

Date of issue: Tuesday, 12 March 2024

<b>MEETING:</b>	<b>AUDIT AND CORPORATE GOVERNANCE COMMITTEE</b> (Councillors O'Kelly (Chair), Akram (Vice Chair), E. Ahmed, Anderson, Rana, W. Sabah, Shaik and Zarait)  <b>CO-OPTED INDEPENDENT MEMBERS:</b> Naira Bukhari, Tony Haines, Rupa Sidpara and Jen Simpson
<b>DATE AND TIME:</b>	WEDNESDAY, 20TH MARCH, 2024 AT <b>6.45 PM</b>
<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**

<b><u>AGENDA ITEM</u></b>	<b><u>REPORT TITLE</u></b>	<b><u>PAGE</u></b>	<b><u>WARD</u></b>
	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.*

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
2.	Minutes of the Meetings held on 17th January 2024 and 29th February 2024	1 - 8	-
3.	Action Progress Report	9 - 10	-
4.	Slough Children First Governance Review - Update on Progress	11 - 36	All
5.	Update on Annual Governance Statement and Code for Corporate Governance	To Follow	All
6.	Update on Internal Audit	37 - 72	All
7.	Risk Management Update	73 - 132	All
8.	Treasury Management Report: April to September 2023/24	133 - 152	All
9.	Reporting and Audit of Backlog Statements of Accounts 2019/20 to 2022/23	153 - 158	All
10.	Members Attendance Record	159 - 160	-

#### **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.

**Webcasting and recording:** The public part of the meeting will be filmed by the Council for live and/or subsequent broadcast on the Council's website. The footage will remain on our website for 12 months. A copy of the recording will also be retained in accordance with the Council's data retention policy. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

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.

**Emergency procedures:** The fire alarm is a continuous siren. If the alarm sounds immediately vacate the premises by the nearest available exit at either the front or rear of the Chamber and proceed to the assembly point: The pavement of the service road outside of Westminster House, 31 Windsor Road.

**Audit and Corporate Governance Committee – Meeting held on Wednesday, 17th January, 2024.**

**Present:-** Councillors O’Kelly (Chair), Akram (Vice-Chair), Anderson, Rana (from 6.34pm), W. Sabah, Shaik and Zarait.

**Co-Opted Members:-** Naira Bukhari (from 7.15pm), Tony Haines, Rupa Sidpara and Jen Simpson.

**Also present under Rule 30:-** Councillors Mohindra and Muvvala

**Apologies for Absence:-** Councillor E. Ahmed

**PART 1**

**36. 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.

Co-opted Member Rupa Sidpara declared that she was Vice-Chair of Governors at St Mary’s Church of England Primary School. She stayed and participated in the meeting.

**37. Minutes of the Last Meeting held on 22 November 2023**

**Resolved** - That the minutes of the meeting held on 22<sup>nd</sup> November 2023 be approved as a correct record.

**38. Action Progress Report**

It was noted that the update on outstanding IT actions, as set out in the action progress report, would be re-scheduled to discuss at the extraordinary meeting.

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

**39. Update on Internal Audit**

The Committee considered details of the internal audit progress report. The Internal Audit Manager summarised progress on the implementation of internal audit reports and actions for 2021/22, and 2022/23, progress on recruitment to the Internal Audit Team and the Risk and Insurance Team and highlighted details of a revised Internal Audit Plan for the remainder of 2023/24 together with an initial proposal for the 2024/25 Internal Audit Plan.

A Member asked what challenges there were in audits being carried out, specifically in obtaining necessary documentation and information required.

The Internal Audit Manager explained that practices varied in directorates but generally, high turnover of staff and lack of organisational knowledge contributed to whether audits were being conducted and finalised in a timely manner.

Speaking under Rule 30, Councillor Mohindra raised a number of points. Referring to outstanding high risk relating to council tax debt, it was asked what was the amount of debt that would be written off and what controls and measures would be put in place to recoup the debt. The Executive Director, Finance and Commercial stated that a written answer would be provided regarding the amount of council tax debt written off and that future risk management reports would also include this information. Councillor Mohindra also raised the issue of duplication of creditors, noting that almost a third were duplicated during 22/23. It was explained that system changes were being implemented, with a report being run at the end of every month to identify and address any duplicate suppliers.

Referring to Commissioner comments within the report, a Member asked how testing was undertaken in providing an opinion as to whether actions had been completed. The Internal Audit Manager explained that evidence from officers, including documenting and evidencing that actions had been by completed, was a prerequisite in marking actions as done - verbal assurances were not accepted and all actions required a written evidence trail from the action owner.

### **Resolved -**

- That the amended Internal Audit Plan for 2023/24 at Appendix C of the report be approved;
- That details of the draft Internal Audit Plan for 2024/25 be noted and to note that the Internal Audit Plan would be brought back to Committee in March 2024 for approval;
- That the progress update in relation to outstanding internal audit actions be noted.

## **40. Treasury Management Outturn 2022/23**

Members received a report on the Treasury Management Outturn position for 2022/23. The report set out details of treasury activities of the Council during the financial year 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023, its borrowings, investments and cash balances; demonstrating the Council's compliance to the approved Treasury Management Strategy, policies and its overall recovery vision. It was noted that the approach to returning to a financially sustainable footing, principally meant reducing debt by disposing of assets.

The key risks for future investment activity were highlighted as asset sales either not generating the expected receipts or being delayed. The mitigation was using external consultants to ensure best consideration was achieved through a managed asset disposal plan.

Interest rates rising and therefore increased borrowing costs was also raised as a risk. It was brought to the Committee's attention that although the temporary borrowing portfolio was at risk of interest rate rises, this could be mitigated by locking into Public Works Loan Board borrowing and shifting the focus away from temporary borrowing.

It was stated that Treasury Management Outturn reports would be provided to the Committee on an annual basis to ensure that there was Member oversight to assess the performance of any investment programme and associated risks.

**Resolved -**

1. That the Treasury Management Outturn Report at Appendix 1 be noted.
2. That the report be referred to Cabinet for noting as part of the Council's budget setting process.

**41. Treasury Management Quarter 1 2023/24**

The Head of Treasury set out the Council's Treasury Management position for Quarter 1 of 2023-24. As of 30<sup>th</sup> June 2023, the Council had net borrowing of £433m arising from its revenue and capital income and expenditure. The Council had pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

A Member commented that net borrowing was currently at £433m and asked how the Council would reduce this down to the national average of £350m. It was stated that this would primarily be achieved via the asset disposal programme. It was noted that although the risk associated with short term borrowing had been eliminated; completion of asset disposals and volatility in interest rates remained the biggest risks to the overall treasury management strategy. Following a Member request, it was agreed that maturity dates for loans from the Public Works Loan Board would be included in future reports.

**Resolved** - That the Treasury Management Report Q1 2023-24, at Appendix 1, be noted.

**42. Proposed Audit Fees**

The Executive Director, Finance and Commercial introduced the report, setting out details of the increase of price for audit fees as set by the Public Sector Audit Appointments (PSAA) scheme. PSAA was the body responsible for appointing an external auditor and setting scales of fees for relevant principal authorities that had chosen to opt into its national scheme. Slough was one of 532 public sector organisations within the scheme.

It was explained that following a consultation by the PSAA in September 2023, audit fee costs would be calculated using the following formula:

## **Audit and Corporate Governance Committee - 17.01.24**

- the scale fee for the previous year (2022/23), as the starting point;
- adding in fees for any changes in the audit work now needed, replacing the need for fee variations where possible; and
- taking the total of the previous scale fee plus the additional work needed (a plus b) and applying the procurement adjustment of 151% for the new contract rates for audit firms

Concern was expressed with regard to the significant increase in fees and assurance sought whether value for money was being obtained. Members were informed that it was a statutory requirement to have external auditors and that the pressure was incorporated into the budget setting process within the draft budget presented to Cabinet in December 2023. Comment was made that additional work carried out for current and previous statements of account be used to inform the accounts going forward with a view to reduce the overall audit fee.

**Resolved** - That the increased audit fee from £98k in 2023/24 to £472k in 2024/25 be noted.

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

The Executive Director informed Members that a timetable was being put together which would inform the Committee's future work programme with regard to receiving the outstanding Statement of Accounts.

**Resolved** - That details of the work programme be noted.

### **44. Members Attendance Record**

**Resolved** - That details of the Members Attendance record be noted.

### **45. Date of Next Meeting - 20th March 2024**

The date of the next ordinary meeting was noted as 20<sup>th</sup> March 2024.

Members are also informed that there was likely to be an extraordinary meeting scheduled in February 2024 to consider the Treasury Management Strategy 24/25.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.55 pm)

## **Extraordinary Audit and Corporate Governance Committee – Meeting held on Thursday, 29th February, 2024.**

**Present:-** Councillors O'Kelly (Chair), Akram (Vice-Chair), E. Ahmed, Anderson, W. Sabah, Shaik and Zarait

**Co-opted Members:-** Naira Bukhari, Tony Haines, Rupa Sidpara and Jen Simpson

**Also present under Rule 30:-** Councillor Dhillon

**Apologies for Absence:-** Councillor Rana

### **PART 1**

#### **46. Declarations of Interest**

None were declared.

#### **47. Treasury Management Strategy 2024/25**

Prior to consideration of the report, the Committee received a short presentation on the key basic principles of a Treasury Management Strategy (TMS). Members were reminded that these were ensuring cash was effectively managed and funding of capital investment plans. Borrowing had to be affordable both in the short and long term and Slough in the past had borrowed at high levels which had had an adverse impact on the revenue position. As a result the current TMS focused on debt reduction strategy. It was noted that external advice had been sought from Arlingclose, the Council's treasury management advisors in reviewing the strategy.

In considering the TMS, a number of points were raised in the ensuing discussion, which included -

- A Member queried the figures that had been provided relating to total debt, with a total debt amount of £493.61m stated in the presentation which differed from the £470.5m referred to in Table 8 of the report. It was noted that correct figures would be sent to the Committee prior to the report being published for budget Council meeting on 7th March 2024.
- Clarification was sought that there was no borrowing to support the capital programme. The interim Finance Director (Corporate and Strategic) confirmed that there was no provisions for borrowing for capital projects and that any projects would be financed via grant funding and Section 106 receipts. In response to whether borrowing could be used to improve services, it was explained that recognising the position Slough was currently in – government intervention and capitalisation direction – the primary focus was to reduce the debt burden.

- The Committee sought confirmation as to the position on the Operational Boundary, and whether it had previously been exceeded. The Operational Boundary was the limit beyond which external debt was not expected to exceed. For 2023/24 the Operational Boundary, as approved by Council in March 2023 was £609m. However, the opening external debt, as at 1st April 2023 was £623.8m, which was higher than the forecast position of £604m when this year's TMS was approved, but falling to a forecast £533.7m by the end of this financial year.
- A Member asked whether there had been a breach of the authorised limit for external debt and was informed that the prescribed limit which external debt should not exceed, for 2023/24 was £638m and for 2022/23 was £793m. There has been no breach of this limit over the period.
- Details were requested about why circa £74m extra had been borrowed in the period between December 2023 to March 2024. The Committee were informed that this was refinancing existing debt and that it was crucial that more capital receipts were deposited.
- Members requested that future reports include comparison of TMS with other local authorities in a similar financial position to that of Slough.
- The Chair commented that the TMS was 'risk averse' and asked about the rationale for the approach being taken. The Executive Director outlined that this was a direct result of not yet being a financially sustainable authority. Interest rates and other economic factors were identified as factors that could potentially impact the TMS.
- A Member expressed concern that there was slippage in the asset disposal programme, given that it has been ahead of target in 2022/23, and requested the reasons for why this had happened and whether overall the asset disposal programme was ahead of or behind target. The Executive Director, Finance and Commercial stated that a written answer would be provided to the Committee.
- A Member asked what, if any, revenue budget implications there were based on the current debt reduction strategy. It was noted that a written reply would be circulated.
- Figures relating to forecast borrowing were clarified – noting that as at 31st December 2023, the Council held £428.9m of loans, but that would expect to be £502.4m at the year-end (a decrease of £88.1m from the position as at 31st March 2023, when the Council held £590.5 of loans).
- It was clarified that the 2023/24 Treasury Management Strategy assumed application of some £380m of capital receipts by the end of the year. However, that figure had reduced to a forecast £227.8m by the end of the year. A separate review of the assets disposal program was currently being undertaken. Further details regarding the Council's internal borrowing position and forecast would be circulated to the Committee.

Having considered the report, Members proposed that a further recommendation be added to the report to explicitly state that regular member



## **Audit and Corporate Governance Committee - 29.02.24**

training be provided to all members on treasury management and its context within the overall finance framework of the council.

At the conclusion of the discussion the Committee agreed to recommend the TMS to Council, subject to the receipt of the further information requested during the meeting.

### **Recommended to Council -**

- a. Approve the Treasury Management Strategy (TMS) for 2024/25 at Appendix 1 including:
  - i. the Annual Investment Strategy for 2024/25
  - ii. the Annual Borrowing Strategy for 2024/25
  - iii. Minimum Revenue Provision Policy Statement for 2024/25
  - iv. the Prudential Indicators for the period 2024/25 to 2026/27
  - v. the Capital Strategy for the 2024/25
- b. Approve that regular training be provided for all Members on Treasury Management and its context within the overall finance framework of the Council.

### **48. Date of Next Meeting - 20th March 2024**

The date of the next meeting was noted as 20<sup>th</sup> March 2024.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.42 pm)

This page is intentionally left blank

**SLOUGH BOROUGH COUNCIL**  
**AUDIT & CORPORATE GOVERNANCE COMMITTEE**  
**ACTION PROGRESS REPORT**

17<sup>th</sup> January 2024

<b>Minute reference</b>	<b>Agenda item and Action required</b>	<b>Lead Officer</b>	<b>Status / Comment</b>
38	<b>Action Progress Report</b> Update on outstanding IT Actions.	Internal Audit Manager	Outstanding IT actions are included with the Internal Audit Update report. The Head of Technology, ICT and Digital has been invited to attend the meeting to provide an update.
39	<b>Update on Internal Audit</b> Details relating to amount of council tax debt written off to be circulated and included in future Risk Management reports	Executive Director / Internal Audit Manager	Up to Q3 - 31.12.2023 we had written off £1,026,075.00. As at 01.03.2024 that amount had increased to £2,540,620.54.  This is significantly higher than previous years and relates to old debt previously identified for write-off, but never actioned.  This work to cleanse the older debt will continue into the new financial year.
41	<b>Treasury Management Q1 23/24</b> Maturity dates for PWLB loans to be included in future reports.	Executive Director, Finance & Commercial	Completed. Information will be included in future reports.

Page 9

29<sup>th</sup> February 2024 (Extraordinary)

47	<b>Treasury Management Strategy 24/25</b> Updated information to be circulated to Committee, in response to number of points raised, prior to report being published for budget Council meeting on 07.03.24.	Executive Director, Finance & Commercial	Completed. Information circulated 04.03.24
----	---	--	--

AGENDA ITEM 3

This page is intentionally left blank

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	20 March 2024
<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 – January 2024

### 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:

- (a) Review and comment on the progress made as set out in Appendix 1.
- (b) Agree that quarterly reporting to this committee will stop in 2024/25 and review of progress will be conducted within contract monitoring meetings.

#### 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.
- 1.2 Quarterly reporting to the Audit and Corporate Governance Committee has allowed for a transparent focus on the governance in place for SCF. Significant improvements have been made and it is proposed that review of progress can be undertaken at contract monitoring meetings, with any risks and issues included in standard reporting to this committee.

### 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 fifth update on SCF.
- 2.3 It is proposed that the formal quarterly reporting ceases for the 2024/25 municipal year to allow the committee to focus on other areas of governance. This is due to significant improvements being made and regular contract monitoring meetings being in place. These meetings happen at an operational and strategic level and an update of progress against the governance review and the Local Partnerships guidance in general will become a regular agenda item at these meetings.

### **Commissioner Review**

The Commissioners note the progress outlined in this report.

### **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 SCF exists and is governed under statutory direction of the DfE and there is an appointed DfE commissioner. There is therefore a parallel governance process to review the services delivered against the Ofsted framework. The DfE conduct regular progress reviews with the last one taking place in November 2023 and reporting to the Council in January 2024. This review noted the fundamental difference under the current leadership compared to previous ones in terms of partnership working, strategic commitment to improving children's welfare and grip on practice improvement. The culture and relationship between the Council and SCF is described as one of commitment to their shared duties.

- 3.4 The existence of a separate company and the Council being under the intervention of two separate Government departments brings complexity. However it is important to focus on the distinct purpose of each stakeholder and ensure that these add value and constructive challenge to secure service improvements and achieve best value. Progress has been made with defining the role of the distinct member bodies, with this committee focusing on risks and seeking assurance on governance, Cabinet focused on business planning, service improvement and financial sustainability and the Corporate Improvement Scrutiny Committee considering a focused piece of work on practice improvement. For the latter, the Chair has invited the DfE commissioner to meet him and the committee has considered the recently published CfGS guidance on the role of scrutiny in authorities under intervention and with an appointed DfE commissioner. There are plans in place for a new task and finish group focused on engagement with community and faith groups, which the DfE commissioner is supportive of.
- 3.5 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 ↓
<b>January 2024</b>	2 =	16 ↓	28 ↑

- 3.6 The two areas RAG rated red relate to external and internal audit. Several areas have moved from Amber to Green, whilst others remain Amber but progress has been made. The update relates to progress up to the end of January 2024 and more recent meetings have shown further progress in specific areas.
- 3.7 There are now regular contract monitoring meetings in place and these are agenda'ed and minuted. In the most recent contract monitoring meetings, there was good evidence of SCF officers having a better understanding of the contractual requirements and some high quality reports showing performance against the new contractual indicators. This is a significant improvement as in the past the meetings have sometimes been overly led by Council officers. It is critical that a continued focus and resource is provided to report appropriately to these meetings to avoid governance progress slipping back and that future reporting provides outcomes based evidence to demonstrate impact. This is important not least because the DfE has confirmed that the structure of a separate company should be recognised as the ongoing structure for improvement throughout the duration of the intervention.
- 3.8 Whilst there is still progress to be made in specific areas, the system of regular meetings and the existence of a formal framework to test progress against has resulted in a recommendation that ongoing review moves to business as usual as opposed to requiring stand alone reporting. This is testament to the work of SCF executive leadership team, the Council and independent NEDs and the Chair of the

Board. The SBC Assistant Director of Legal and Governance, who acts as the member representative (equivalent of a shareholder representative), has regular meetings with individual board members and there is a clear focus on ensuring systems are in place and governance is given appropriate priority, with an understanding that this is directly linked to service improvement and should not be seen as an unnecessary bureaucracy. Plans are in place for the board to work more closely with CLT and Cabinet members to continue the shared focus on improvement in children's services and a wider focus on children's welfare and outcomes.

## **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. The forecast outturn for SCF is that it will balance its budget. The contract sum for 2024/25 was agreed at Council as part of the wider budget setting and is £39.044m. There are further planned reductions in the medium-term financial plan.

