Audit & Corporate Governance Committee, setting out a lower level of materiality and highlighting additional areas of risk, with 13 significant risks now identified in all.

We reported the findings from our audit of the revised accounts to the Audit and Corporate Governance Committee on 22 February 2023. Our 'Audit Findings Report' set out the wide range of issues identified during the audit, both by the audit team and through the new finance team's own review. The AFR thus sets out what went wrong, but this report now seeks to answer the question of why it went wrong.

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# Work done

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In seeking to understand why the Council's original draft accounts were inadequate and not supported by evidence, and why it then took so long for matters to be resolved, we have carried out a wide-ranging review of existing documentation produced by Council officers, Commissioners and the current and previous external audit teams. We carried out a range of interviews of former Council staff and interims who were involved at the time of the original accounts production process and the subsequent revisions, as well as of the interim corporate finance team, led by Steven Mair, who were brought in to help tackle both the accounting issues and the wider financial problems. We would like to express our gratitude to all the interviewees for their time and assistance.

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# Finance team structure and resources

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It is very clear that the level of resource within the corporate finance team and how it was structured was not fit-for-purpose in producing the 2018/19 accounts. This was as a result of successive restructurings over a number of years, which we were told had more than halved the size of the corporate finance function. We recognize, however, that many authorities reduced the size of many of their corporate teams over this period due to financial pressures and have managed to do so without the major impact experienced in Slough.

Prior to a restructuring in 2017, the Council had a 'financial controller' role. However, the postholder was given a deputy s151 officer role with much wider responsibilities, and there was no explicit backfilling of his previous role. It appears that it was this decision which led to the need to use interim consultants to co-ordinate the accounts production processes.

Later, when members of the corporate finance team expressed concern about resourcing, the s151 and his deputy sought to address this, but by this time, no restructuring was being permitted because of the impending Council-wide re-organisation (see below under culture and context). Even prior to this, a paper prepared by the Assistant Director in November 2018 following issues with the 2017/18 audit had identified a clear need to increase resourcing, but nothing had been done.

During the relevant period, the complexity of the Council's accounts increased significantly, with increased involvement in other entities (such as the Slough Urban Renewal joint venture and two housing companies) and an increased number of complex one-off transactions related to the strategic acquisitions. It appears that there was no increase in the resources of the corporate finance team in order to reflect this increased complexity, although some additional consultancy support was obtained to address particular issues (such as with regards to the Children's Trust).

The finance team also appears to have lacked technical knowledge in a number of areas. Heavy reliance had to be placed on the capital accountant in relation to capital transactions and treasury management, as none of the rest of the corporate finance team had technical knowledge of this area, and the more senior officers lacked sufficient knowledge to challenge. In practice, heavy reliance appears to have been placed on the capital accountant and on the Council's external Treasury Management advisors.

The section 151 officer took up his post in 2017 following a period of instability in that role. As would be expected in that role, he had to rely heavily on those below him to oversee the accounts and audit process. However, he appears to have too readily accepted the assurances he was given that things were progressing, until later in the process when it was very clear that things had not progressed as they should. In mitigation, he was dealing with a range of difficult issues throughout this time, including those relating to the finances of the Children's Trust, the Council's deteriorating financial position and an acrimonious legal dispute. However, as section 151 officer, he had a statutory responsibility to have adequate arrangements in place for producing the accounts; adequate arrangements were not in place and the s151 officer remained unaware of this for too long.

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# Use of Interims

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One specific consequence of the wider issues within the finance team resources was the reliance on interim staff (or consultants) to assist with the accounts production process. The Council used a succession of such interims and the way they were used was a significant factor in the accounts production issues.

One such consultant was used to manage the production of the 2017/18 accounts and was therefore heavily involved in the implementation of the 'Big Red Button' software which was first used that year. He also carried out extensive work on the Council's asset register, which had been flagged by BDO as having major issues.

On his departure in March 2019, there was no effective handover to the next consultant who was brought in; nor was there any 'debrief' from his work to any of the permanent corporate finance team, leaving them with major difficulties on the cusp of the 2018/19-year end. This had a major impact because of his involvement with the 'Big Red Button' and also his review of the asset register' leaving the capital accountant to progress this without being briefed on what had been done and having been sidelined during the process.

The second consultant, who started in April 2019, was brought in with a different brief, which involved being less 'hands-on' with the accounts production process and focusing on overall co-ordination and managing the relationship with the Grant Thornton audit team. In reality, it was difficult for him to avoid a more hands-on role at times, because no-one else had the time to do so. However, as he had stressed when being recruited, he did not have the skills to be involved in the detail of accounts production. He sought to involve the deputy s151 where necessary but reported that this was difficult due to the other pressures on the Deputy's time.