### **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.

4.2.3 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 make clear the interplay between the DfE and DLUHC interventions, requiring the DfE Commissioner to work in partnership with the DLUHC Commissioners 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.**
















This page is intentionally left blank

Aim	RAG Rating						Actions recommended	Update as at January 2024	Lead person
	0 9	1 1	0 2	0 6	0 9	0 1			
<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>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>Corporate Improvement Scrutiny Committee has received update report on progress against 2023 task and finish group. Committee is also considering further scrutiny work on “getting to good”.</p> <p>Ongoing discussion regarding risk management and internal audit.</p> <p>Improved reporting to Cabinet and board reporting cycle has been reviewed.</p> <p>Delegated authority to amend Articles of Association was provided by Cabinet in December 2023. 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>The induction programme for new directors to include training/briefing on contractual requirements.</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>Improved understanding of contractual requirements and amended contractual performance indicators, however there has been no reporting against the new contractual performance indicators as yet.</p> <p>SBC Corporate Plan and SCF Business and Improvement Plan are aligned with a</p>	<p>SCF CE/Chairman / Director of Finance</p> <p>SCF officer undertaking company secretariat function</p>

						<p>Annual timetable of deadlines for submission of documents to the Council for approval to be provided by SCF to the Council.</p> <p>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.</p>	<p>much clearer focus on children and young people.</p> <p>Strategic commissioning meetings have been timetabled. Monthly contract monitoring meetings has also been timetabled, but SCF officers need to take responsibility for production of reports against standard agenda items.</p> <p>There is a need for a company secretariat function to ensure that reports are provided in a timely manner for contract monitoring meetings.</p>	<p>SCF officer undertaking company secretariat function</p>
<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>New contractual key performance indicators in place.</p> <p>First cycle of new contract meetings have taken place, but too early to provide assurance on quality of reporting against new indicators.</p> <p>Timetable for formal member reporting and approval set out in December 2023 cabinet report.</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</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>Delegated authority to amend Articles of Association – meeting with Chair of Board to agree amendments. Recruitment to commence for new NEDs – a decision will be made once clearer on whether there are appointable individuals to fulfil role.</p> <p>No need for shareholders' agreement as sole owner and company limited by guarantee.</p>	<p>SCF Chair / AD Legal and Governance</p>

<p>as the entity has developed, in a shareholder's 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>The AD Legal and Governance to continue acting as equivalent of "shareholder rep" under delegation from chief executive.</p>	<p>Post holder has relevant experience and has regular meetings with key personnel, including Chair of Board, NED leading on governance, Council appointed director and CE of SCF.</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. The role of the TSG should be reviewed to avoid duplication between this and the contract management meetings.</p>	<p>The first cycle of new contract meetings have taken place, with more informal meetings in between. Contract meetings are agenda'ed and minuted.</p> <p>There is clarity between the Getting to Good Board role and the contract monitoring / company governance role.</p> <p>Member representative has open invitation to board meetings to observe with intention to attend March meeting. Discussion with Chair of Board on opportunities for closer working between board and CLT and cabinet members.</p>	<p>SBC Chief Executive/officer leading on company secretariat role AD Legal and Governance</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>The business plan is approved annually by Cabinet and was last approved in December 2023 with the contract sum due to be set in February 2024.</p> <p>There was challenge from cabinet members in budget challenge sessions, however the board did raise concerns about their role in this. Ongoing discussion about balancing risks and need for Council to demonstrate financial sustainability.</p> <p>The Council scrutiny committee received an update report on previous Task and Finish Group focused on reviewing the business plan and is considering its role in relation to supporting the services to improve.</p>	<p>SCF Director of Finance</p> <p>SCF CE/Chair</p> <p>SCF CE/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>New contractual KPIs were set in December. Too early to comment on quality of reporting against these.</p>	<p>SCF CE/ Director of Operations</p>
<p>C9 There should be evidence that senior company staff are performance</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>SCF CE has appointed a new Director of Operations and and an interim Director of Finance. There is a review in relation to director of finance function and how this can be fulfilled.</p>	<p>SCF chairman and chair of RNAC SCF CE</p>

<p>managed against KPIs</p>						<p>The SCF CE is responsible for performance managing the executive leadership team.</p>	<p>The SCF Chair is performance managing the SCF CE and as the post holder is in a joint role, there are meetings involving the Chair and CE of SBC.</p> <p>The SCF CE has made significant progress in setting a performance management culture within the workforce.</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>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>The Council agreed for SCF to not submit an annual report for 2022/23. There is some benchmarking in the business plan and good evidence that the focus is on areas which are most likely to deliver improvements in services and cost savings.</p> <p>The new contractual KPIs include measures focused on value for money and financial sustainability.</p>	<p>SCF Director of Finance/SBC ED Finance and Commercial</p>
<p>C11 There should be ongoing assessment of</p>						<p>There should be a formal review of KPIs and agenda'ed discussions on risk at contract monitoring group meetings, reported up to</p>	<p>SCF has risk reporting at board and committee level. Risk relating to savings and projects is work in progress and needs</p>	<p>SBC ED Finance and Commercial</p>

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>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>	to be incorporated into contract management processes.	SCF CE/Chairman
C12 There should be evidence of a consistent approach across the council when it comes to engaging with its entities						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.	No update required.	
C13 The council should have clear and unfettered access to audited accounts for its entities						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.	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.	SBC ED Finance and Commercial
C14 A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models,						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	SBC Chief Executive / DfE Commissioner / DLUHC Commissioners



should be available to review.	Red	Yellow	Yellow	Green	Green		<p>need for adequate resources to effect the change.</p> <p>The latest DfE update clarified that the current structure will remain in place for the remainder of the intervention.</p>	
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	Yellow	Yellow	Yellow	Green	Green	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 and Council's Corporate Plan.	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	Green	Green	Green	Green	Green	Ensure that relevant individuals understand the contractual and governance mechanisms and that these are adhered to and non-compliance is reported.	<p>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.</p> <p>The contractual KPIs were amended in December 2023 by way of a formal cabinet decision, although a formal deed of variation has not yet been executed.</p>	SCF CE/SCF officer undertaking company secretarial role
C17 All agreements should be clear, up-to-date, and regularly monitored and	Green	Green	Green	Green	Green	New agreements were put in place in 2021.	<p>Deed of variations completed as required, including for pension arrangements.</p> <p>An updated draft of the articles has been produced, however implementation will</p>	AD Legal and Governance

<p>reviewed, with any changes to agreements documented so that a clear audit trail exists</p>							<p>wait for the outcome of a recruitment exercise for independent NEDs.</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 consists of experienced NEDs and there is evidence of an understanding of conflicts and how to manage these.</p> <p>Documentary evidence is awaited to show that policies and procedures exist to record interests and conflicts.</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>Conflict of interest protocol appended to secondment agreement for SCF CE and provided to post holder.</p>	<p>SBC AD Legal and Governance</p>

<p>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</p>						<p>No action required.</p>	<p>There are SLAs in place for support services. It is intended for these to be an agenda'ed item for discussion at future contract monitoring meetings.</p>	
<p>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>						<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 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 to the use of a specialist recruitment agency. This will assist with increasing diversity at board level.</p> <p>There remains vacancies for Council NEDs, and a skills audit has revealed that appointing individuals with housing or</p>	<p>SCF Chair</p> <p>DfE/ SBC CE</p> <p>SCF Chairman</p>

							<p>public health experience would assist. Recruitment to key roles is required first before appointments can be made from the officer cohort. The existing finance lead Council NED has had his appointed extended for a further 12 months.</p> <p>The Chair has confirmed that a recruitment process will be run for appointing new independent NEDs.</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>Cabinet approved the 2024-27 business and improvement plan 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>The next step is to ensure regular reporting at board and contract monitoring meetings to show adherence to the business plan.</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>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. The meetings are reported to be long and simplifying reporting is work in progress.</p> <p>There has been challenge in relation to requests to make further financial savings and it is appropriate for board members to question the deliverability of these.</p> <p>The member representative is due to attend the board meeting in March.</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>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. It is intended that a new finance committee will be set up chaired by the Council NED.</p> <p>SCF needs to get into a rhythm of reporting on performance and finance at board and contract monitoring level.</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>In accordance with good governance instituted recommendations, SCF will undertake a survey of key stakeholders on this.</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>There are regular meetings between the member rep and key board members. The</p>	<p>SCF Chairman</p> <p>SCF Chair / SCF CE</p>

						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.	feedback is supportive of the executive team and the board members bring a range of skills to support the running of a company.	
E6 The company structures should be regularly scrutinised in order to ensure they remain fit for purpose						SCF to include its organisational structure in its annual business plan	The executive and board structures have recently been reviewed.	SCF Chief Executive  SCF Chair
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						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.	<b>Documentation yet to be provided.</b>	SCF Chairman / SCF CE
E8 There should be evidence that directors have sufficient skills and experience to run the entity						Evidence of induction and training to be supplied  Evidence of process for evaluating effectiveness of board to be supplied  SCF to undertake a review of the Board effectiveness and to evaluate the effectiveness of individual directors, including executive directors.	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 appointed who has experience as a NED for a children's company.  New Chair in role and appointment process including seeking references on previous governance experience.	SCF Chairman  SCF Chairman

<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>A new Chair has been appointed. Board members have appropriate skills and experience of company governance, including finance, audit and HR. Recruitment is underway to make an appointment of a NED with CSC experience, to replace the current NED at the end of her term.</p>	<p>SCF Chairman  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</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>SBC Chief Executive</p>

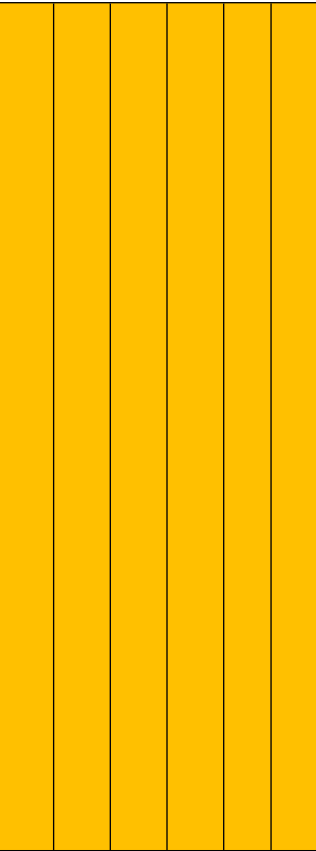
and attributes needed to lead the entity effectively	Green	Green	Green	Green	Green		The Chair has expressed a desire for an individual with housing or public health experience. The Council needs to complete its senior leadership recruitment before making a nomination.	AD Legal and Governance / SCF Chair
E12 There should be evidence that board membership is reviewed regularly for composition and fitness for purpose	Yellow	Yellow	Green	Green	Green	Evidence to be supplied of evaluation process	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.  See update at E11.	SCF Chairman
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	Red	Red	Yellow	Yellow	Yellow	<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>SCF to consider commissioning support from SBC or an external provider on reviewing its risk management procedures and delivering training on risk management.</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>
E14 There should be documented evidence that the board regularly	Green	Green	Green	Green	Green	Details of last skills audit to be supplied	<p>Skills audit supplied and informed council nominated director appointment.</p> <p>A new council director has been appointed.</p>	SCF Chairman



undertakes a skills audit to ensure that it has an appropriate balance of skills and experience							Clarification of skills required to inform further Council nomination provided by Chair. Meeting with Chair has confirmed process for appointing additional NED to ensure CSC skills and knowledge at NED level.	
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.	<p>The board has held a development day and RNAC is responsible for ensuring board evaluation and a development programme.</p> <p>Further information on training programme to be supplied as further assurance.</p>	<p>SCF Chief Executive</p> <p>SCF Chairman</p>
E16 There is evidence that the role of executive directors is clearly defined and documented						Role profiles for all executive directors to be supplied	<p>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.</p> <p>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.</p> <p>Review of board meetings has led to informal meeting with CE and board in advance of meetings and board meetings limited to board members, with other officers attending only for specific items.</p>	<p>SCF Chief Executive</p> <p>SCF Chief Executive</p>

E17 Non-executive directors are in place to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct

Page 32



Further evidence to be supplied by SCF

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.

Head of Legal and finance lead attended board meetings. The reports supplied and debate and constructive challenge was evidenced.

Meeting with Council NEDs on an ongoing basis to provide further assurance.

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.

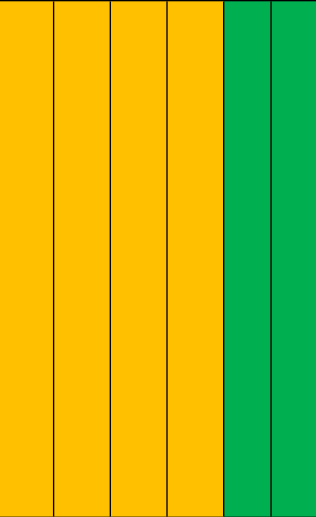
Good evidence of challenge at board level, with engagement and requirements for additions to the updated draft business and improvement plan.

Attendance at March meeting with allow review to take place.

SCF Chairman

SCF Chairman

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



Sample of minutes of meetings to be provided for assurance purposes

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.

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.

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.

SCF Chairman

SCF Chairman

								There is feedback on the length of board meetings and some concerns raised about the additional financial savings requested. However, the board appropriately challenged deliverability. This demonstrates the value of the NEDs at board level.	
E19 There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views							Evidence to be supplied  The Council to formally request information and evidence to demonstrate the appraisal process in place to assess the effectiveness of the Chair.	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, as well as an opportunity for the board to attend a CLT meeting.	SCF Chairman /  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							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 new Business and Improvement Plan was approved by Cabinet in December 2023. This has brought the business plan approval back in line with contractual requirements.  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	SCF Chairman  SCF Chairman/ SCF CE

<p>changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports</p>						<p>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.</p>	<p>provided to the board and at Council contract monitoring meetings. However, the forecast outturn for 2023/24 is showing SCF delivering on budget, following the increased contract sum agreed in September 2023.</p> <p>Financial performance will be a feature of contract monitoring meetings.</p>	
<p>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</p>						<p>To be addressed in future business plans</p> <p>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.</p>	<p>The business plan approved in December 2023 was based on a contract sum which was reduced following budget challenge sessions within the Council. The board appropriately raised deliverability issues, but agreed the contract sum should be set at this level on the basis there would be a close focus on deliverability throughout the year.</p> <p>A new finance committee, chaired by the Council NED will allow a focus on finance, whilst ensuring that performance and finance are considered together.</p>	<p>SCF Chairman and SCF Chief Executive</p> <p>SCF Chief Executive/SB C 151 Director of Finance</p>
<p>E22 Board reports should include clear presentation of the monthly income and expenditure position of the company as well</p>						<p>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.</p>	<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>SCF Director of Finance</p>

as a cash flow statement and balance sheet						SCF Board should consider whether reports should have a financial implications section as standard.	<p>This alongside a new finance committee should ensure that clearer information is provided at board level to allow appropriate scrutiny.</p> <p>As this is still in its infancy, further assurance is required before RAG rating this Green.</p>	SCF Chairman
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						Assurance processes in place regarding treatment of financial instruments and consolidation.	<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>	SBC s.151 Officer
E24 Documented financial policies and procedures should be available						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>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>A further update is required to provide assurance.</p>	<p>SCF Director of Finance</p> <p>SCF Director of Finance</p>
E25 There should be evidence of an effective annual						SBC to consider the effectiveness of the internal audit programme for SCF and the	Independent NED leading on governance is reviewing this as part of review of committee ToR.	SBC s.151 officer /

internal audit programme						quality of internal audits undertaken in 2022/23.	<p>There is dialogue with the Council's internal audit team to ensure an effective internal audit plan to provide assurance over internal controls and financial governance.</p> <p>Review of historic internal audit plans indicate the historic rating of green was inaccurate.</p> <p>The lack of capacity in the Council's internal audit team is likely to impact on deliverability of internal audit function within SCF.</p>	SCF Chair of Audit Committee
--------------------------	--	--	--	--	--	---	---	------------------------------

**Slough Children First Governance review – Progress update to January 2024**

**Slough Borough Council**

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	20 March 2024
<b>Subject:</b>	Update on Internal Audit
<b>Chief Officer:</b>	Adele Taylor – Executive Director of Finance and Commercial (S151)
<b>Contact Officer:</b>	Sati Seehra, Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 'A' – Overdue High Risk Audit Actions Appendix 'B' – Internal Audit Reports (Executive Summaries) Appendix 'C' – Internal Audit Plan 2024/25

**1. Summary and Recommendations**

1.1 This report sets out:

- Progress on the implementation of internal audit reports and actions for 2021/22, 2022/23 and 2023/24 (Appendix A) with Executive Summaries (Appendix B).
- Progress on recruitment to the Internal Audit Team and the Risk and Insurance Team.
- An Internal Audit Plan for 2024/25 (Appendix C).

**Recommendations:**

1.2 The Audit and Corporate Governance Committee is recommended to:

- Note the progress update in relation to outstanding internal audit actions.
- Note the progress to recruit staff and other resources to the Internal Audit service.
- Approve the Internal Audit Plan for 2024/25.

**Reasons**

1.3 Internal audit is a critical function in a local authority, helping the Council to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and promoting good corporate governance.

**Commissioner Review**

Internal audit will only be effective in assisting the Council to achieve its objectives through improvements to internal control, risk management and governance, if the weaknesses identified and actions agreed with management are actually implemented, and if there is

sufficient quantity of resources, with the appropriate mix of knowledge and skills, effectively deployed to achieve the approved risk-based audit plan.

The Audit and Corporate Governance committee should do its utmost to ensure that the internal audit function can devote the required resource to key areas of the business and control functions, can perform its work effectively and that the level and nature of resources available is not to widely stretched as to impact adversely on the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance's ability to provide the annual internal audit opinion.

## 2. Response to Internal Audit Actions

- 2.1 Progress continues to be made regarding completion of internal audit recommendations. All internal audit actions have been allocated to and reviewed by action owners and Executive Directors, including actions that are deemed not relevant due to changes in circumstances. Actions from previous year's audits are also reviewed to ensure they are relevant to the service area to which they have been assigned.
- 2.2 Evidence of actions completed is obtained and quality assured by the Internal Audit Manager and retained for use in follow up audits. The Internal Audit Actions Log details all audit actions along with (but not limited to) information such as action owners, agreed implementation dates and monthly progress updates.

### 2.3 2021/22 Internal Audit Actions

A total of 37 Internal audit reports were issued in 2021/22 (29 assurance and 8 advisory). The current status of audit actions for the financial year 2021/22 is as follows:

Total 21/22				
Totals	Total	High	Medium	Low
Not Due	0	0	0	0
<b>Overdue</b>	<b>55</b>	<b>1</b>	<b>34</b>	<b>20</b>
Complete	272	54	124	94
Not Allocated	0	0	0	0
<b>Totals</b>	<b>327</b>	<b>55</b>	<b>158</b>	<b>114</b>

Variance to Prior Month 21/22				
Totals	Total	High	Medium	Low
Not Due	0	0	0	0
Overdue	9	1	5	3
Complete	9	1	5	3

Key: + is favourable variance, (-) is adverse variance to prior month.

- 327 recommendations were made in 2021/22 reports, 55 are High, 158 are medium and 114 are low rated.
- 272 actions or 83 per cent of actions due are complete (up from 263 prior month) with a further 55 actions or 17 per cent are overdue the agreed date of



implementation (down from 64 prior month). 1 of these are rated high, 34 are medium and 20 low rated.

2.4 The overdue actions have been shared with each department so Department Leadership Teams (DLT) can consider the current position and respond. Work will continue with DLT's to reduce these numbers with the expectation that these should be closed off by the end of this financial year. Focus on medium and low rated actions will resume in February 2024, driven by the Executive Director – Finance and Commercial and the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance, and continue into the next financial year.

2.5 The Council has a collective responsibility to ensure that agreed audit recommendations have been actioned. The Council has set a target to have no high-rated actions from FY2021/22 outstanding by March 2024. This target will not be achieved as there will be one action outstanding from the GDPR Governance audit which is dependent upon the current senior management restructure being completed before action to close can be taken.

## 2.6 2022/23 Internal Audit Actions

A total of 28 Internal audit reports were issued in 2022/23 (25 assurance and 3 advisory). The status of audits actions for the financial year 2022/23 is as follows:

Total 22/23				
Totals	Total	High	Medium	Low
Not Due	34	8	19	7
<b>Overdue</b>	<b>74</b>	<b>16</b>	<b>42</b>	<b>16</b>
Complete	117	30	56	31
Not Allocated	0	0	0	0
<b>Totals</b>	<b>225</b>	<b>54</b>	<b>117</b>	<b>54</b>

Variance to Prior Month 22/23				
Totals	Total	High	Medium	Low
Not Due	19	2	14	3
Overdue	(8)	1	(10)	1
Complete	11	3	4	4

Key: + is favourable variance, (-) is adverse variance to prior month.

- 225 recommendations were made in 2022/23 reports, 54 are High, 117 are medium and 54 are low rated.
- 117 actions or 52 per cent of actions due are complete (up from 106 actions prior month) with a further 34 or 15 per cent of actions not yet due for completion (down from 53 prior month).
- 74 actions or 33 per cent are now overdue of the agreed date of implementation (up from 66 actions prior month). 16 of these are rated high, 42 are medium and 16 low rated.

- 2.7 The overdue actions have been shared with each department so Department Leadership Teams can consider the current position and respond. Work will continue with DLT's to reduce these numbers. However, there was a trend of the number of overdue actions increasing predominantly due to a mixture of optimistic implementation dates having been originally agreed with the previous internal audit provider by action owners, and a high turnover of staff in Directorates over the last two years that has put the focus on prioritising service delivery and improvement in current services.
- 2.8 As mentioned in the January 2024 report, Quarter 4 is traditionally one of the busiest periods for reporting in the Council. The focus on overdue audit actions has become diluted by the action owners, and the wider Council in general due to end of year requirements, and the number of overdue actions have increased once again. The Internal Audit function continues to work with the Directorate Leadership Teams to encourage completion of all audit actions.
- 2.9 The Council has a collective responsibility to ensure that agreed audit recommendations have been actioned. The Council has been set a target to have no high-rated actions from FY2022/23 outstanding greater than 30%. The current year to date achievement is 33% (as of February 2024) which means the Council is above its target by 3%. It should be noted that if no further outstanding or upcoming actions are closed, then the Council will not achieve this target.

#### 2.10 2023/24 Internal Audit Actions

A total of 10 Internal audit reports were issued in 2023/24 (10 assurance and 0 advisory). 8 have been finalised and 2 are still in draft. As of February 2024, 7 reports are currently in fieldwork.

Total 23/24				
Totals	Total	High	Medium	Low
Not Due	29	8	16	5
<b>Overdue</b>	<b>25</b>	<b>2</b>	<b>14</b>	<b>9</b>
Complete	15	5	8	2
Not Allocated	0	0	0	0
<b>Totals</b>	<b>69</b>	<b>15</b>	<b>38</b>	<b>16</b>

Variance to Prior Month 23/24				
Totals	Total	High	Medium	Low
Not Due	6	(3)	6	3
Overdue	(16)	(1)	(11)	(4)
Complete	0	0	0	0

Key: + is favourable variance, (-) is adverse variance to prior month.

- 69 recommendations were made in 2023/24 reports, 15 are High, 38 are medium and 16 are low rated.
- 15 actions or 22 per cent of actions due are complete with a further 29 or 42 per cent of actions not yet due for completion (down from 35 prior month).

- 25 actions or 36 per cent are now overdue of the agreed date of implementation (up from 9 prior month). 2 of these are rated high, 14 are medium and 9 low rated.
- 2.11 12 of the overdue actions are no more than a month over their agreed implementation date, with the remaining 5 actions no more than 2 months over their agreed implementation date and 4 actions no more than 3 months over their agreed implementation date. The remaining actions are 5 months over their implementation date.

## 2.12 **Governance and Monitoring of Management Actions**

Outstanding internal audit actions are currently monitored on a regular basis including reporting into Corporate Leadership Team, Risk and Audit Board and the Audit and Corporate Governance Committee. Audit and Corporate Governance Committee reports include the executive summaries of all finalised audit reports undertaken by the Internal Audit team highlighting the key findings (Appendix B). This ensures the Committee can determine that the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance is adhering to the first two principles as a Head of Internal Audit in a public service organisation:

*‘objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control.’*

*and*

*‘championing best practice in governance and commenting on responses to emerging risks and proposed developments.’*

- 2.13 It should be noted that certain factors may impact the governance and monitoring arrangements, namely current and future staff turnover from the impact of the senior management restructure that is underway in the Council. However, given the importance of the actions that have been identified and their contribution to strengthening the overall control framework, every effort should be made to minimise the impact of staff turnover.

## **3. Internal Audit Team Developments**

- 3.1 A Senior Internal Auditor has joined the Council on 2<sup>nd</sup> January 2024. Recruitment for a temporary vacancy for an internal auditor has been advertised on the SBC website. The Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance role and the Internal Audit Manager roles will become vacant in April 2024.
- 3.2 The Internal Audit Manager had procured support from Azets, a professional services organisation to undertake 2 technical audits – the Agresso Finance system audit and the Transactional Data Quality audit. These are 2 of the 7 audits that are currently in fieldwork.
- 3.3 The Risk and Insurance Manager role also needs to be recruited to. The insurance element of the role will be covered by the Risk and Insurance Officer.

The Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance has covered the risk management aspect of the role.

- 3.4 The lack of stability in the team risks having an impact on fulfilling the Internal Audit plan and ensuring there are the right level of skills to contribute to the overall internal control environment.
- 3.5 Internal Audit should meet the UK Public Sector Internal Audit Standards (PSIAS). This requires a Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance with an effective team focused on objectively assessing the adequacy and effectiveness of governance and management of risks, championing best practice in governance and having regular and open engagement across the Council at an officer and member level. The planned recruitment should mitigate these risks.

#### **4. FY2024/25 Internal Audit Plan**

- 4.1 Our Internal Audit Plan for 2024/25 is presented for consideration by the Audit and Corporate Governance Committee. In preparing the Internal Audit Plan for 2024/25 we have worked with Officers to produce an audit programme which remains mindful of the Council's financial position, significant financial and operational challenges, the Council's improvement and recovery plan position and weaknesses.
- 4.2 The plan assumes a fully resourced Internal Audit function with the correct capacity and capability (Appendix C). The plan is presented detailing the audits that the current Internal Audit team are proposing to complete in the 2024/25 financial year. This plan has been discussed with the Executive Directors of the Council (or their appointed representatives), as well as the Chair and Vice Chair of the Audit and Corporate Governance Committee.
- 4.3 In addition, there is an indicative audit plan for 2025/26 and 2026/27. It should be noted that the proposed audits are for illustration only as no discussions have been held with Executive Directors.

#### **5. Audit Delivery**

- 5.1 During 2023/24, the completion of audit assignments has taken longer than the timescales that had originally been agreed with the audit sponsor. When scoping each audit, our Terms of Reference clearly state the key deliverables that are agreed at the outset with key stakeholders. Furthermore, auditees have 10 working days to review a draft report and to come back with comments to the Audit team. This can be attributed to a number of factors such as resourcing but also limited commitment to ensuring staff are available during the agreed period to provide information or assist auditors with follow-up queries.
- 5.2 Furthermore, as audit reports are drafted and reviewed with auditees, there are requests for multiple changes at multiple times throughout the process, leading to unnecessary delays. This frustration had also been expressed by RSM, the previous internal audit provider about the culture within the Council.
- 5.3 In 2024/25 we will be looking to publish, to the Audit and Corporate Governance Committee, details of metrics detailing when audits had been started and

completed, and the length of time taken to reach key milestones and reasons to those delays. We will also remind Executive Directors and their teams in their Directorate Leadership team meetings as well as in the planning meetings of each audit, of our expectations and their responsibilities.

## **6. Internal Audit Customer Service Questionnaires (CSQ)**

- 6.1 At the issuance of each finalised audit report, the Internal Audit Manager includes a CSQ to allow auditees to provide feedback. This is in order to seek opportunities to make the Internal Audit function 'a best in class, value-adding' service as this would be a requirement for the Institute of Internal Auditors External Quality Assessment criteria.
- 6.2 To date, from the 8 reports that have been finalised, no CSQ feedback form has been returned to the Internal Audit Manager. Therefore, it is not possible to present any feedback to the Audit and Corporate Governance Committee about the effectiveness of the Internal Audit function from a consumer's perspective.

## **7. Implications of the Recommendation**

### **7.1 Financial implications**

- 7.1.1 There are no direct financial implications relating to the updates to the internal audit recommendations, but completion of the actions will improve the Council's processes including those that underpin sound financial management, governance, risk management and internal control.

### **7.2 Legal implications**

- 7.2.1 Under the Accounts and Audit Regulations, the Council must undertake an effective internal audit programme to evaluate the effectiveness of risk management, control and governance processes, considering the PSIAS and sector specific guidance. The PSIAS states the Council should periodically prepare a risk-based plan of internal audit activity designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control.
- 7.2.2 Failure to address those risks, which are associated with the Directions from the Department for Levelling Up, Housing and Communities, will impact the ability to secure the Authority's compliance with the requirements of Part I of Local Government Act 1999. The Council has specific legal duties in relation to certain areas, such as managing health and safety risks and civil contingency. Effective internal audit is a key part of providing assurance on the adequacy of governance, risk management and internal control. The draft best value guidance contains seven themes. This confirms that local authorities should respond to audit recommendations and address issues in a timely way and a sign of potential failure is an internal audit service which does not meet the PSIAS and fails to consider identified high risks.
- 7.2.3 This Committee is responsible for providing an independent and high-level focus on the audit assurance and reporting arrangements that underpin good governance and financial standards. This includes overseeing internal audit. The Committee's terms of reference include making appropriate enquiries of both management and the head of internal audit to determine if there are any

inappropriate scope or resource limitations, to consider reports from the head of internal audit on internal audit's performance during the year, including receiving updates on the work of internal audit setting out key findings, issues of concern and actions in hand. Key indicators of effective arrangements for internal audit may include independent assurance from internal audit on managing risk, internal audit conforming with PSIAS and operating in accordance with CIPFA's Statement on the Role of the Head of Internal Audit.

### 7.3 **Risk management implications**

7.3.1 Having in place an adequate internal audit function is a critical responsibility of a local authority. Failure to operate an adequate internal audit function heightens the risk of poor governance, internal control, and risk management. The draft best value guidance refers to Governance as one of seven best value themes. An indicator of potential failure is having an internal audit function which does not meet the PSIAS and fails to consider identified high risks.

### 7.4 **Environmental implications**

7.4.1 There are no direct environmental implications in this report.

### 7.5 ***Equality implications***

7.5.1 *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.

## **8. Background Papers**

CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition)

Appendix A - Overdue High Risk Actions

Year	Report Title	Recommendation	Rating	Action Owner	ED/AD	Directorate	Service	Implementation Date	Status	Days (as at 5th February 2024)	Age Analysis	Updates Received since November 2023 Audit and Corporate Governance Meeting
21/22	24.21/22 GDPR Governance	The Data Flow Capture Spreadsheet will be updated to include the following areas: • name and contact details of joint controller (if applicable); • categories of individuals; • names of third countries or international organisations that personal data are transferred to (if applicable); • safeguards for exceptional transfers of personal data to third countries or international organisations (if applicable); • Data Protection Act 2018 Schedule 1 Condition for processing; • GDPR Article 6 lawful basis for processing; • link to retention and erasure policy document; and • whether personal data retained and erased in accordance with the retention policy document - reasons for not adhering to retention policy document (if applicable).	High	Alex Cowen	Sarah Hayward	Strategy and Improvement	ICT and Digital	30/09/2022	Overdue	493	> 1 Year < 2 Years	Need to confirm Information Asset Owners following the restructure. ICT&D need to replan approach to complete action.  No ETD provided

Appendix A - Overdue High Risk Actions

Year	Report Title	Recommendation	Rating	Action Owner	ED/AD	Directorate	Service	Implementation Date	Status	Days (as at 5th February 2024)	Age Analysis	Updates Received since November 2023 Audit and Corporate Governance Meeting
22/23	10.22/23 Council Tax	The Revenues Manager will undertake a review of current Council Tax arrears cases in order to identify cases where debts are not considered economically viable to be chased. These cases will be recommended for write off	High	Laverne Belle	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	30/09/2023	Overdue	128	Five Months	Work continues to complete this action. This work will not be completed until the end of this financial year. Current ETD - March 2024
22/23	12.22/23 Housing Benefits	We will implement a process whereby we will cleanse the data available on accumulated aged debt and look to maximise recovery potential and write off any debt that we consider cannot be recovered. This will include a periodic report on accumulated aged debt.	High	Baljit Nijjar	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	30/09/2023	Overdue	128	Five Months	Work continues to complete this action. Current ETD - Ongoing
22/23	9.22/23 General Ledger	An exercise will be completed to identify all tasks to be completed as part of the month end process. A full month end timetable will be prepared, and tasks will be assigned to appropriate staff members. The completion of tasks will be confirmed each month to a relevant manager responsible for overseeing the closedown process. (Restated from 2021/22, we noted that this High action was reported to the Audit & Corporate Governance Committee as overdue	High	Jasvinder Dalvair	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/03/2023	Overdue	311	> Six Months < 1 Year	A full month end timetable is in place but there is no detail or breakdown of Finance tasks listed that should be completed. There is only a high level review of key milestones so this action has not been closed. Current ETD - March 2024
22/23	9.22/23 General Ledger	The Council will review the password functions within Agresso to ensure that: • Password require changing on a periodic basis; and • Acceptable passwords will be subject to rules (certain lengths and unique characters to strengthen them and minimise the possibility of a security breach.	High	Steve Yeo	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/03/2023	Overdue	311	> Six Months < 1 Year	Progressing the move to SSO for Agresso, meetings held, now in process of collating data to enable testing and then roll-out Current ETD - March 2024
22/23	9.22/23 General Ledger	The Council will complete an exercise to identify those roles/positions requiring access to Agresso finance functions and the access/functions required. Based on this the Council will implement a training programme covering finance functions on Agresso. Training will be a requirement before system access is granted and will focus on the processes required as part of job roles. (Restated from 2021/22, we noted that this High action was reported to the Audit Committee as overdue)	High	Thomas Mulloy	Tom Mulloy (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/03/2023	Overdue	311	> Six Months < 1 Year	Due to turnover of staff, this has not been carried out. However, work is underway to develop a clear plan to address this gap. Target date now Sept 2024 - this will factor in the recruitment of senior roles within the Systems team to help deliver the work programme Current ETD - September 2024
22/23	14.22/23 Follow Up IT Business Continuity and Disaster Recovery	T DR Policy The Council will document a Disaster Recovery Policy, independent of the Disaster Recovery Plan	High	Simon Sharkey Woods	Sarah Hayward	Strategy and Improvement	ICT and Digital	31/03/2023	Overdue	311	> Six Months < 1 Year	Need to undertake a review of policies in this space to see how detailed these are. Will also need to understand how a specific DR policy will work alongside our more general approach to business continuity. No ETD provided
22/23	4.22.23 Workforce recruitment and retention	As part of reviewing and updating the recruitment process, the following will be incorporated into procedure documents:	High	Adrian Thomson, Recruitment Lead	Sarah Hayward	Strategy and Improvement	HR	30/06/2023	Overdue	220	> Six Months < 1 Year	This will be completed 31 March 2024 when recruitment processes will be updated to complement this system and training completed. Updated in HRDLT. Current ETD - March 2024



22/23	4.22.23 Workforce recruitment and retention	Following the completion of service delivery plans for each service, outcomes relating to recruitment (such as hiring additional staff and restructuring) will be identified and referred to HR. Implications from the outcomes will be assessed and used to define recruitment initiatives.	High	Adrian Thomson, Recruitment Lead	Sarah Hayward	Strategy and Improvement	HR	30/09/2023	Overdue	128	Five Months	Subject to the completion of the overall Senior Management re-structure process  Current ETD - March 2024
22/23	16.22.23 Rent Arrears Recovery – Full Follow Up	An action plan will be put in place and monitored in order to resolve the problems and known issues surrounding the new Housing System. This will set out clear activities, responsible officers, and deadlines. We will additionally consider escalation of risks to the corporate risk register.	High	Carol Maduka	Adele Taylor	Finance and Commercial	Revenues, Benefits and Charges	30/06/2023	Overdue	220	> Six Months < 1 Year	No update or ETD provided
22/23	19.22/23 Creditors	We will develop an efficient method to output new suppliers over a given period of time for audit testing. In addition, we will complete the following checks as part of setting new suppliers up: *supplier names against existing supplier accounts; *supplier addresses against existing supplier accounts;	High	Jasvinder Dalvair, Interim Finance Manager	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/10/2023	Overdue	97	Four Months	There is a plan in action for Agresso support to generate an automated the 3 points by creating a report that systematically runs and identifies any duplicate suppliers, existing supplier redundancies, and duplicate bank details. Note that bank details verification has already been undertaken as a separate
22/23	19.22/23 Creditors	We will undertake a review of all supplier accounts on Agresso and remove any duplicates.	High	Jasvinder Dalvair, Interim Finance Manager	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	30/09/2023	Overdue	128	Five Months	We have reviewed 3,795 suppliers from an Agresso report. After this review, we have potentially closed down 857, which were duplicates. Upon further examination of the report, we still need to investigate another 105. Once this is complete, we will have a unique list of suppliers. Additionally, we are implementing a report that will be run at the end of every month to identify and address any duplicate suppliers.  Current ETD - March 2024
22/23	22.22/23 Temporary Accommodation	In line with current plans, the Council will ensure that an up-to-date Housing Strategy and Homelessness Strategy is created. Additionally, progress against the action plan will be periodically monitored by an appropriate forum.	High	Chris Stratford, Director of Housing	Pat Hayes	Housing, Property and Planning	Housing	31/10/2023	Overdue	97	Four Months	The Housing Strategy development will be complete by December 23. This has been held up as additional needs assessment work was required and also to allow work to be aligned with the Safe Homes strategy also being completed by Campbell Tickell.  No ETD provided
22/23	22.22/23 Temporary Accommodation	The Annual Compliance Statement issued to Private Providers will be reviewed to assess whether the terms and conditions satisfies the Council's legislative duties as a housing provider. Following this, the Council will introduce a monitoring mechanism to ensure: *Providers are only engaged with should they have a signed Compliance Statement in place; *These Compliance Statements are reviewed and signed annually.	High	Ian Blake, Special Projects Manager	Pat Hayes	Housing, Property and Planning	Housing	30/11/2023	Overdue	67	Three Months	New monitoring arrangements now being drafted to use once data collected and private sector landlord forum established March 24. compliance statements to be reviewed and initiated after all compliance data has been established and Landlords contacted.  Current ETD – End of March 2024
22/23	17.22/23 Health & Safety Full Follow Up	The CLT will determine further steps that can be taken to address training noncompletion. This may include directly contacting individual staff members or targeting directorates once breakdowns can be prepared.	High	Georgina Watson, Senior H&S Professional	Pat Hayes	Housing, Property and Planning	Housing	30/06/2023	Overdue	220	> Six Months < 1 Year	This action is on CLT not the H&S Team. The H&S Team provide non completion data of H&S Mandatory training to the H&S Board.  Current ETD – March 2024