Another consultant, with more technical expertise, was brought in from late August 2020, and the previous one left in September after a short overlap. The new consultant was told that his task was to lead the production of the 2019/20 accounts as 2018/19 was complete, but in reality, this was far from the truth and much of his time was spent on 2018/19. It was this consultant who, in March 2021, identified the issues with accounting for income from Slough Urban Renewal, correction of which led to a £7m worsening of the Council's overall financial position.

Overall, the Council's reliance on external consultants to lead or co-ordinate its accounts production processes was a risky strategy which proved unsuccessful. While other authorities have successfully used consultants in this role, it requires recruitment of consultants with the right skills and a clearly defined role, who are effectively managed and transfer knowledge to permanent staff or their successors at the end of their assignments. This did not happen in Slough, with ineffective handovers, a questionable recruitment decision in one case (in terms of the skills sought), lack of clarity of the role, inadequate supervision and in some cases poor relationships with permanent staff.

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# Accounting processes and systems

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The amount of work for any authority in producing its Statement of Accounts is intrinsically linked to how well its accounting systems are set up. While we recognise that accounting systems need to be configured to be used as a tool for internal reporting as well as for the production of the Statement of Accounts, a properly set-up financial system, supported by effective reconciliations, should minimize the extent of manual interventions needed to produce the Statement of Accounts, as well as being capable of producing a clear trail to support the figures within the Statement. Slough used the Agresso accounting system, which it implemented in 2016.

From our interviews and review of documentation, it is clear that the way systems were set up in Slough made the production of the Statement of Accounts an unusually onerous task. Factors that were highlighted to us were:

- The extensive reporting facilities within the Agresso system appear not to have been well understood by officers preparing the accounts. This led to widespread use of spreadsheets and pivot tables for reporting, taking additional time and introducing more scope for errors and difficulties in providing an audit trail.
- Issues with the way hierarchies were built and codes were mapped when Agresso was set up also led to an increased need for manual adjustments between the ledger and the accounts and was one of the contributory factors in the difficulties with the 'Big Red Button' software (see below).
- It is clear from the review of audit findings reports as well as from our interviews that overcomplexity in the way areas such as debtors and creditors and bank/cash were set up on Agresso led to significant extra work, and particularly to a need for very complex and time-consuming reconciliations to be produced throughout the year, a task which fell on the same team responsible for production of the Statement of Accounts. One specific issue was the large number of bank accounts which the Council had, which were not matched with individual ledger accounts for each, further complicating the reconciliation process.
- Where councils have set up their own companies, it is not uncommon for the accounting records for these companies to use the council's accounting system. However, it is vital that where this occurs, it is easy to separate out the transactions of the company from those of the council, and this is usually done by setting up a separate ledger within the system. With the exception of the Children's Trust, this was not done in Slough, with company transactions sitting within the main Council ledger, and additional work therefore being required to separate these transactions out in order to produce the accounts. We were not able to ascertain why it had been set up in this way.
- Various interviewees outlined the difficulties caused by the way the Council processed audit adjustments within the ledger. This was a significant issue because of the number of adjustments identified during successive audits. Rather than processing adjustments in the year to which they related, the Council used a 'period 0' in the next financial year. This meant that it was difficult to establish a clean distinction between years, with confirmed opening balances.
- One major delay in the audit process was caused by the poor audit trail for journal transactions, with journals being an area of significant risk for auditors because of the scope for them to be used to override normal accounting controls. For a significant number of journal transactions, the Council was unable to demonstrate to the audit team who had input the journal to the system and/or how it had been authorised. Work by the new interim finance team identified that the problem lay with 'spreadsheet journals' where the system allowed a user-produced spreadsheet to be uploaded in order to create journal transactions.



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# Accounting processes and systems continued

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- When Agresso was implemented, a large number of balances from the old system were transferred into Agresso without any understanding of their validity and were then rolled forward from year to year. This clearly increased the complexity of closedown processes as well as representing a financial risk to the Council in carrying forward 'unresolved' balances. One example of the latter is that the new finance team had to write off a debtor balance of £4.8m which had been rolled forward when Agresso was implemented and had had no movements since and could not be linked to any amounts actually known to be owing to the Council.
- Historically, there were a number of Issues with the asset management system in use at Slough. The Council had decided when upgrading its ledger to Agresso in 2016 not to implement the Agresso asset management module, which would have permitted a seamless interface with the general ledger. They continued to use CIPFA Asset Manager, which is a well-regarded tool. However, it was not well set up at Slough, for example with different components of the same asset recorded in different asset categories, and not as it maintained adequately, so information was in some cases out of date. During 2017/18, an interim carried out a detailed review of the asset management system, making significant changes as a result. However, he did not involve the permanent capital accountant in this process, meaning that when the consultant left, and in the absence of proper handover arrangements, the capital accountant was left with major difficulties in understanding what had been done. As well as presenting practical difficulties for him, this was reported by others as having greatly demoralized him. The Council uses a number of external valuation experts to support its valuations of property assets, and whilst our work did not identify any concerns with those services provided, data supplied by the Council to inform this work was highlighted to contain errors and incorrect assumptions in some cases.

All of the above issues were in the context of an inadequate control environment, with delays in implementing Internal Audit recommendations and recurrent 'limited assurance' ratings from Internal Audit on key financial systems.

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# Working papers

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Both the external audit team and the new interim finance team had difficulties using the supplied working papers to identify the make-up of transactions and balances: some working papers were of a poor standard while others simply could not be located. Having a set of properly referenced working papers which link the figures in the accounts back to supporting information is crucial to a successful accounts and audit process.

In terms of the quality of the working papers, one of the main issues was that the figures being supported were, in many cases, not the same figures as those which appeared in the draft accounts. This was ascribed to the number of changes which were made to the figures in the draft accounts outside the ledger, resulting from difficulties in extracting information from the ledger system and the mapping issues arising from the way the ledger had been set up when it was implemented.

There were no arrangements in place for working papers to be reviewed for quality control purposes. While the interims who were coordinating the accounts process had sight of some of the working papers, they did not formally review them, and no records were kept of any review. We were told that plans had been discussed for 'peer review' of working papers but that these plans had not come to fruition because of the lack of time and resource to undertake such reviews.

In theory, there was a central repository for working papers on a shared drive. While this was used extensively by at least one of the main accounts' preparers, many other working papers were stored elsewhere, including on personal drives. There was also no naming convention in place, which added to the difficulties of finding the appropriate working paper to support a balance as it was not clear what the purpose of each working paper was. Where the shared drive was used, this was mitigated to some extent by creating folders within the drive for different areas of the accounts.

In addition to working papers to show the source of figures used in the accounts, a key area of accounts preparation is recording judgements that have been made in applying accounting standards. Working papers supporting such judgements were largely absent and had to be prepared following audit requests later in the process. Examples include reviewing income streams in relation to the application of IFRS15, and a review of the group boundary to establish which entities should be included in group accounts.

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# The ‘Big Red Button’

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The ‘Big Red Button’ (BRB - more formally Accounts Closedown Solution) is a software tool produced by the Chartered Institute of Public Finance and Accountancy to assist local authorities with producing their statement of accounts. In essence it is intended to be an automated process which takes information straight from the Council’s ledger and re-presents it in the format required for the Statement of Accounts. Having seen a demonstration of the BRB at a conference, the s151 officer decided to use it to help overcome the issues which the Council had had in producing its accounts in previous years, and it was first used in the production of the 2017/18 accounts.

It was not a success in the context of Slough. The software can require a considerable amount of work ‘up front’ in relation to mapping of codes and data cleansing, and, even with support from CIPFA, the Council did not have the resources to undertake this work effectively. Many of the issues with systems and processes outlined above mitigated against successful use of the BRB, whereas there was an expectation that the BRB could itself circumvent these issues. In practice, the BRB in some cases added to difficulties around audit trails, with officers needing to obtain additional help from CIPFA to be able to provide the audit team with a breakdown of some balances and transactions.

There were also difficulties arising in 2018/19 from the fact that the main individual who had worked on the Council’s behalf with CIPFA to implement BRB was himself an interim, and he left the Council without proper handover or knowledge transfer in March 2019, just before the 2018/19-year end. The permanent finance team then struggled to use BRB due to their unfamiliarity with it and that they had no ‘ownership’ of it and viewed it as something which had been ‘done to them’.

The use of the BRB tool has since been removed by the Council and is no longer used in supporting its preparation of accounts for subsequent years.

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# Impact of Covid-19

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If the Council had produced an adequate Statement of Accounts and supporting working papers for 2018/19 in line with the statutory timetable, the Covid pandemic would not have been an issue for that year's accounts, as the audit opinion would have been given more than six months before the start of the pandemic. However, the initial delays with the audit, which stemmed from the poor evidence to support the Statement of Accounts, meant that little progress had been made by the start of the pandemic in Spring 2020.

The Council was then not well-prepared for the remote working required by successive lockdowns, which meant that slower progress was made in resolving issues on the accounts.

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# Context and culture

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While the above causes focus on the finance department and the corporate finance team in particular, wider events within the Council also had a significant impact.