22/23	27.22/23 Capital Expenditure	We will ensure that the correct business case is used for all capital projects and record of review and approval of these is held centrally to support delivery of the capital programme, in line with the new Capital Programme Process for 2023/24.	High	Alistair Rush, Deputy S.151 Officer	Adele Taylor	Finance and Commercial	Finance and Commercial	31/12/2023	Overdue	36	Two Months	No update or ETD provided
22/23	27.22/23 Capital Expenditure	Monitoring and reporting arrangements for all capital projects included on the capital programme will be agreed and adhered to. These arrangements will cover 'on' and 'off portfolio' projects and will include ensuring progress updates are received.	High	Alistair Rush, Deputy S.151 Officer	Adele Taylor	Finance and Commercial	Finance and Commercial	31/12/2023	Overdue	36	Two Months	No update or ETD provided

Appendix A - Overdue High Risk Actions

Year	Report Title	Recommendation	Rating	Action Owner	ED/AD	Directorate	Service	Implementation Date	Status	Days (as at 5th February 2024)	Age Analysis	Updates Received since November 2023 Audit and Corporate Governance Meeting
23/24	2.23/24 Q1 Follow Up	Management will review governance documentation required for the full year 2023/24 and put these in place to ensure clarity on levels of authority and on financial responsibilities and controls. Key documents will be standardised across the companies.	High	Ellen Little, Commercial Finance Lead	Pat Hayes	Housing, Property and Planning	Housing, Property and Planning	30/11/2023	Overdue	67	Three Months	Governance documentation is in place for GRE5, with the exception of the Shareholders Agreement, which is in draft form currently. Strategic reviews of options are ongoing for JEH and DISH in order to establish the future direction of the companies. This may impact the governance documentation needed.  No ETD provided
23/24	4.23/24 Cash Collection and Management	The Council will investigate the user access reports for Civica ICON and Agresso to identify whether any further individuals have inappropriate access rights across both systems. Those with inappropriate access identified will have access suitably removed / amended. The Council will periodically review access rights between Civica ICON and Agresso and ensure where required, an adequate segregation of duties is maintained for those who are receipting income and journaling income.	High	Steve Yeo, Strategic Finance Manager	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/12/2023	Overdue	36	Two Months	Have now received user data from IT in relation to Civica Icon, and reviewing user access. Next steps are to check same users access within Agresso to ensure appropriate  No ETD provided

Appendix A - Overdue High Risk Actions By Aged Analysis (FY2021/22 and FY2022/23)

> 1 Year < 2 Years												
Year	Report Title	Recommendation	Rating	Action Owner	ED/AD	Directorate	Service	Implementation Date	Status	Days (as at 5th February 2024)	Age Analysis	Updates Received since November 2023 Audit and Corporate Governance Meeting
21/22	24.21/22 GDPR Governance	The Data Flow Capture Spreadsheet will be updated to include the following areas: • name and contact details of joint controller (if applicable); • categories of individuals; • names of third countries or international organisations that personal data are transferred to (if applicable); • safeguards for exceptional transfers of personal data to third countries or international organisations (if applicable); • Data Protection Act 2018 Schedule 1 Condition for processing; • GDPR Article 6 lawful basis for processing; • link to retention and erasure policy document; and • whether personal data retained and erased in accordance with the retention policy document - reasons for not adhering to retention policy document (if applicable).	High	Alex Cowen	Sarah Hayward	Strategy and Improvement	ICT and Digital	30/09/2022	Overdue	493	> 1 Year < 2 Years	Need to confirm Information Asset Owners following the restructure. ICT&D need to replan approach to complete action.  No ETD provided

> Six Months < 1 Year												
Year	Report Title	Recommendation	Rating	Action Owner	ED/AD	Directorate	Service	Implementation Date	Status	Days (as at 5th February 2024)	Age Analysis	Updates Received
22/23	9.22/23 General Ledger	An exercise will be completed to identify all tasks to be completed as part of the month end process. A full month end timetable will be prepared, and tasks will be assigned to appropriate staff members. The completion of tasks will be confirmed each month to a relevant manager responsible for overseeing the closedown process. (Restated from 2021/22, we noted that this High action was reported to the Audit & Corporate Governance Committee as overdue	High	Jasvinder Dalvair	Thomas Mulloy/Ruth Hodson (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/03/2023	Overdue	311	> Six Months < 1 Year	A full month end timetable is in place but there is no detail or breakdown of Finance tasks listed that should be completed. There is only a high level review of key milestones so this action has not been closed.  Current ETD - March 2024
22/23	9.22/23 General Ledger	The Council will review the password functions within Agresso to ensure that: • Password require changing on a periodic basis; and • Acceptable passwords will be subject to rules (certain lengths and unique characters to strengthen them and minimise the possibility of a security breach.	High	Steve Yeo	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/03/2023	Overdue	311	> Six Months < 1 Year	Progressing the move to SSO for Agresso, meetings held, now in process of collating data to enable testing and then roll-out  Current ETD - March 2024
22/23	9.22/23 General Ledger	The Council will complete an exercise to identify those roles/positions requiring access to Agresso finance functions and the access/functions required. Based on this the Council will implement a training programme covering finance functions on Agresso. Training will be a requirement before system access is granted and will focus on the processes required as part of job roles. (Restated from 2021/22, we noted that this High action was reported to the Audit Committee as overdue)	High	Thomas Mulloy	Tom Mulloy (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/03/2023	Overdue	311	> Six Months < 1 Year	Due to turnover of staff, this has not been carried out. However, work is underway to develop a clear plan to address this gap. Target date now Sept 2024 - this will factor in the recruitment of senior roles within the Systems team to help deliver the work programme  Current ETD - September 2024

22/23	14.22/23 Follow Up IT Business Continuity and Disaster Recovery	T DR Policy The Council will document a Disaster Recovery Policy, independent of the Disaster Recovery Plan	High	Simon Sharkey Woods	Adele Taylor	Strategy and Improvement	ICT and Digital	31/03/2023	Overdue	311	> Six Months < 1 Year	Need to undertake a review of policies in this space to see how detailed these are. Will also need to understand how a specific DR policy will work alongside our more general approach to business continuity.  No ETD provided
22/23	4.22.23 Workforce recruitment and retention	As part of reviewing and updating the recruitment process, the following will be incorporated into procedure documents:	High	Adrian Thomson, Recruitment Lead	Sarah Hayward	Strategy and Improvement	HR	30/06/2023	Overdue	220	> Six Months < 1 Year	This will be completed 31 March 2024 when recruitment processes will be updated to complement this system and training completed. Updated in HRDLT.  Current ETD - March 2024
22/23	16.22.23 Rent Arrears Recovery – Full Follow Up	An action plan will be put in place and monitored in order to resolve the problems and known issues surrounding the new Housing System. This will set out clear activities, responsible officers, and deadlines. We will additionally consider escalation of risks to the corporate risk register.	High	Carol Maduka	Sarah Hayward	Finance and Commercial	Revenues, Benefits and Charges	30/06/2023	Overdue	220	> Six Months < 1 Year	No update or ETD provided
22/23	17.22/23 Health & Safety Full Follow Up	The CLT will determine further steps that can be taken to address training noncompletion. This may include directly contacting individual staff members or targeting directorates once breakdowns can be prepared.	High	Georgina Watson, Senior H&S Professional	Pat Hayes	Housing, Property and Planning	Housing	30/06/2023	Overdue	220	> Six Months < 1 Year	This action is on CLT not the H&S Team. The H&S Team provide non completion data of H&S Mandatory training to the H&S Board.  Current ETD – March 2024

< Six Months												
Year	Report Title	Recommendation	Rating	Action Owner	ED/AD	Directorate	Service	Implementation Date	Status	Days (as at 5th February 2024)	Age Analysis	Updates Received
22/23	10.22/23 Council Tax	The Revenues Manager will undertake a review of current Council Tax arrears cases in order to identify cases where debts are not considered economically viable to be chased. These cases will be recommended for write off	High	Laverne Belle	Sarah Hayward	Finance and Commercial	Finance and Commercial	30/09/2023	Overdue	128	Five Months	Work continues to complete this action. This work will not be completed until the end of this financial year.  Current ETD - March 2024
22/23	12.22/23 Housing Benefits	We will implement a process whereby we will cleanse the data available on accumulated aged debt and look to maximise recovery potential and write off any debt that we consider cannot be recovered. This will include a periodic report on accumulated aged debt.	High	Baljit Nijjar	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	30/09/2023	Overdue	128	Five Months	Work continues to complete this action.  Current ETD - Ongoing
22/23	4.22.23 Workforce recruitment and retention	Following the completion of service delivery plans for each service, outcomes relating to recruitment (such as hiring additional staff and restructuring) will be identified and referred to HR. Implications from the outcomes will be assessed and used to define recruitment initiatives.	High	Adrian Thomson, Recruitment Lead	Sarah Hayward	Strategy and Improvement	HR	30/09/2023	Overdue	128	Five Months	Subject to the completion of the overall Senior Management re-structure process  Current ETD - March 2024

22/23	19.22/23 Creditors	We will develop an efficient method to output new suppliers over a given period of time for audit testing. In addition, we will complete the following checks as part of setting new suppliers up: *supplier names against existing supplier accounts; *supplier addresses against existing supplier accounts; *bank details against existing supplier accounts; and *verification of bank details being input for new supplier accounts.	High	Jasvinder Dalvair, Interim Finance Manager	Adele Taylor	Finance and Commercial	Finance and Commercial	31/10/2023	Overdue	97	Four Months	There is a plan in action for Agresso support to generate an automated the 3 points by creating a report that systematically runs and identifies any duplicate suppliers, existing supplier redundancies, and duplicate bank details. Note that bank details verification has already been undertaken as a separate action.  No ETD provided
22/23	19.22/23 Creditors	We will undertake a review of all supplier accounts on Agresso and remove any duplicates.	High	Jasvinder Dalvair, Interim Finance Manager	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	30/09/2023	Overdue	128	Five Months	We have reviewed 3,795 suppliers from an Agresso report. After this review, we have potentially closed down 857, which were duplicates. Upon further examination of the report, we still need to investigate another 105. Once this is complete, we will have a unique list of suppliers. Additionally, we are implementing a report that will be run at the end of every month to identify and address any duplicate suppliers.  Current ETD - March 2024
22/23	22.22/23 Temporary Accommodation	In line with current plans, the Council will ensure that an up-to-date Housing Strategy and Homelessness Strategy is created. Additionally, progress against the action plan will be periodically monitored by an appropriate forum.	High	Chris Stratford, Director of Housing	Andy Jeffs (Adele Taylor)	Housing, Property and Planning	Housing	31/10/2023	Overdue	97	Four Months	The Housing Strategy development will be complete by December 23. This has been held up as additional needs assessment work was required and also to allow work to be aligned with the Safe Homes strategy also being completed by Campbell Tickell.  No ETD provided
22/23	22.22/23 Temporary Accommodation	The Annual Compliance Statement issued to Private Providers will be reviewed to assess whether the terms and conditions satisfies the Council's legislative duties as a housing provider. Following this, the Council will introduce a monitoring mechanism to ensure: *Providers are only engaged with should they have a signed Compliance Statement in place; *These Compliance Statements are reviewed and signed annually.	High	Ian Blake, Special Projects Manager	Pat Hayes	Housing, Property and Planning	Housing	30/11/2023	Overdue	67	Three Months	New monitoring arrangements now being drafted to use once data collected and private sector landlord forum established March 24. compliance statements to be reviewed and initiated after all compliance data has been established and Landlords contacted.  Current ETD – End of March 2024
22/23	27.22/23 Capital Expenditure	We will ensure that the correct business case is used for all capital projects and record of review and approval of these is held centrally to support delivery of the capital programme, in line with the new Capital Programme Process for 2023/24.	High	Alistair Rush, Deputy S.151 Officer	Pat Hayes	Finance and Commercial	Finance and Commercial	31/12/2023	Overdue	36	Two Months	No update or ETD provided
22/23	27.22/23 Capital Expenditure	Monitoring and reporting arrangements for all capital projects included on the capital programme will be agreed and adhered to. These arrangements will cover 'on' and 'off portfolio' projects and will include ensuring progress updates are received.	High	Alistair Rush, Deputy S.151 Officer	Mark Halligan (Pat Hayes)	Finance and Commercial	Finance and Commercial	31/12/2023	Overdue	36	Two Months	No update or ETD provided

23/24	2.23/24 Q1 Follow Up	Management will review governance documentation required for the full year 2023/24 and put these in place to ensure clarity on levels of authority and on financial responsibilities and controls. Key documents will be standardised across the companies.	High	Ellen Little, Commercial Finance Lead	Pat Hayes	Housing, Property and Planning	Housing, Property and Planning	30/11/2023	<b>Overdue</b>	<b>67</b>	<b>Three Months</b>	Governance documentation is in place for GRE5, with the exception of the Shareholders Agreement, which is in draft form currently. Strategic reviews of options are ongoing for JEH and DISH in order to establish the future direction of the companies. This may impact the governance documentation needed.  No ETD provided
23/24	4.23/24 Cash Collection and Management	The Council will investigate the user access reports for Civica ICON and Agresso to identify whether any further individuals have inappropriate access rights across both systems. Those with inappropriate access identified will have access suitably removed / amended. The Council will periodically review access rights between Civica ICON and Agresso and ensure where required, an adequate segregation of duties is maintained for those who are receipting income and journaling income.	High	Steve Yeo, Strategic Finance Manager	Andy Jeffs (Adele Taylor)	Finance and Commercial	Finance and Commercial	31/12/2023	<b>Overdue</b>	<b>36</b>	<b>Two Months</b>	Have now received user data from IT in relation to Civica Icon, and reviewing user access. Next steps are to check same users access within Agresso to ensure appropriate  No ETD provided

This page is intentionally left blank



## Cash Collection and Management

Minimal

### Opinion: Minimal Assurance

There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

### Key findings

The control framework for cash collection and management for the libraries had not been applied for an extended period. Allocation of library income in the accounting system had not taken place since 2020. We were advised this was due to the loss of finance resource and changes to processes following the response to the COVID-19 pandemic. At the time of this audit (June 2023), the Council were in the process of agreeing a contract with G4S for banking services for the library, as cash received had not been banked for over a year. It is estimated that there is around £2k in cash in each safe at the Curve, Cippenham and Langley libraries.

For January to March 2023, we were able to agree the cash counts from parking machines to reconciliations against the income reports from the parking machines and deposit slips. However, we were unable to accurately match parking income, including cash income (£14k - £16k per month) to the bank statements and subsequent journals on Agresso. We did note that an average £192k per month had been deposited into the Council's bank account between January and March 2023, from Saba, RingGo and IPS Machines but were unable to verify the accuracy of the recording of these deposits in the accounting system.

This was with management to investigate further at the time of our review as we could not undertake any further testing to verify the position without further information being provided (which was requested multiple times during and following the audit and at the debrief meeting). Therefore, we were unable to verify, and the Council is unable to take assurance that cash income across the libraries and car parks had been properly safeguarded and accounted for.

We also found that there were potentially four users with cash receipting functions on Civica ICON and the ability to allocate income on Agresso, which required further investigation (to ensure that access rights were appropriate and/or may require access levels to be amended or removed to provide an appropriate segregation of duties).

We noted through sample testing that bank reconciliations were being completed but were not signed by a reviewer evidencing a segregation of duties. We also could not confirm that income was being accurately deposited due to being unable to match the deposited amounts to the bank statements and noted that at the time of the audit, income was not being regularly journaled with the income for March 2023 being the most recent month where income was journaled (3 months overdue).

	High	Medium	Low
Recommendation(s)	2	4	1

## Travel and Expenses Audit

Minimal

### Opinion: Minimal Assurance

There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

### Key findings

Expenses for those working with public money has become a high-profile area in recent years. Management needs to take a view as to whether Slough Borough Council (SBC) is exposed to the risks of reputational damage, compliance, and value for money. Between June 2022 and June 2023, £108k of expenses were claimed by SBC staff and contractors.

SBC have guidance in place for Travel and Expenses (T&E), and this is readily available to all employees and contractors on the SBC InSite intranet.

The audit identified issues with T&E claims process as follows:

- Policies and procedures for travel and expense, purchasing cards and pool cars were last updated in April 2020, November 2018, and April 2018 respectively. Assigned policy owners are no longer employed by SBC. In addition, some Level 1- 3 budget holders are still listed as authorisers but have subsequently left SBC.
- Some T&E claims had been paid outside the 90-day window therefore do not follow current procedures.
- There are no managerial hierarchy limits in place. This means an employee can make a claim above the £500 threshold and have it approved. There has been evidence of claims of up to £1,400 which breaches Section 114's £500 purchase limit.
- There is no clarity around mileage claims with regards to VAT. Expenses against the mileage claims do not require corresponding evidence such as VAT receipts. SBC has missed out on a potential input VAT reclaim from HMRC of £13K in a one-year period.
- There are inconsistencies around what may or may not be claimed, and managers are approving non-allowable expenses, such as parking charges. Furthermore, there is evidence of duplicate claims having been made and paid.

	High	Medium	Low
Recommendation(s)	3	2	1

## Schools Audit – St. Bernards

Reasonable

### Opinion: Reasonable Assurance

Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

### Key findings

The purpose of the audit was to ensure that effective controls are in place for the Governance, Financial Management and Safeguarding arrangements within the school. This was tested by reviewing the high level, key controls in place to manage these areas. We identified the following controls that were designed adequately and complied within practice.

- Scheme of Delegation - we confirmed that the Scheme of Delegation has been included within the Financial Regulations.
- Financial Planning - the budget information that was prepared in January 2022 for the financial year 2022/23 that budgetary considerations had been taken into account.
- Budget Monitoring - adequate information for the budgets is included within the budget reports that are presented to the Finance Committee.
- Whistleblowing Policy - was last updated in March 2022 and the next review date is set for September 2024.
- Assets Register - the asset register is maintained by the School. The goods purchased and contained on the large value invoices were found to be present on the asset register.
- Child Protection and Safeguarding Policy - we confirmed through our review of the dates on the Safeguarding and Child Protection Policy that it is reviewed each year.

The audit has highlighted the following areas of concern:

- Finance Committee Terms of Reference (ToR) and meetings - the ToR for the Finance Committee and confirmed this did not clearly identify the quorum and membership, meeting frequency, or the reporting lines for the Committee.
- Purchasing - a sample of three higher value invoices for review and checked whether three written quotations were obtained for each purchase. We found that no written quotes were obtained for a purchase of mobile phones from Amazon for £1,530.34 and just one written quote was obtained for the purchase of LED monitors for £8,889.30.
- Purchasing - we sample tested whether delivery notes were held for a sample of payments and found that for two payments, the School could not evidence that the delivery notes were kept. A sample of 10 payments made during the financial year and checked whether purchase orders were raised to support the payments. We identified that for two of the invoices, purchase orders were required, but not raised.
- A review of a list of invoices provided by the School revealed that the School Business Manager meets some urgent purchasing needs through personal bank accounts and is then reimbursed. This for 2022-23 had totalled approximately £17,000.

High

Medium

Low

Recommendation(s)

0

6

3

## Matrix - Management of Agency Staff

Minimal

### Opinion: Minimal Assurance

There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

### Key findings

Matrix SCM automates the end-to-end process of procuring temporary staffing services from order creation through to supplier payment, with bookings requested by the Council through the Matrix-CR.net web-based application, and workers sourced from Matrix's network of employment agencies. The contract with Matrix includes KPIs against which their performance is measured, with performance information reported to the Employment Appeals Committee (EAC).

As part of measures to reduce costs, the Council is working to reduce its expenditure on agency staff where this can be achieved without compromising the delivery of the Council's statutory duties. However, the Council's total agency spend in 2022/23 was approximately £21m, compared to £15m in the prior year. This has been driven by various factors, including a high number of permanent employees leaving the Council and recruitment difficulties.

The audit has highlighted the following areas of concern:

- Evidence was not provided during the audit to demonstrate that agency bookings and extensions were being consistently requested and approved via business cases submitted to the ECP. Business cases did not consistently outline the steps taken to fill vacancies via permanent hires prior to requesting agency bookings or include consideration of the expected value for money which agency bookings would provide compared to a permanent hire.
- Testing of 20 agency bookings and extensions also identified three instances where pre-employment checks were completed retrospectively after the engagement had commenced, without a risk assessment being completed.
- There were two instances where bookings had been deemed outside of IR35 legislation for tax purposes, but evidence was not retained to demonstrate that the workers tax status had been checked and confirmed.
- Agency bookings were not being periodically reviewed by Directorates and HR Business partners to identify those which could be replaced by permanent hires and those which required extensions.
- The Council also did not have procedural guidance in place on how to request agency bookings through the current ECP process, whilst a strategy to move agency workers onto permanent contracts had not been documented and agreed.

	High	Medium	Low
Recommendation(s)	2	5	1

# Council Tax Audit

Reasonable

## Opinion: Reasonable Assurance

Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

## Key findings

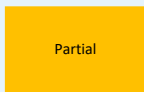
At Slough Borough Council (SBC), Council Tax is administered by the Council Tax Team, who are responsible for the identification, collection and accounting of Council Tax through the Academy system.

The audit has highlighted the following areas of concern:

- Governance and control processes are in place to ensure accurate and timely invoicing of Council Tax. However, there are areas of weakness with undocumented roles and responsibilities (R&R) and defined segregation of duties.
- Policies and procedures are in place but do not holistically cover all processes appropriately such as procedures to ensure monthly reconciliations by the Finance team in Agresso agree to Academy records.
- The draft Council Tax rate preparation process is not robust. Little documentation is maintained, especially as to how rate preparation analysis meets regulatory requirements.
- Documentation and records supporting Council Tax administration are poorly maintained with a reliance on Academy system's output. While correctly set up, only basic controls are in place and additional checks and controls should be employed to further evidence additional work undertaken to monitor and control deliverables, especially where work is undertaken by other teams.
- Internal processes could be enhanced further to efficiently deliver high quality outputs and reports. Check point reports and review of other teams as far as Council Tax work is concerned should be undertaken to maintain ownership.

	High	Medium	Low
Recommendation(s)	0	7	1

## Adults Safeguarding



### Opinion: Partial Assurance

There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.

### Key findings

The purpose of the review was to allow management to take assurance over the Council’s ability to ensure that all Officers and volunteers in a regulated role are subject to the necessary checks and references prior to working with vulnerable adults. The Council does not have a separate adult safeguarding team, as adult safeguarding functions are contained within the respective locality teams. The Council has adopted the shared Pan-Berkshire safeguarding policies. These are published on the official Pan-Berkshire safeguarding websites.

Our review did identify controls that were operating effectively in relation to the partnership and the effective governance framework and oversight of the safeguarding agenda both on a Multi-Agency level where the Council provides the lead role for safeguarding, and internally, including the production of an annual report and regular reporting.

We found the following areas of weakness, where controls require strengthening:

- The Recruitment & Selection Policy and Procedure was available on the Council’s external website but found that the Policy was out of date having been due for review in December 2021.
- The Council does not have a separate adult safeguarding team, as adult safeguarding functions are contained within the respective locality teams. However, without clear job descriptions, there is a risk that team members may not clearly understand their specific roles, duties, and expectations within the adult safeguarding function.
- The Interim Head of Adult Safeguarding that training for Council members was conducted via an outsourced training provider, Edge Training. There was no specific training calendar in place or mechanism to identify any training needs and the next training planned. We were unable to evidence whether or not there was a follow up process in place for individuals who had not completed the training.
- The Council uses LSA (Liquidlogic Slough Adults) system as the incident reporting and management system for safeguarding referrals. We obtained the Safeguarding Detail report for FY 2022/23, which provides a list of safeguarding referrals open during the financial year and noted 65 safeguarding records open, dating back to 2015 and 2016. We also noted that the average time to close an incident was 7.17 months, with a maximum of 52 months (over 4-years).

	High	Medium	Low
Recommendation(s)	2	3	1

## Review of Admissions, School Places and Attendance

Reasonable

### Opinion: Reasonable Assurance

Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

### Key findings

Slough Borough Council (SBC) co-ordinates admission arrangements for all schools in the borough including independent schools. The Council is the admissions authority for Community and Voluntary Controlled (VC) schools. Our overall opinion (Reasonable Assurance) reflects elements of adequate risk management and internal controls, but also areas of weakness that require management attention.

We identified the following areas of strength:

- SBC policies and procedures are in place and being implemented to ensure that all statutory requirements are met.
- A school places strategy (published in May 2023) covering the period 2023 to 2027 has been approved by Cabinet.
- Waiting Lists are held in Capita ONE Education and we confirmed that pupils were automatically added to the waiting lists of the schools which were a higher preference than the school they were allocated.
- Appeals are handled in accordance with the Appeals Procedure and there have not been any appeals raised as a result of admissions processing errors.
- Studybugs has recently been rolled out to all schools in Slough and will enable SBC to meet new government guidance on school attendance which came into effect in September 2022.

We found the following areas of weakness, where controls require strengthening:

- The Directorate risk register is not up-to-date or aligned to His Majesty's Treasury (Orange Book) guidelines.
- There are no defining KPIs as a means of measuring and monitoring the performance.
- Terms of Reference for the new Governance structure is not in place.
- Checks to ensure compliance to current GDPR legislation have not been undertaken.

	High	Medium	Low
Recommendation(s)	2	4	2

## Schools Audit – Wexham

Reasonable

### Opinion: Reasonable Assurance

Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

### Key findings

The purpose of the audit was to ensure that effective arrangements are in place for the Governance, Financial Management, Payments, Assets and Safeguarding arrangements within the School.

We identified the following controls that were designed adequately and complied within practice.

- Roles and responsibilities - we confirmed through testing of the Financial Regulations that the roles and responsibilities of the Governing Body, the Finance, Premises (H&S), Personnel Committee, and the Headteacher were approved by the Governing Body in February 2023.
- Scheme of Delegation - we confirmed that the Scheme of Delegation has been included within the Financial Regulations.
- Declarations of Interest was signed by staff as well as the Governors. The Governors had all filled out the form in September 2022 and the senior staff on 5 and 6 June 2023.
- Whistleblowing Policy was last updated in September 2021 and the next review date is September 2024. The author of the policy is the Headteacher, and the policy was published on the school's intranet.
- Financial Planning - we confirmed through review of the Governing Body meeting minutes and the budget report provided that various factors are taken into account when calculating and agreeing the budgets, including the pupil numbers. The budget for 2022-23 was approved by the Governing Body on 30 June 2022 and a paper for the 2023-24 budget was taken and considered in May 2023.
- Budget Monitoring - we confirmed through review of three months Finance, Premises (H&S), Personnel Committee meeting minutes that budgetary information is provided to the committee, including the variance between the original and the actual spend.
- Purchasing and Payment - we selected a sample of three additional high value payments for the purchase of assets. We confirmed that the school had obtained three quotes for those invoices and the best value quote had been approved.
- Assets Register - we confirmed through review that the assets register had last been updated in May 2023, demonstrating that the asset register is regularly updated, which is usually when new assets are purchased or disposed of.
- Child Protection and Safeguarding Policy - we confirmed through our review of the Child Protection and Safeguarding Policy that it is reviewed each year.

We identified one weakness that has led to one medium priority management action being agreed:

- Authorised Signatories - our sample testing of 12 invoices approved for payment identified three instances totalling c£8.9k where the invoices were signed by members of staff not on the authorised signatory register.



	High	Medium	Low
Recommendation(s)	0	1	2

# Our classification systems

Substantial	<p><b>Substantial Assurance</b></p> <p>The framework of governance, risk management and control is adequate and effective.</p>
Reasonable	<p><b>Reasonable Assurance</b></p> <p>Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.</p>
Partial	<p><b>Partial Assurance</b></p> <p>There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.</p>
Minimal	<p><b>Minimal Assurance</b></p> <p>There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.</p>

## Recommendation

Priority	Definition	Action required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.



## SLOUGH BOROUGH COUNCIL

DRAFT Internal Audit Plan 2024 - 2025

To be presented at the Audit and Corporate Governance Committee meeting of: 20 MARCH 2024

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, SBC Internal Audit will accept no responsibility or liability in respect of this report to any other party.

# EXECUTIVE SUMMARY

Our Internal Audit Plan for 2024/25 is presented for consideration by the Audit and Corporate Governance Committee (ACGC). In preparing the Internal Audit Plan for 2024/25 we have worked with Officers to produce an audit programme which remains mindful of the Council's financial position, significant financial and operational challenges, the Council's improvement and recovery plan position and weaknesses.

## **Assumptions for revising the 2024/25 Internal Audit Plan:**

We have done this by considering a range of factors for example, a review of the Corporate Risk Register, the Directorate risk registers made available, our knowledge of issues in the wider sector, meetings with Executive Directors, Assistant Directors, technical guidance and current Internal Audit resource capability and capacity.

- The factors that contributed to the issuance of the Section 114 notice and the ongoing efforts to implement the Recovery Plan.
- Continuing process of updating and improving the Corporate and Directorate risk registers.
- Shared all the areas of priority that were identified from our discussions with the Executive Director – Finance and Commercial and members of the Council Leadership Team.
- Reviewed the reports submitted to the Council.
- Reviewed guidance from central government departments such as Cabinet Office, DLHUC and the Government Internal Audit Agency (GIAA).
- Reviewed the audit plans of neighbouring Councils.
- Reviewed guidance from the Institute of Internal Auditors.

Our audits will look to identify areas of improvement in governance, risk management and internal control and support the ongoing recovery programme to ensure SBC achieves its objectives and targets.

## **Level of Resource:**

We currently have a number of vacant roles, consisting of the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance and an Internal Auditor. The Internal Audit plan proposes to deliver 22 audits through the financial year 2024/25, based on a fully resourced team.

**Approach to Audit Engagements:**

Our approach to working with you will be one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we can change the focus of audits / audit delivery, keeping you informed of these changes in our progress papers to Audit and Corporate Governance Committee during the year.

# PROPOSED INTERNAL AUDIT PLAN 2024/25

The table below shows each of the reviews that have suggested are undertaken as part of the internal audit plan for 2024/25, and details the strategic risks linked to these areas which management believe may warrant internal audit coverage.

Internal Audit coverage - Third Line of Assurance									
current (23/24) Corporate Risk Register Ref:	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Audit Area (split by current directorates)</b>									
<b>People (Adults)</b>									
Adult Social Care - Management of Income / Financial Assessments and Charging	10	✓					✓		
Adult Social Care - Transformation Programme	2	✓			✓				
Adult Education Service (OFSTED Inspection)			✓					✓	
CQC Regulatory Inspection	15								✓
Safeguarding	15					✓			✓
Adult Social Care – End to End Business Process	2,10							✓	
<b>People (Childrens)</b>									
Children Missing Education	1, 3				✓	✓			
Schools	1, 3	✓	✓	✓	✓		✓	✓	✓

Children's Centres		✓								
Slough Children First – Key Financial Controls	10				✓			✓		
Enrolment, School Places and Attendance							✓			
Safeguarding	1						✓			
<b>Housing, Property and Planning</b>										
Strategic Housing Management						✓				✓
HRA		✓								
Housing Benefits	10	✓	✓	✓	✓	✓		✓		
Regulatory Services (Cash Handling Arrangements)	10		✓							
Council Buy Backs			✓		✓				✓	
Social Lettings Team				✓						
Temporary Accommodation Strategy	5	✓	✓	✓	✓	✓			✓	
Slough Urban Renewal (SUR)	12	✓		✓						✓
Parking including Car Parks	10						✓			
Libraries	10						✓			
Leasehold Service Charges	10,13			✓	✓		✓		✓	
Contract Management – Osbornes (Repairs, Maintenance, Investment Housing Contract, including statutory safety checks, i.e., lifts, legionella etc)		✓			✓					
Contract Management – Everyone Active (Leisure Contract)				✓						
Contract Management – Bouygues (Facilities Mgmt.)		✓								
Fire Safety	7		✓						✓	
Planning Performance Agreements (PPAs)	13,16			✓						✓
Planning Applications Response Times	13,16			✓					✓	
Rent Accounts	10	✓	✓	✓	✓	✓		✓		

Rent Arrears Recovery	10		✓	✓	✓	✓			✓	
Assets	11	✓	✓	✓	✓			✓		✓
Section 106				✓						
Allotment Charges	10		✓							
Major Infrastructure Projects (LEP)			✓							
Licensing	10								✓	
<b>Finance, Commercial and Resources</b>										
Capital Projects – Britwell GP Hub					✓					
Travel and Subsistence	10						✓		✓	
Transactional Audit (reconciliation/journal vouchers/suspense accounts/debit balances on AP/credit balances on AR, interface)	10						✓			
Credit Control	10								✓	
Legal Services Contract	10,13							✓		
Asset Disposal Programme	10,11						✓		✓	
Cash Collection & Management	10						✓			✓
Agresso Finance	10						✓			
Budget Setting and Budgetary Control	10, 11, 13	✓	✓			✓		✓		✓
Medium Term Financial Strategy (MTFS)	10, 11, 13					✓		✓		✓
Business Rates	10, 11, 13	✓	✓	✓	✓	✓		✓		✓
Council Tax	10, 11, 13	✓	✓	✓	✓	✓	✓		✓	
Treasury Management	10, 11, 13	✓	✓	✓		✓			✓	
General Ledger	10, 11, 13	✓	✓	✓	✓	✓		✓		✓
Debtors	10, 11, 13	✓	✓	✓	✓	✓		✓		✓
Payroll	10, 11, 13	✓	✓	✓	✓	✓	✓	✓	✓	✓
Supplier Duplicate Payments	10				✓				✓	



Capital Expenditure	10, 11, 13	✓	✓	✓	✓	✓		✓		
Creditors	10, 11, 13	✓	✓	✓	✓	✓		✓		✓
End-to-end Expenditure Control Panel Review	10, 11, 13							✓		
Grant audits	10	✓	✓	✓						✓
Procurement	10							✓		
Deputyship and Appointeeship									✓	
Follow Up	All	✓	✓	✓	✓	✓	✓		✓	✓
<b>Strategy and Improvement</b>										
Corporate Health and Safety	7	✓	✓	✓	✓	✓				✓
Conflicts of Interest	All	✓		✓					✓	
Safety Advisory Group (SAG)	7		✓	✓						✓
Business Continuity and Emergency Planning	8	✓	✓	✓	✓			✓		✓
Matrix	10				✓		✓		✓	
Contract Procedure Rules	All	✓								
Workforce Recruitment and Retention	6					✓			✓	
Cyber Security and Cyber Risk	9			✓	✓	✓		✓		
GDPR	18	✓			✓				✓	
IT Business Continuity	8, 9				✓	✓				✓
Data Security and Protection Toolkit (previously Information Governance)	17,18	✓	✓					✓		
Subsidiary Companies Governance	10, 12			✓		✓	✓			✓
Transformation Plan	13		✓	✓						
Assurance Map	All		✓							
Risk Management	All	✓	✓	✓	✓	✓		✓		✓
Council-wide Succession Planning and Knowledge Management	All							✓		

Governance	All		✓							✓
Governance - Overview and Scrutiny	All		✓						✓	
Governance - James Elliman Homes	12		✓	✓						
Governance – Sub Committee Effectiveness	12	✓	✓							
Agresso HR - Self-Service	6,8	✓								
Payroll and HR Interface	10,14	✓	✓							
Leavers processes	6					✓				
Remote and Hybrid Working	9,14								✓	
Starters, Movers and Leavers Process	6							✓		
Approach for Cloud Migration	9,14									✓
<b>Democratic Services</b>										
Whistleblowing	All	✓	✓	✓	✓	✓			✓	
Freedom of Information	All									✓
Culture	All									✓

Notes:

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	20 March 2024
<b>Subject:</b>	Risk Management Update
<b>Chief Officer:</b>	Adele Taylor – Executive Director of Finance and Commercial (S151)
<b>Contact Officer:</b>	Sati Seehra, Head of Financial Governance, Internal Audit, Counter Fraud, Risk, and Insurance
<b>Appendices:</b>	Appendix 'A' – Corporate Risk Register Scores Appendix 'B' – Corporate Risk Register Appendix 'C' – Risk Matrix

### 1. Summary and Recommendations

1.1 This report is to update the Audit and Corporate Governance Committee on the corporate risk scores and risk register with an opportunity to comment (Appendix A and B respectively).

#### **Recommendations:**

1.2 The Audit and Corporate Governance Committee is recommended to:

- Review and note the Council's Corporate Risk Scores (Appendix A) and Corporate Risk Register (CRR) (Appendix B) and relevant points for consideration.
- Note that efforts continue to explore the JCAD software solution available to the Council that may further enhance the management and control of risk management as well as facilitate the analysis, collation, and reporting of information.
- Note that efforts the Risk and Insurance team are making in obtaining all the necessary information to procure the best possible, relevant insurance cover for the Council for FY2024/25.

#### **Reason:**

1.3 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.

1.4 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.

## 2. Commissioners Review

"The Council's Corporate Risk Register monitors those risks that may prevent the Council from achieving its Corporate Plan or delivering services to communities and service users in Slough. There are 18 risks recorded in the Corporate Risk Register that are considered to have a significant impact on the achievement of the Council's objectives and obligations. The commissioners note that at the end of the reporting period there were no corporate risks closed or risks escalated to the Corporate Risk Register and 12 of the 18 risks score remains unchanged. It is necessary to ensure that risk management is embedded, effective and considered in the context of wider performance and financial management."

## 3. Report

### Recruitment to the Risk and Insurance team:

3.1 The interim Risk and Insurance Manager left the Council on 7 December 2023. The Council is seeking to recruit a Risk Officer who will be responsible for taking forward the Council's risk management arrangements. We are also seeking to recruit an experienced Insurance Manager to organise and manage the insurance team. We aim to fill these vacancies by Q2 FY2024/25.

3.2 The team is reviewing current arrangements and work with key stakeholders to move the risk management arrangements forward in line with the plans outlined in the risk management strategy or revisions as they see fit. **Refer to point 3.9 and 3.10.**

### Corporate Risk Register update

3.3 A review has been undertaken of the description of all risks, the consequences, current controls, actions, and inherent risk score with the assistance of risk owners and action owners. In some places risk owners have been amended to reflect new job titles and officers' names.