During the relevant period, the Council had an ambitious political leadership which was very focused on the economic development of the Borough and undertook a range of projects which involved the Council acquiring interests in 'bricks and mortar' to facilitate this. The extent of the borrowing required to support these 'strategic acquisitions' was a key factor in the rapid deterioration of the Council's financial position. These various projects also had a more subtle impact on the finance team, who told us that they (including the capital accountant) were not involved in them until 'after the event' when decisions had already been taken, and who felt that they were seen as adding no value and as potential 'blockers' to the projects.

In a similar vein, during this period, the Council set up a number of companies and a joint venture. As noted above, this also increased the complexity of accounting transactions, including the need to prepare group accounts. However, the corporate finance team did not have ready access to these companies, again presenting practical difficulties as well as reinforcing the sense that the finance team were marginalised.

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# ‘Our futures’ transformation

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In 2019/20, the Council was planning a major transformation programme, Our Futures, which involved a new customer-centric operating model and a complete restructuring of staffing resources to support the model. The programme was led by the Chief Executive, with significant external consultancy support. The Commissioners, in their June 2022 report, said that the programme ‘was totally unfit for purpose and resulted in the speedy destruction of officer capacity and competence with many remaining individuals now in posts they had no experience in and whole teams being made redundant which were essential to delivery of statutory services.’

The way the restructuring was carried out and the proposed new structure for the finance team both had a significant impact on the progress of the 2018/19 accounts and audit:

- Morale suffered because members of the finance team felt they were not properly consulted on the new way of working or staffing structure.
- Individuals who raised concerns about the proposed new structure felt that they were not listened to and in at least one case intimidated.
- The proposed new structure for finance appeared not to include any posts with responsibility for compiling the Statement of Accounts. Not only was this impractical, but it also added to the low morale of those involved in the process up to that point as they felt that their roles were not valued and meant they were particularly at risk during the restructuring as there were no similar roles for which they could apply.

Ultimately, the restructuring was a significant contributory factor in the departures of key individuals involved in the compilation of the Statement of Accounts, with consequent loss of ‘corporate memory’, at a critical time in the attempts to make progress with the accounts for 2018/19. It meant that the new interim finance team had to spend considerable additional time and energy in trying to reconstruct and gain an understanding of information.

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# The way ahead

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While this report identifies a range of issues which contributed to the difficulties with the accounts production and audit for 2018/19, which have had a significant impact on subsequent years, we are not making any new recommendations at this stage. We have previously made statutory recommendations which are relevant to these issues, and the interim finance team have already taken significant actions which are now being built on by the new permanent team. We nevertheless believe it is appropriate for us to issue this report to ensure that officers and members have further insight into what went wrong.

The Council's current permanent Section 151 officer is putting a detailed action plan into place to address these and other weaknesses in financial controls and structures which was presented to the Council's Cabinet in September 2023. Robust implementation of this plan should help address the historic weaknesses identified in this report and so it is critically important that the implementation of the plan is owned and driven, with the support of all senior officers and members across the Council.





**AUDIT AND CORPORATE GOVERNANCE COMMITTEE**  
**2023/24 WORK PROGRAMME**

Meeting Date
17 January 2024
<ul style="list-style-type: none"><li>• Risk Management Update - Q3 2023/24</li><li>• Minimum Revenue Report update up to 23/24</li><li>• Treasury Management Outturn 2022/23</li><li>• Treasury Management Quarter 1 2023/24</li><li>• Treasury Management Strategy 24/25</li></ul>
20 March 2024
<p>Standing Items</p> <ul style="list-style-type: none"><li>• Internal Audit Quarterly Progress Report - Q4 2023/24</li><li>• Risk Management Update – Q4 2023/24</li></ul> <p>Other Items</p> <ul style="list-style-type: none"><li>• Annual Internal Audit Plan 2024/25</li><li>• Counter Fraud Policy Approval</li><li>• External Audit Fee Letter</li></ul>

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**MEMBERS' ATTENDANCE RECORD 2023/24**

**AUDIT AND CORPORATE GOVERNANCE COMMITTEE**

<b>COUNCILLOR</b>	<b>19/07/23</b>	<b>13/09/23</b>	<b>22/11/23</b>	<b>17/01/24</b>	<b>20/03/24</b>
E.Ahmed	P	P			
Akram	P* (until 6.48pm)	P* (until 8.50pm)			
Anderson	Ap	P* (until 8.52pm)			
O'Kelly	P	P			
Rana	P	P			
W.Sabah	P* (until 6.48pm)	P* (until 8.50pm)			
Shaik	P	P			
Zarait	Ap	Ap			
<b>CO-OPTED INDEPENDENT MEMBER</b>					
Naira Bukhari	Ap	P			

P = Present for whole meeting  
Ap = Apologies given

P\* = Present for part of meeting  
Ab = Absent, no apologies given

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