3.4 The document at Appendix B is the current version of the Corporate Risk Register as of 5 February 2024. This is updated on a quarterly basis or as required if significant risks arise. Since the last meeting each of the risks has been shared with the allocated Risk Owner and Action Owners for comment and update. There has been only one risk that has not been updated for this quarterly report – Risk 8 Emergency Planning and Business Continuity.

3.5 The Risk Management Strategy, approved by the Committee in November 2023, determines that CLT (Corporate Leadership Team), has overall accountability for risk management across the business at an officer level including ensuring the corporate risk register is a live and up to date record of the current risk exposure. Elected members have differing roles in relation to risk management. Cabinet is required to

consider the risks of a particular decision and whether these are being adequately mitigated.

- 3.6 This Committee's role is providing independent assurance to the wider members on the adequacy of the risk management framework and risk management.
- 3.7 A Risk Management review is on the 2024/25 audit plan. Internal Audit will review governance, risk management and the effectiveness of internal controls for the whole Council.
- 3.8 Corporate risks are those impacting on the performance of the Council, and on its ability to deliver the Council's priorities. Directorate risks relate to corporate systems underpinning the authority's overall governance and ability to deliver services.
- 3.9 Operational risks are those risks relating to the delivery of individual services. They are not usually on the CRR as they are on departmental risk registers, which are managed and monitored at departmental level. However, any risks from the operational risk registers can be escalated to the CRR if the risk rating remains very high even after mitigations are implemented. From reviews with Executive Directors, two additional risks have been identified and escalated to the CRR – IT Resiliency (Risk 17) and Data Protection (Risk 18).
- 3.10 The Directorate Risk Register template based on HM Treasury's Orange Book has been adopted throughout the Council Directorates. This aligns risk identification, assessment, and measurement throughout the organisation. All Directorates review their departmental risks quarterly and a summary of these risks should be shared with CLT. The Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance currently meets with Executive Directors (or their appointed nominees) to capture that information on a timely basis to ensure records are up to date. These are discussed at the quarterly Risk and Audit Board meetings, the next meeting planned for March 2024. We will aim to roll out the Directorate Risk Register template format to the Corporate Risk Register in early 2024/25, until such a time we adopt a software solution.

### **Risk Management System**

- 3.11 We are exploring software solutions that may further enhance the visual presentation of risk management reporting as well as facilitate the analysis, collation, and reporting of information. We are considering the JCAD Risk Management system, a sister application of the LACHS insurance system which the Council had previously subscribed to manage insurance claims. Some initial discussions have taken place with the SBC ICT team, the current Risk and Insurance team and the JCAD solution provider to gain further insights. A decision to this proposition will be made in April 2024.

### **Understanding of Risk Management**

- 3.12 We found that having gone through the review process of the Corporate Risk Register with Executive Directors or their appointed deputies, there is very much a

very basic understanding of risk management and what it means in certain Directorates of the Council. For example, some Directors understand the Risk Matrix (Appendix C) measuring the relationship between probability of an event occurring and the impact it would have on the Council. However, some Directors had not reviewed this section of the risk register. There is some training available on Cornerstone, but the Council should consider obtaining some professional training from independent and experienced practitioners in this area for all stakeholders.

- 3.13 The lack of understanding has exacerbated problems for ascertaining if the Council has adequate insurance. The Risk and Insurance team have, from various Directorates, subsidiary companies and schools, requested information required by the insurance brokers, to ascertain what the correct level of insurance should be. This information has not been very easy or readily available. To mitigate this lack of engagement in future, the Risk and Insurance team will start to liaise with Directorates in April 2024 to ensure that the information is held centrally, readily available and updated accordingly.

#### **4. The main points to note are as follows:**

##### **Risk 1 – Children’s Safeguarding**

The key elements of the risk encompass the financial viability of Slough Children First the likelihood of the increased number of Unaccompanied Asylum Seeker Children (UASC) through the National Transfer Scheme and in general the continued high level of demand. The financial viability of the Company is scrutinised through the Strategic Commissioning Group and reviewed yearly against the submitted Business and Improvement Plan.

##### **Risk 2 – Delivery of the Adult Social Care Transformation Programme**

The key mitigating actions are focused on delivery by 31 March 2024. Regular review is taking place and is reported to the ASC Transformation Board. Key deliverable in 2023 is a revised Adults Strategy that aligns to the transformation programme. This remains on track to inform 2023/24 and beyond. A Carers Strategy was presented to Cabinet in September 2023.

##### **Risk 3 – SEND Local Area Inspection**

The SEND inspection in 2021 resulted in a poor outcome for vulnerable children and young people and therefore a Written Statement of Action (WSOA) was put in place by the Department of Education. The DfE WSoA meeting in January 2023 established that there had not been any progress in the previous 15 months which resulted in the minister issuing a Statutory Direction for SEND in August 2023. There is an acknowledgement from the DfE that a new team is in place and members of which are motivated to make changes and the WSoA meeting in June 2023 was more positive.

There are significant challenges in place before the SEND service is fit for purpose. A visit from the DfE is planned for February 2024 and it is not likely that there will be a

SEND inspection before this date. SEND scrutiny meeting will be occurring in Q4 2024 with members.

#### **Risk 4 - Impact of Cost-of-Living Crisis on Slough Residents**

Actions relating to contract management aspects now complete and therefore moved to business-as-usual controls. Revenues and Benefits team continue to respond to changes from Government regarding support measures and have successfully completed the first phase of payments under the Household Support Fund in this financial year. Their focus remains of supporting those residents need most support in terms of their financial wellbeing.

#### **Risk 5 – Temporary Accommodation**

This remains a key risk as it represents a failure to meet statutory responsibilities and has a direct financial impact due to loss of subsidy estimated at £1.8m in 2022/23. Staff recruitment is progressing, and the service is making progress to meet statutory requirements. There will be a continuing impact on clients and financial subsidy if service improvement does not continue at pace. A review was undertaken by DLUHC in 2023 and action plan is being progressed. The department is also undertaking a fundamental review of the service and its processes as part of the wider Housing Strategy review.

#### **Risk 6 - Recruitment and Retention**

Minimal changes to the narrative although the risk remains significant in several key areas. Actions that had passed have been transferred to 2024 with new completion dates. Two factors have impacted the actions:

- A new senior management structure has been introduced into the Council from September 2023. This deleted the current AD's posts and created two new layers of senior management under Executive Directors – Directors and Heads of Service. These are now being recruited, and early indications are that the recruitment is progressing well.
- New Applicant Tracking System to support recruitment process went live in November 2023, which has digitalised the front end of the recruitment process and a wider social media platform to advertise our roles. This new system will now help to revise the recruitment and retention strategy as well as the recruitment and selection policy. These documents will pick up the changes to the process and systems to streamline the recruitment process for both managers and candidates. This includes the end-to-end recruitment process.

A recruitment plan for SCF will follow now that the SCF business plan has been approved by Cabinet. Workforce turnover in SCF has decreased to 15% which is the lowest level on record. The percentage of agency social workers has also decreased although it remains both a practice and financial concern. Recruitment and retention of frontline staff is a prominent feature in the Business and Improvement Plan.

The new performance management system has been rolled out to the Council and a new process of recording one to one conversations has been devised on Cornerstone. The financial impact of engaging temporary workers is continuing to be high which remains unsustainable.

### **Risk 7 – Health and Safety**

Good progress has been made, including the development and adoption of a new Corporate Health & Safety Strategy (2023 – 2026) and a revitalising of the Corporate Health & Safety Board.

The Board have determined the top H&S priorities:

- lone working
- accident and incident reporting
- the reconstitution of the Building Compliance Group and
- contractor management.

A consultant has been appointed to review the operation of the H&S function and identify opportunities for improvement.

### **Risk 8 – Emergency Planning and Business Continuity**

Significant progress has been made on developing and approving key policy and strategy documents such as the Major Incident Plan and Business Continuity Plan and relationships with the Thames Valley Resilience Forum have been strengthened. Whilst recent events such as Operation London Bridge and the bus station fire and local flooding have tested these arrangements there remains a recognised need to undertake a formal testing exercise across all agencies during 2024. Training for Gold Commanders i.e., CLT members has been completed and a rota of the team in place. Other training for Silver and Bronze is still being completed.

### **Risk 9 – Cyber Security**

In 2023, an IT Health Check was undertaken across Council systems. A remediation plan has been established to address any inadequacies in the current approach to security. There has been steady progress against the original DLUHC action plan for cyber remediation. Currently, ICT&D are preparing for procurement and implementation of a Security incident and event monitoring (SIEM) and Backup and Disaster Recovery (DR) services.

### **Risk 10 – Financial Management and Sustainability**

Progress continues to be made to implement the core actions required to improve financial management, financial reporting, and internal control. Actions delivered have included the completion of the accounts for 2018/19 and 2019/20, the recruitment of a range of people following the restructure with further external advertising currently



happening; an improved budget monitoring and reporting process is in place; Members are kept up to date through the Finance Action Plan and regular briefings and the departmental business plan is to be refreshed alongside the Service Plan for 2023/24. Draft budget for 2024/25 was considered by cabinet in December 2023 ahead of full council approval in March 2024.

### **Risk 11 – Pace of sale and valuation of assets**

Good progress has been made with the Asset Disposal Programme with £225m (gross) in capital receipts having been secured, as at January 2024. The pace of delivery slowed towards the end of 2023 whilst the strategy was being reviewed. An amended strategy is due to be presented to Cabinet in March 2024, which should, allied with a potential upturn in the market; contingent on interest rates stabilising or reducing and confidence in the market returning to previous levels; enable an acceleration in progress for 2024/25.

### **Risk 12 - Governance of Council Companies**

All dormant companies have been closed and the governance and reporting arrangements for the four remaining companies have been improved, including recruitment of new directors. Detailed plans are in place to manage the Council's interests to achieve the best outcomes and minimise liabilities over the next 18 months.

### **Risk 13 - Improvement and Recovery Planning**

The Council has responded positively to the Directions and reporting is provided on a quarterly basis to both Scrutiny Committee and Cabinet. Work is progressing to develop a new operating model for the Council to align with our medium-term financial strategy and set a sustainable path for the future. To support the delivery of both the Recovery Plan and new operating model the Council is moving to a new phase of planning to ensure that programme management resources are in place.

### **Risk 14 – Digital Strategy**

The ICT & Digital Strategy team is still focussing on building capacity in order to improve our approach to enhancing the way customers engage with Slough Borough Council digitally. The reviewing of web content and user journeys on the Slough Borough Council website are underway to shorten customer's time spent seeking service information and ensure all information is accessible. We are now working with Customer Service to ensure stronger utilisation of web analytics data to support changes and help guide decision making with regards to the IVR system, and to improve web users' access to information on signposted webpages. The Technical Design Authority (TDA) is fully operational and ensuring consistency in the approach we take to the delivery of digital improvements.

### **Risk 15 – 'Inadequate' Rating by CQC**

Agreement for Assurance work to continue to be funded via PMO – Self Assessment 3 to review progress against initial plan complete. Mock inspection commenced February

2024 and the Executive Director to meet with ADASS Associate regarding debrief and next steps. Output from mock inspection and CISC Task and Finish Group to be prepared for April 2024 Cabinet.

### **Risk 16 – Market Sustainability**

Failure to have a stable Adult Social Care Market capable of meeting the needs of vulnerable local residents.

Risk associated with Providers increasing costs in line with rising costs everywhere. Also, risks that some Providers cease to trade as market conditions continue to affect profitability.

### **Risk 17 – IT Resiliency**

The IT infrastructure at Slough Borough Council spent several years without major investment. This lack of equipment refreshes and upgrades created a significant level of risk to both the security and the availability of systems and services across the Council. The level of risk as of now is lower than was seen in 2021 but work is ongoing and there is still a significant risk of failures that would disrupt the operation of the Council.

### **Risk 18 – Data Protection**

Information governance arrangements, including behaviours of the workforce, partners and suppliers, are insufficient to prevent serious avoidable data losses, breaches or authorised access to systems or data.

## **5. Implications of the Recommendation**

### **4.1 Financial implications**

4.2 There are no direct financial implications relating to the updates to the corporate risk register and the mitigating actions, but completion of the actions will improve the council's processes including those that underpin sound financial management, for example the council's accounts and budget. The impact of not responding to the risks could be significant for example loss of subsidy, insurance claims or failure to deliver efficiencies.

### **4.3 Legal implications**

4.4 Failure to address those risks associated with the Directions from the Department for Levelling Up, Housing and Communities will impact the ability to secure the Authority's compliance with the requirements of Part I of Local Government Act 1999. The Council has specific legal duties in relation to certain areas, such as managing health and safety risks and civil contingency. Effective risk management

is a key part of good governance. As stated in the Council's Policy Statement on Corporate Governance:

"Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities."

- 4.5 Action 12 of the Council's Annual Governance Statement for 2022/23 relates to the need for improvement in performance and risk management. This includes ensuring that basic systems and controls are in place to ensure that performance is managed, and risk appropriately identified, reported, and monitored. The system of reviewing risks at the Risk and Audit Board and reporting corporate risks to CLT and Audit and Corporate Governance Committee on a regular basis must continue to ensure effective risk management.
- 4.6 There is a separate report on the Committee's agenda regarding reviewing a new Code of Corporate Governance and the process for producing the 2023/24 AGS and action plan.
- 4.7 The draft best value guidance highlights the importance of effective risk management to demonstrate good governance. This states that a sign of a well-functioning authority is one where a mature approach is taken to risk management when considering innovation to continuously improve, that risk management should be owned by the whole organisation and a risk management strategy must be in place to avoid the risk of unlawful or excessively risky borrowing or investment practices.
- 4.8 **Risk management implications**
- 4.9 Failure to operate an adequate strategic risk register exposes the Council to risk across a wide variety of services because:
- Risks are not identified.
  - Actions are not planned, and progress reported.
  - Members are not made aware of the serious risks facing the Council.
- 4.10 The council is working to implement in the 2024/25 financial year the following actions:
- recruit to an in-house Risk and Insurance Team 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.
  - implement an Enterprise Risk Management Framework and if necessary, an associated IT system to manage risk.

#### 4.11 **Environmental implications**

4.12 There are no direct environmental implications in this report.

#### 4.13 **Equality implications**

4.14 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.

4.15 The risks highlighted above affect service users and residents in different ways. Risks to services such as children's and adult social care are more likely to impact on children and young people and vulnerable adults and older people than the wider population. Failures in the SEND service will impact on children and young people with disabilities. Likewise, failures in provision of temporary housing will affect certain population groups to a greater extent.

## Corporate Risk Register Scores

## Appendix A

The updated corporate risk register is shown as Appendix B which sets out all the actions by risk and progress against completion of all actions. The current scores and direction of travel designated by Risk owners are:

Risk	Inherent Risk	Current Risk	Target Risk	Direction of Travel
Risk 1: Children's Safeguarding	24	12	9	↓
Risk 2: Delivery of the Adult Social Care Transformation Programme	18	9	6	↔
Risk 3: SEND Local Area Inspection	20	16	4	↔
Risk 4: Impact of the cost-of-living crisis on Slough's residents	24	12	6	↔
Risk 5: Temporary Accommodation	18	12	6	↔
Risk 6: Recruitment and Retention	24	20	6	↔
Risk 7: Health and Safety	20	12	6	↔
Risk 8: Business Continuity and Emergency Planning	16	8	6	↑
Risk 9: Cyber Security	15	9	6	↔
Risk 10: Financial management and sustainability	24	15	4	↑
Risk 11: Delivery of the Asset Disposal Programme (Pace and value)	24	12	8	↔
Risk 12: Governance of Council Companies	20	9	2	↑
Risk 13: Improvement and Recovery Planning	24	20	6	↑
Risk 14: Digital Strategy	16	12	8	↔
Risk 15: 'Inadequate' Rating by CQC	16	12	8	↔
Risk 16: Market Sustainability	12	12	8	↔

Risk 17: IT Resiliency	12	9	6	↓
Risk 18: Data protection	16	12	6	↔

**Note:** ↑ indicates risk assessment has improved since last review; ↓ indicates risk assessment has deteriorated since last review

## **Risk 1: Safety of Children and Young People**

**Risk Owner: Director of Children Services/Chief Executive of Slough Children First**

**Direction of Travel: ↓**

### **Description:**

Children and Young People in Slough are not kept safe through failure to meet our statutory and regulatory obligations.

### **Context**

- If Slough Children First becomes financially unviable, then the Council will need to divert resources to continue essential services for children and their families.
- Slough Children First (SCF) is a wholly owned council company that provide children's safeguarding through a service contract. A business and improvement plan and budget are agreed by cabinet each year and managed via a strategic commissioning board. There is risk that the company fails to deliver safeguarding services to children within the approved budget due to additional demands.
- Cabinet's approval of the Business and Improvement Plan for 2023-26 in September 2023 followed by a Year 2 revision in December 2023 has provided SCF with an agreed contract sum for 2023/24 and 2024/25
- External audit confirmed SCF to be a Going Concern within the Company Accounts submitted in December 2023 – this remains in place for 12 months
- A letter of comfort was also submitted to SCF by the S151 Officer supporting the Going Concern statement
- Increasing demands in terms of referrals continue to put significant pressures on the Company's resources and its ability to sustain agreed targets across a range of measures.
- The Company is currently experiencing low turnover rates and a positive perm:agency ratio but it remains a delicate balance to retain qualified and experienced members of staff.
- At the current time these challenges have not translated into any major child safety issues – but any increased pressure on staff workloads and across the safeguarding partnership, more generally, means this remains a high-risk area.
- The volume of cases moving to referral is increasing as is the complexity of cases with a subsequent impact on resources.

### **Consequence:**

- That children's lives are placed at greater risk due to rising demands and not having sufficient resources to meet the demand which could lead to risk of harm being missed.
- Demand higher than forecast will mean an inability to spend within agreed contract sum.

- Inability to fund additional Early Help services increases the chance of referral and the acuity of the services needed.
- Reputational damage to the Council and the Company if unable to make improvements to service in line with the Statutory Direction issued by the Department for Education and risks of further intervention.

### **Current Controls:**

- The performance and financial position of the Company is monitored monthly through the contract monitoring process and quarterly strategic commissioning board chaired by the Chief Executive.
- The financial position is reported to Cabinet through the Council's budget monitoring process and standalone reports requesting in-year changes to the budget.
- Workforce strategy in place
- Audits of the Front Door process indicate that threshold decision-making is sound.
- Sustainable Early Help strategy approved by Cabinet and in place.
- The Council is working together with the SCF Board on improvements to the governance arrangements in place and this is being monitored by the Audit and Corporate Governance Committee.

### **Strategic Objectives:**

A Borough for children and young people to thrive.

A Council that lives within their means, balances the budget and delivers best value for taxpayers and service users.

### **Actions Required:**

- Progress improvement work through the Getting to Good intervention (a programme of 10 workstreams) used as delivery mechanism of the Business and Improvement Plan.
  - Actioned: Sue Butcher/Stephen Brown
  - Target date: 31 March 2024
  - Latest update: **This is completed.** Monitored through Getting to Good Board. Also, contract monitoring re-established to deal with financial efficiencies and focus on demand management.
- Maintenance of workforce strategy and assess further options specifically on retention and development programmes.
  - Actionee: Sue Butcher
  - Target date: 31 March 2024
  - Latest update: Further workforce strategy work underway and included as specific workstream within Improvement Programme.
- Implement the Early Help strategy and plans and report regularly to the Safeguarding Partnership and CLT on progress including yearly review



- Actionee: Sue Butcher
- Target date: 30 June 2024

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	3	3
Impact	4	4	3
Score	24	12	9

Date last updated: **16 January 2024**

## **Risk 2: Delivery of the Adult Social Care (ASC) Transformation Programme**

**Risk Owner: Executive Director of People (Adults)**

**Direction of Travel: ⇄**

### **Description:**

If the adult social care transformation programme does not deliver changes in a timely and effective way there will be a negative impact on quality of service with residents directly affected, savings will not be achieved, and a balanced budget will not be delivered.

### **Context**

- There are pressures across the adult social care service with regard to provider stability, increasing demand, partnership working and provider costs.
- The ASC Transformation Programme has a savings target of £14.7M being delivered over three years. Performance has been good in 21/22 & 22/23 and the current target for 23/24 is £5.6m
- Adult Social Care is experiencing a number of pressure areas:
  - Increase in utility, fuel and food costs leading to unprecedented Provider uplifts on a backdrop of high inflation and increasing interest rates
  - Significant increase in national minimum wage, again impacting unit prices
  - Improvement activity within the Council and the broader market is resource intensive
  - Increased demand for ASC services – e.g hospital discharge figures on pathway 3 have doubled in the last year.
  - Manage resourcing challenges Implement Adult Social Care Reforms – including preparation for the new Assurance (Inspection) Regime.

### **Consequence:**

- Increasing number of people waiting for assessment, service or review.
- Increasing number of safeguarding cases.
- Provider failures and reduced quality.
- Demand increasing.
- Use of agency staffing increasing.
- Budget not balanced, savings not delivered, cost and price increasing.
- Health funding to support the changes may be withdrawn
- Damage to reputation
- Ability to recruit suitably skilled workforce and manage the welfare of the workforce

### **Current Controls:**

- Adult Social Care Transformation Board – reporting into Recovery and Renewal board
- Tracking of actions and savings – Monthly finance monitor at DLT and monthly review of savings tracker with Deputy Director of Finance

- Support and challenge from Peopletoo consultant partners – regularly meet to monitor the programme
- 23/24 Funding for Transformation partner agreed at Cabinet
- Directorate away days – to increase resilience and build relationships within the directorate
- Line by line analysis of cost centres undertaken with Finance Business Manager
- Deep dives on Pressure and Savings undertaken with S151 Officer
- Planned LGA discussion

**Strategic Objectives:**

- A council that lives within our means, balances the budget and delivers best value for taxpayers and service users.
- An environment that helps residents live more independent, healthier and safer lives

**Actions Required:**

- Manage activity in line with agreed year 3 of ASC Transformation Programme
  - Actionee: Marc Gadsby
  - Target Date: 31 March 2024
  - Latest Update: £3.1m achieved, £1.4m on track, £1.1m with some risk in 23/24 according to Transformation Delivery Board report for Period 8 - Monthly reporting of progress to ASC transformation programme board, monthly project report to Exec Board and tracking progress to lead members and directors as required.
- Agree the Adults social care strategy at Cabinet which aligns to the Transformation Programme
  - Actionee: Jane Senior
  - Target date: 31 March 2024
  - Latest update: Alignment of strategy to be launched in 2024/25
  - ASC Market Position Statement to Cabinet March 2024

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	3	2
Impact	3	3	3
Score	18	9	6

Date last updated: **31 January 2024**

**Risk 3: Special Educational Needs and Disability (SEND)  
Local Area Inspection  
Risk Owner: Executive Director People (Children)  
Direction of Travel: ⇔**

**Description:**

If we fail to provide a fit for purpose SEND service then it puts service users at risk and provides poor value for money.

**Context**

- The SEND Local Area Inspection took place in September/October 2021. The report highlighted significant areas of weakness.
- The local area includes the local authority SEND services, Children's Social Care and Health partners.
- The area was required to produce a Written Statement of Action (WSOA), which highlights how we will address the areas of concern. This was produced and sent to Ofsted/CQC on 18<sup>th</sup> February. It was approved by Ofsted and CQC as fit for purpose but with a letter of recommendations to add to the WSOA.
- There is an approximate timeline of 12-18 months for improvements to be demonstrated in which Ofsted are likely to be back for inspection again.
- The DFE Monitoring Visit at the end of February found that only limited progress had been made against the WSoA priorities.
- Staff turnover and absence is impacting significantly on delivery of SEND services.
- Current SEND service is not fit for purpose and additional resources are required.
- The High Needs Block is significantly overspent with a deficit of approximately £26 million.
- The LA is required to have a DSG (Dedicated School Grant) management programme to address this and reduce in-year spend to 0 within 4-5 years.

**Consequence:**

- Reputational risk
- Failure to carry out statutory duties.
- Vulnerable children not getting the full support they are entitled.
- Failure to reduce High Needs Block overspend.
- Potential DfE intervention
- Negative Ofsted re-inspection outcome
- Deterioration of relationship with stakeholders/resident and partners
- Financial risk

**Current Controls:**

- A DFE Monitoring Visit on 17th July 2023 evidenced clear progress since the last visit at the end of February.
- Extra funding has been agreed to expand the SEND service and recruitment is ongoing. We are carrying out benchmarking with other LAs to make sure that the team is sufficient.

- New staff have been brought in to replace underperforming officers in the team.
- Monthly SEND strategic board meetings take place and there are new project reporting systems in place which focus on the key areas of the Written Statement of Action. The DfE Adviser attends the Board meetings as well as regular service update meetings with the Head of SEND.
- SEND is now an agenda item at every Getting to Good Board.
- A new Improvement Plan and SEF has been drafted with the advice of the DfE Adviser.
- DSG recovery plan is in place to reduce costs over 4-5 years and we have negotiated a Safety Valve Agreement with the DfE which forecasts a balanced budget for 2025/26. Monitoring meetings take place on a regular basis to track the performance of the service against the agreed targets.
- Bi-weekly meetings with DfE regarding Safety Valve Programme. LA is forecasting a balanced budget within 4 years.
- LA looking to submit papers to join safety valve programme by February 2023.
- Monthly SEND strategic board meetings
- Monthly DSG management plan meetings
- Slough Children First and the Integrated Care Board have put in additional resources to address the areas highlighted in the Ofsted inspection.
- Regular meetings are being held with the DfE – there are Slough specific advisors – monitoring and challenge the implementation of the WSOA.
- A SEND LGA review was commissioned by the DCS and took place on 20-23 September 2022

### Strategic Objectives:

- A Borough for children and young people to thrive.

### Actions Required:

- Exploring specific resources to implement the WSOA. Additional SEND staffing resources are needed to improve functioning of the team and secure improvement. Update: The initial target date for this action was February 2023 and this has been completed. However, a further benchmarking exercise is being carried out due to the increase in demand for EHC plans and the build-up of backlog cases due to the shortage of educational psychologists. A new action is therefore to draft a new staff structure for discussion.
  - Actionee: Sue Butcher
  - Target date: 30 September 2024
  - Latest update: Additional Case Officers, a Resolutions Officer and a SEND Consultant have already been appointed with the business case for two Preparation for Adulthood officers approved. Benchmarking is ongoing with local authorities in the region.
- Implement the WSOA with all relevant partners, the WSOA.
  - Actionee: Sue Butcher
  - Target date: 31 March 2024
  - Latest Update: **This has been completed.** The SEND Board is established (with agreed TOR) and new reporting is in place linked to the WSoA including a new SEND improvement Plan and SEF. This has been carried

out with support from the DfE Advisor. A new Risk Register has been devised.

- Implement SEND LGA review recommendations with all relevant partners.
  - Actionee: Sue Butcher
  - Target date: 31 March 2024
  - Latest Update: **This has been completed** and the LGA recommendations incorporated into the new SEND Improvement Plan.
  
- Implement Dedicated Schools Grant (DSG) recovery plan in partnership with the Department for Education (DfE). This is also known as the Safety Valve programme. Meetings are taking place with the DfE with two workshops in August 2022
  - Actionee: Sue Butcher
  - Target date: February 2024
  - Latest Update: The LA has been accepted into the safety Valve programme and has received (and will continue to receive) funding to offset the deficit. Ongoing monitoring of the Safety Valve will take place.

	Inherent Risk	Current Risk	Target Risk
Likelihood	5	4	2
Impact	4	4	2
Score	20	16	4

Date last updated: **16 January 2024**

## **Risk 4: Impact of the cost-of-living crisis on Slough's residents**

**Risk Owner: Executive Director – Finance and Commercial (S151)**

**Direction of Travel:** ⇄

### **Description:**

Rising inflation will impact the residents' ability to meet day to day essential needs.

### **Context**

- The current economic circumstances of high inflation, high interest rates and its impact on housing, energy, fuel and food costs are impacting on our local residents in Slough.
- For many residents who rely on additional financial support through Universal Credit, welfare benefits or those just on the cusp of financial support these increasing costs are not matched by increases in their income.

### **Consequences**

- Financial difficulties impact on other areas of residents' lives (e.g., health) which could further increase pressure on services including social care services due to increase stress/mental health issues.
- Residents are forced out of the private rented sector due to rent increases and into homelessness.
- Inability of residents to pay council tax.
- Instability of business affects collection of business rates.
- Residents fall into absolute poverty and have to make difficult decisions related to personal finances and may affect their ability to pay priority debt e.g., council tax.
- Greater demand on welfare teams.

### **Current Controls:**

- Government support: ○ The Government has had in place a number of tranches of the Household Support Fund (HSF) since 2021/22 which the council has been distributing along with specific targeted energy support packages.
- Council website updated to help people understand what benefits they are entitled to. This will continue to be updated as appropriate.
- Focussing our welfare benefit advice to those who fall behind on payments and we identify as needing additional advice and support.

### **Strategic Objectives:**

A council that lives within our means, balances the budget, and delivers best value for taxpayers and service users.

**Actions Required:**

- Continue to implement government relief e.g., Household Support Fund, maximise use of the fund.
  - Actionee: Group manager – revenues, benefits, and charges
  - Target date: 31 March 2024
  - Latest update: Approach agreed for current tranche.

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	4	3
Impact	4	3	2
Score	24	12	6

Date last updated: **30 January 2024**



## **Risk 5: Risk of the failure of statutory duty for provision of temporary accommodation**

**Risk Owner: Executive Director - Housing and Property**

**Direction of Travel: ⇔**

### **Description:**

If we fail to manage the increasing demand for temporary accommodation it will cost us financially and damage our reputation.

The provision of TA accommodation also carries statutory and regulatory requirements to ensure the safety and wellbeing of the occupants. The Council therefore needs to have in place and approved inspection regime in place for inspection in accordance with the Housing Health and Safety Regulations.

### **Context**

- There are financial, regulatory, and reputational risks arising from the increasing demand for temporary accommodation. We have increasing numbers of UK nationals presenting as homeless due to evictions are being allowed. There are currently 300+ asylum seekers in the borough awaiting immigration status which is due to be determined.

### **Consequence:**

- Budget pressure
- People do not have a safe and secure home.

### **Current Controls:**

- Housing Needs officers are being supported in taking an appropriate approach when assessing the suitability, eligibility for temporary accommodation (number of units)
- Temporary Accommodation officers are being supported in negotiating better rates (cost/unit) with landlords and other housing providers.
- Results of DLUCH review being implemented.

### **Strategic Objectives:**

- An environment that helps residents live more independent, healthier, and safer lives.
- A borough for children and young people to thrive.

### **Actions Required:**

- Continue the ongoing recruitment into the Temporary Accommodation team.
  - Actionee: Caroline Bartos
  - Target date: Ongoing

- Latest update: An approved inspection regime is in place with regular contact established with the more vulnerable residence needs to be established to comply specifically with housing regulatory requirements.

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	4	3
Impact	3	3	2
Score	18	12	6

Date last updated: **30 January 2024**

## **Risk 6: Service delivery risk due to workforce recruitment and retention issues**

**Risk Owner: Chief Executive**

**Direction of Travel:** ↔

### **Description:**

The Council is challenged in delivering high quality services in all areas for residents because of the inability to recruit and retain staff, including the right calibre of staff in specialist roles. This is also applicable to Slough Children First. The recruitment challenges stem from both Slough's current position in regard to intervention and national labour market dynamics for local government.

### **Context**

- The Council does not have appropriately qualified, skilled and experienced people to deliver necessary service levels and identify budget savings to allow the Council to live within its means.
- There are currently significant numbers of vacancies within the Council in key corporate and frontline services.
- The Council has massive competition for employees within Berkshire and the Greater London area. It is located on the M25 and has excellent links into London offering greater choice of employer for its own and residents within its travel to work area.
- The reputational damage caused by the section 114 notice and the appointment of Commissioners is impacting recruitment and retention.
- The Directions include the requirement to implement a suitable officer structure and scheme of delegation for the Authority which provides sufficient resources to deliver the Authority's functions in an effective way, including the Improvement Plan and its monitoring and reporting, prioritising permanent recruitment and/or longer-term contract status of interim positions.
- Recruitment into posts to assist with the council's recovery has not happened quickly enough and as a result, an additional Direction came into effect on 1 September 2022. The Direction permits the Commissioners to define the structure for and to recruit staff to senior positions for the period of the Directions.
- We now have a new Senior Management structure which has created Director and Head of Service posts in Slough which we are now recruiting too.

### **Consequence:**

- A higher reliance on agency staff has a direct impact on budgetary pressures
- Significant numbers of interims in leadership roles leads to staff uncertainty about future sustainability and continuity of management
- Higher costs due to cost of recruitment to replace staff who have left
- Loss of corporate memory leads to inefficiencies and additional costs
- Staff turnover includes hard to fill posts which has an impact on workloads in teams and increases staff absences, wellbeing and resilience.
- Employee disengagement leading to reduced productivity

- Failure to maintain required levels of service delivery affecting our residents, especially statutory obligations
- Reduced staffing levels will impact the quality of service being provided
- Council is unable to delivery key improvement projects
- Fines for non-delivery of statutory services
- Judicial review and associated financial and reputational costs.
- Local and national media interest
- Reduced quality of service delivery
- Increase in safeguarding issues, impact on quality of life
- Securing qualified staff in the national context where resources are hard to recruit and retain

### **Current Controls:**

- Engagement with the workforce through regular communications and briefings to provide reassurance to staff of the development and then progress of the recovery process, including trade union colleagues. This has been stronger with the appointment to the Corporate Leadership Team and the appointment of HOPS.
- Slough Children First continue to focus on recruiting a permanent workforce including overseas recruitment and apprenticeships
- Development of communications plan for staff briefings
- Implementation of Adults social care transformation programme to drive service improvements and efficiencies
- Chefi Digital Information Officer post is driving forward digitisation of services
- Review of Performance Indicators to identify areas of concern

### **Strategic Objectives:**

- Corporate Health: Corporate Operations

### **Actions Required:**

- Development of a recruitment and retention strategy, to align with the future operating model.
  - Actionee: Surjit Nagra
  - Target date: 1st May 2024
  - Latest Update: A new Applicant Tracking System to support the recruitment process is now in place which has digitalised the recruitment process. A review of the recruitment process will now take place which will then provide data to support the introduction of a recruitment and retention strategy i.e., analysing current recruitment episodes to ascertain the response rates, reviewing recruitment documentation; assessing the social media platforms to analysing the leaver information. HRBP Teamis now reviewing monthly agency spend with Directorates; Request for DLT's to review monthly agency spend. Due to HR capacity, this has been delayed and a new recruitment and selection policy and procedure needs to be drafted.
- Tracking of staff turnover rates to Corporate Leadership Team and to workforce committee and Board within Slough Children First - monthly
  - Actionee: Surjit Nagra
  - Target date: 31 December 2024

- Latest Update: Working on producing this data on a regular basis and review existing process from the Agresso system to ensure data accuracy. Staff turnover rates are being published monthly via the performance team
- Appraisals and performance management of staff – put in place revised processes and procedures.
  - Actionee: Surjit Nagra
  - Target date: 31 December 2022 (**Complete**)
  - Latest Update: The new performance management framework was rolled out and currently monitoring of compliance is taking place.
- Review of current pay and reward structure of the council
  - Actionee: Surjit Nagra
  - Target date: 31st August 2024
  - Latest Update: Council has legal requirement to comply, on equal pay and the National Minimum Wage, as well as reporting on the organisation’s gender pay gap and including chief executive pay ratio. The pay policy statement for 24/25 has been approved and updated on the website which includes an update on the annual pay increase – this included the CX Pay ratio. The Gender Pay Gap 2023 reporting is currently being updated.
  - A review of pay and rewards will form part of the new HR Strategy.
- Tracking of specific issues through analysis of exit interviews
  - Actionee: Surjit Nagra
  - Target date: 31 March 2024
  - Latest Update: Putting in place a system to capture this information. Working with Agresso HR reports are being updated to review analysis of exit interviews, which will be reported to Employment Committee on an annual basis.
- Slough Children First are implementing a recruitment and retention measures as per the business plan.
  - Actionee: Kate McCorriston
  - Target date: 31 March 2023
  - Latest Update: This is now complete. The business and improvement plan is formally monitored including performance against workforce measures.

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	5	2
Impact	4	4	3
Score	24	20	6

Date last updated: **31 January 2024**

# **Risk 7: The Council does not take adequate mitigation to reduce the risk of injury or death from incidents within the Council**

**Risk Owner: Housing, Planning, and property**

**Direction of Travel: ⇔**

## **Description:**

If the Council does not meet its wide range of Health & Safety obligations, then there could be a risk to the safety of staff and citizens, as well as partners and suppliers.

## **Context**

- The profile of health and safety matters had not been given sufficient prominence in recent years, however COVID helped to raise the profile and for it to be given greater corporate importance.
- Key potential causes of health and safety risks due to the instability of the organisation over recent years has resulted in:
  - Lack of understanding of roles and responsibilities.
  - Insufficient staff numbers to carry out work plans in a safe way.
  - Lack of appropriate training.
  - Lack of oversight and control by local management.
  - Lack of information on the potential or known risks i.e., through lack of reporting, lack of risk assessments, staff turnover, etc.,
  - Lack of learning from previous lessons.
  - Inadequate contract management arrangements. H&SE legislation states that you are still liable even if contractors undertake the work.
  - Lack of effective processes and systems consistently being applied.
  - Lack of accountability and governance arrangements.
- The risk of injury or death is increased in certain circumstances and for high-risk activities such as:
  - lone working
  - violence
  - use of machinery
  - inadequately managed buildings
  - inadequate contract management

## **Consequence:**

- Corporate manslaughter charges
- Significant reputational damage
- Death/injury to individuals and/or non-compliance with relevant legislation resulting in prosecution and civil claims.
- Staff sickness through accidents/incidents/stress
- Increased insurance premiums

- Absorbing additional resource/cost to manage issues arising

### **Current Controls:**

- Health and Safety Manager, Health & Safety professional and Health & Safety adviser in post.
- A health and safety management system (policy and codes of practice) in place. These are regularly reviewed and updated, clearly communicated, and placed on SBC InSite.
- A H&S Strategy is in place covering the period 2023 – 2026, with directorate plans devised and requiring monitoring by H&S Committees. An accident reporting system and procedure are in place and are regularly communicated. Incident forms are reported, and investigations are carried out where necessary.
- Health & safety training programs are in place, available face to face and online. Mandatory training has been identified and is in place.
- Lone worker InCase365 reporting system is in use and personal safety devices are supplied. Active encouragement is provided for their use. Monitoring of health & safety indicators occurs at the Health & Safety Committees (bi-monthly) and Health & Safety Board (bi-monthly).
- Trade Union consultation is in place with health and safety trained representatives present at the Corporate Consultative Forum.
- Compliance monitoring will be undertaken at the 'Building Compliance Group' (monthly)
- A Health and Safety Audit Programme has been devised and will be presented to the H&S Board in February 2024. Resource issues and workload pressures remain.

### **Strategic Objectives:**

- Refer to Corporate Health and Safety Strategy 2023 - 2026

### **Actions Required:**

- Online accident reporting for accurate monitoring and tracking.
  - Actionee: Mark Halligan
  - Target date: 1 May 2024
  - Latest update: H&S currently working with ICT to determine the most appropriate technical solution and a plan to implement it. H&S Team to provide technical requirements for ICT to determine this solution.
- Health & Safety team will be auditing high risk areas of the Council: asset management, environmental services, strategy and infrastructure and lone workers. All services/teams are required to conduct self-audits. Responsibility of AD/GM's. Self-audits approved by Corporate Consultative Forum meeting on March 7th, 2022.
  - Actionee: Mark Halligan
  - Target date: 31 December 2024
  - Latest update: A 2024 Self- Audit will be sent out to SBC teams on 1 April 2024, with a due date 30th June 2024. All returns will be reviewed and

monitored. Feedback will be provided to each team highlighting areas for improvement.

- Actionee: Mark Halligan
- Target Date: 31 March 2025, for approval of the proposed H&S Team Audit Plan.
- Latest update: Audit plan has been devised this will be presented to the H&S Board in February 2024.

	Inherent Risk	Current Risk	Target Risk
Likelihood	5	3	3
Impact	4	4	2
Score	20	12	6

Date last updated: **11 January 2024**



## **Risk 8: Business Continuity and Emergency Planning**

**Risk Owner: Monitoring Officer, Democratic and Electoral Services**

**Direction of Travel: ↑**

### **Description:**

Failure to deliver and maintain emergency planning and business continuity response arrangements will lead to the Council at risk of being unable to continue its business should a serious event cause disruption or an emergency occurs.

### **Context**

The Council has had a poor recent history with regards to its emergency planning function with an interim post holder being made permanent in late 2022. A significant amount of work is required to improve the function to ensure the Council can respond:

- An external review is being conducted to ensure our improvement work is being delivered to a good pace and quality.
- Improved procedures for the response and co-ordination during an incident or disruption
- Strong links to the Thames Valley Local Resilience Forum.
- The Major Incident Plan (MIP) is complete.
- Business Continuity Plan now in place.
- Arrangements to Exercise the Emergency Response Arrangements & Plans are being organised – a gap analysis has already been undertaken as a tabletop exercise.
- Arrangements to exercise the Business Continuity Plan are also being organised.

### **Consequences if the above was not in place:**

- No response to operational emergencies due to severe weather conditions, fire, or any other major incident.
- Council is not prepared to respond as directorate and service areas do not have an adequate or co-ordinated response in place.
- Availability of staff to deliver key services if trained volunteers are taken away to deal with a major incident (the Council is a Category 1 responder under the Civil Contingencies Act).

### **Current Controls:**

- Business Continuity (BC) Plans in place
- Emergency Planning procedures in place
- Emergency planning and business continuity lead in place
- Sufficient Response Officers (Local Authority Liaison Officer (LALO) & Rest Centre Managers (RCM)) who can be utilised in the event of an emergency. Additional capacity in adults would strengthen our response.
- Arrangements and links in place with TVLRF & Partner Organisations ▫ Utilising lessons learnt from Covid.
- Local and regional response arrangements in place

## Strategic Objectives:

- Corporate Health: Corporate Operations

## Actions Required:

- Exercising of Emergency Response Arrangements & Plans and the Business Continuity management & Plans – through tabletop testing
  - Actionee: Anthony-Mario Montana
  - Target date: 31 October 2023
  - Latest Update:
    - The Exercising of the Major Incident Plan and Emergency Response Arrangements will be undertaken by end of October 2023
    - 'Blu Nimbus' will be a live testing of the plans which is due to take place in October 2023.
- In person, one to one and online training to be completed for Gold, Duty Gold Officers, Duty Sliver Officer/EOC Managers, LALOs & RCMs
  - Actionee: Anthony-Mario Montana
  - Target date: 31 December 2022 (complete but on-going for new recruits) • Latest Update:
    - Directors have all completed the Local Council Gold Group and Duty Gold training excluding two new members to CLT which training would be arranged for a later date.
    - Directors have all been scheduled to take the external Regional Strategic Coordination Group (Gold) Training due to take place by end of
    - December 2022
    - The LALOs & RCMs have taken the JESIP Bronze Commander Training.
    - The LALOs & RCMs have completed the Risk Management Training on Cornerstone
    - Other training course will be arranged, scheduled and/or designed at later stage.
- Securing more Rest Centre Managers (RCMs) from Adults and Children's services
  - Actionee: Anthony-Mario Montana
  - Target date: 30 September 2023
  - Latest Update: Work with the ED's in Children and Adults to secure resources for this duty.
- Recruit Volunteer Response Support Staff to staff and run the Emergency Rest Centres and the Emergency Operation Centre.
  - Actionee: Anthony-Mario Montana
  - Target date: 30th September 2023
  - Latest Update: Now the plans are signed off work will begin to secure these volunteers. Process in place to secure volunteers during emergencies via the MOU thorough the LRF.

- Develop a robust prevention programme within the council supported by emergency planning.
  - Actionee: Anthony-Mario Montana
  - Target date: 31 March 2023
  - Latest Update: Working with service areas to understand what prevention plans are in place, to reduce impact of risks identified. This action is with the Risk and Audit Board.

**Note:**

Emergency Planning (The Council) has a dynamic framework that can be utilised by the emergency planning team to respond to both a major incidents and business continuity interruption while the Major Incident Plan (MIP) & BC plans undergo the current review.

	Inherent Risk	Current Risk	Target Risk
Likelihood	4	4	3
Impact	4	2	2
Score	16	8	6

Date last updated: **27 July 2023**

## **Risk 9: Cyber Security**

### **Risk Owner: Executive Director Strategy and Improvement**

#### **Direction of Travel: ⇔**

#### **Description:**

- Failure to adequately protect our information and technology assets from an attack via the organisations internal network or the internet, that is either deliberate or because of non-compliance with policy and procedures.

#### **Context**

- There is a continual risk of cyber-attack from a wide range of sources which if enacted could cause significant financial, service delivery and reputational damage to the Council and its partners including loss of data. Recent attacks on local authorities and NHS bodies have caused significant disruption and expense in rectifying the impact and ability to deliver services.
- Global events can heighten the risk of cyber-attacks.
- The Council has continued to invest resources in strengthening its controls in this area.
- An action plan to achieve improvements in relation to the proper functioning of the Authority's IT is in the Directions from DLUHC.
- Recruiting people with strong cyber security skills and understanding is challenging in the current market and especially difficult in the public sector.

#### **Consequence:**

- *Worst case:* Temporary or permanent loss of access to some or all of SBC data and / or IT systems leading to not being able to deliver business critical or statutory functions, along with significant financial impact of rectification.
- *Likely case:* (some of) loss of reputation in handling personal data, removal of access to PSN and DWP direct data connections, removal or penalties for bank payment handling and processing. Short term loss of access to data or systems. Financial costs of rectification.
- *Best case:* Isolated incident with minimal or no data loss and no loss of access to IT systems.

#### **Current Controls:**

- Membership of Southeast Government Warning, Advisory and Reporting Point (SEGWARP). This provides regional alerting on vulnerabilities that SBC needs to be aware of intelligence sharing / threats / policy development.
- Annual IT Health Checks (ITHC) commissioned on Council systems.
- Utilising the Active Cyber Defence (ACD) services from the National Cyber Security Centre (NCSC) for:-
  - Monitoring the councils web and email systems for vulnerabilities and misconfiguration
  - Early warning of compromises and threats to SBC systems
  - Protecting council's systems from accessing compromised or malicious websites

- Ensure security patching is up to date and continues regularly.
- Quarterly vulnerability scanning about to commence using security software funded through an LGA grant.
- Implemented a software tool that provides file encryption ransomware protection for council personal and shared files.
- Cyber Security support from market leading 3rd party. Softcat are contracted to provide additional cyber security support. This covers the following.
  - Quarterly Security Controls Assessment
  - Breach Assessment annually
  - Security Improvement Programme Leadership
  - Security reviews of new cloud based systems
- Documented and detailed security procedures have now been put in place for patching, testing and incident handling & testing of these is in progress.
- £200K DLUHC funding obtained to improve cyber resilience across the Council. 13 recommendations outstanding from the Cyber Treatment Plan (originally 33). The ICT&D team attend quarterly check-ins with the DLUHC to track progress and obtain support and guidance.
- Procurements under the approved Modernisation programme are due to commence in 2024/2025 for:
  - Security Incident & Event Monitoring (SIEM) to log and monitor security incidents and events.
  - Cloud based Backup & Disaster Recover (DR) service.
- The current ICT&D structure has a cyber security officer post, this is currently under review to become an apprenticeship role. A Job Description has been submitted to HR for the inclusion of a cyber security lead as part of the ICT&D structure to improve skills and resilience in this area.
- Communications to staff has been increased through councils Newsround and subject specific emails in particular awareness on cyber security issues, including phishing emails and suspicious communications.

### **Strategic Objectives:**

- Corporate Health: Corporate Operations

### **Actions Required:**

- Implement security solutions as per the IT modernisation programme.
- Recruit to Cyber security roles within the ICT&D structure
- Schedule annual ITHC and complete remediation actions
- Complete outstanding actions on DLUHC cyber treatment plan (this is dependent on the implementation of the security solutions in the modernisation programme)
- Complete outstanding cyber audit actions
- Continue applying regular security updates and patching to IT systems
  - Actionee: Simon Sharkey Woods
  - Target date: 31 March 2024
  - Latest Update: Work in continue to strength the Council's cyber security resilience however the threat of malicious activity and the impact to the Council remain high due to the number of outstanding in this area.

	Inherent Risk	Current Risk	Target Risk
Likelihood	5	3	2
Impact	3	3	3
Score	15	9	6

Date last updated: **22 January 2024**

**Risk 10: Financial management and sustainability**  
**Risk Owner: Executive Director – Finance and Commercial (S151)**  
**Direction of Travel: ↑**

**Description:**

If the Council fails to significantly improve its financial planning and management and its internal control and financial reporting in the medium to longer-term the Council will not become a financially self-sustaining council.

**Context**

**Financial Management, Planning, and control**

- The S151 officer issued a statutory S114 notice in July 2021. Expenditure controls have been in place since in order to limit the Councils spend to the minimum. A capitalisation direction (CD) was approved in principle by DLUHC in March 2022 which allowed the council to set a budget for 2022/23 and again in 2023/24.
- The DLUHC Directions include the requirement to put in place an outline action plan to achieve financial sustainability and to close the long-term budget gap identified by the Authority across the period of its Medium-Term Financial Strategy (MTFS).
- From the beginning of 2023/24, the following actions are in place:
  - Continued sales of assets to support the delivery of the CD.
  - 2018/19 accounts audited and 2019/20 submitted.
  - Developing plan to catch-up of audit work with external auditors, subject to new national guidance.
  - All revenue savings for 2023/24 identified and now being actively monitored.
  - Monthly internal budget monitoring has been in place from Month 2 with quarterly committee reporting from Quarter 1.
  - Internal audit recommendations now being addressed, procurement greatly improved. Internal audit being delivered in-house from this year.
  - Approved a new Finance Improvement Action Plan in September 2023.

The seriousness of the financial situation and how the Council found itself in this position remain of significant concern. This has been acknowledged and the financial recovery strategy agreed and actioned from July 2021. The availability of significant future support is a key assumption underpinning the 2023/24 budget and will be for several future years.

**Financial Control**

- Many of the Councils financial processes are not fit for purpose. These include by way of example:
  - financial systems – the Agresso system is not fully used.
  - financial capacity and skills – the number and skills of permanent staff in the team has been low but permanent recruitment and capacity building is underway and improving.

- financial processes – basic processes are improving but require continued focus.
- insurance and other provisions were inadequate but have been reviewed and will require more monitoring.

## **Financial Reporting**

- The accounts originally provided for audit in 2018/19 were inadequate and contained significant errors. The 2018/19 were finally completed in September 2022. The 2019/20 were given to the auditors at the end of October 2022.
- As a result of the investigations by the Finance team there were significant amendments made to the 2018/19 accounts plus many working papers, figures and narrative statements had to be fundamentally corrected. In total there have been 50 material errors made that have affected 100 per cent of the figures in the core statements and 80 per cent of the disclosure notes. The changes made have impacted the General Fund balances available to the Council and the Balance Sheet. The changes have decreased the net value of the balance sheet by c 40 per cent. Significant weaknesses in respect of the information to support journal entries within these statements will impact the auditor’s opinion. Preparation of the rest of the accounts is now imperative.

## **Consequence:**

- The Council was able to, but had challenges, setting a legal budget for 2023/24 and 2024/25 will be considered in March 2024.
- A draft budget for 2024/25 was produced in December 2023 and cabinet will consider a budget in February 2024 prior to full council in 2024.
- The Section 151 officer could be required to consider issuing further s 114 notices should budget savings not be delivered or other financial pressures arising.
- If the Council continues to fail to produce its annual accounts, then the Council would be in breach of their responsibilities to provide proper financial stewardship and control.
- The Council has no properly audited financial base line since 1 April 2019 and thus has challenges preparing its budgets and financial planning going forward. The balance of this focus is shifting although capacity to deal with so many open financial years is challenging.
- It has also not fulfilled its requirements to properly account for its stewardship of public monies.
- It will potentially face increased external audit fees and is having to have its staff spend a great deal of time “looking backwards” rather than planning forwards.
- The Council faces significant reputational damage which may impact its ability to borrow money and secure adequate insurance.
- The Directions include the potential for Commissioners to impose their own budget in total or detail if they consider it necessary.
- Reputational damage caused by an adverse audit opinion.

## **Current Controls:**

### **Financial Management and Planning**



- The Cabinet considered a series of draft budget reports at its meeting on the 18th of December 2023 ahead of 224/25
- Expenditure controls in place throughout 2022/23 financial year and continue in 2023/24 and will need to continue next financial year too.
- Regular budget monitoring and reporting is now in place.
- A Finance Board is in place to monitor key aspects of financial management, planning, risks, and controls and consider Slough's response to the directions.

### **Financial Control**

- Specialist resources were brought in to understand the nature and scale of the problems and to address them.
- A refreshed, consolidated Finance action plan was agreed at Cabinet in September 2023 and consistently reported on to the Financial Board.

### **Financial Reporting**

- The Statement of Accounts for 2018/19 have been approved. A plan for the completion of future audits is being agreed.

### **Training**

- Targeted training sessions have taken place for Members and Officers during 2023/24 but more detailed training programmes for Audit and Corporate Governance Committee and budget holders will progress throughout the year.

### **Strategic Objectives:**

- A Council that lives within our means, balances the budget, and delivers best value for our residents of Slough.

### **Actions Required:** The immediate actions include:

- Reporting on the 2022/23 outturn position.
  - Actionee: Adele Taylor, Hitesh Jolapara, Alistair Rush
  - Target date: complete
- For 23/24 savings a full schedule of savings options has been identified. Ensuring that budget savings can be delivered by each Directorate will be key going forward. Monitoring of these integrated into budget monitoring, live from Month 2.
  - Actionee: Executive Directors, Adele Taylor,
  - Target date: 31 March 2023
  - Latest update: Complete
- Regular communications to officers and members continue on the financial situation.
  - Actionee: Adele Taylor

- Target date: ongoing
  - Latest update: Key messages provided at staff roadshows. Narrative reporting as part of all financial reporting linking to longer term financial sustainability.
- The 2018/19 accounts have been completed and audited. 2019/20 has been submitted for audit.
- Actionee: Tom Mulloy (now Chris Holme)
  - Target date: To be agreed with external auditors in light of latest communications on national auditing backstop dates
  - Latest update: 2018/19 and 2019/20 accounts completed. Others to follow during 2024.
- Refresh of medium-term financial modelling including capitalisation directions and MTFS.
- Actionee: Neil Haddock
  - Target date: 31 August 2023
  - Latest Update: complete
- Recruitment to vacant posts in the restructured department.
- Actionee: Adele Taylor
  - Target date: 31 December 2023
  - Latest update: permanent recruitment remains a high priority and still gaps within the structure
- The finance action plan has been reported to Cabinet and sets out in detail the current position on key financial matters and the actions being taken. This was updated on a bi-monthly basis and reported to Cabinet. The report shows the significant progress that has been made in all areas during 2021/22 and 2022/23. For 2023/24, a consolidated action plan was approved at Cabinet in September 2023. This is reported regularly on progress against actions.
- Actionee: Adele Taylor
  - Target date: Monthly update to finance board
  - Latest update: Monthly update to finance board

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	3	1
Impact	4	5	4
Score	24	15	4

Date last updated: **30 January 2024**

## **Risk 11: Delivery of the Asset Disposal Programme (Pace and value)**

**Risk Owner: Executive Director – Regeneration, Housing & Environment**

**Direction of Travel:** ⇄

### **Description:**

If the Council does not dispose of sufficient assets to realise capital receipts, we will be unable to set a balanced budget or deliver long-term financial sustainability.

### **Context**

- The council's long-term sustainability is thought to be dependent on the sale circa £400m of assets. In September 2021 the Cabinet agreed to assess the options during 2022/23 and to begin asset disposals as soon as prudently possible, given the Council's responsibility to obtain best value.  
An updated Asset Disposal Strategy was approved by Cabinet in September 2023. Teams from Finance and Property are working closely to drive the asset disposals programme forward. £225m of capital receipts had been secured as at January 2024.

### **Consequence:**

- Without a programme of asset disposals to finance reduction of external debt, the Council's external borrowing per head of population will remain one of the highest in the UK and debt charges will increase to a significant proportion of the net revenue budget.
- Anything that significantly impacts on the delivery of the Asset Disposal Programme (i.e. the pace or scale of delivery) will lead to failure to meet the budget targets and risk more intervention
- Without significant asset disposals the Council's long-term financial position is not sustainable and will compromise the Council's ability to:
  - finance the anticipated capitalisation direction and
  - to allow the Council's external borrowings and debt charges to be reduced
  - provide existing levels of services in the future.

### **Current Controls:**

- Three Property experts appointed (interims) to accelerate progress, to provide a stronger client function (e.g., of property consultants) and to identify additional opportunities to drive further benefit from the property portfolio (e.g. additional disposals)
- Created a focus on the Asset Disposal Programme with an individual from Property and one from Finance, dedicated to the programme.
- Good internal collaboration being achieved (e.g. between Property & Finance) with a monthly Programme Board to track delivery and resolve programme-level risks and issues.

- Strong governance in place enabling scrutiny from Members, Commissioners and Senior Managers.
- The Programme has been the subject of an internal audit which is due to report in January 2024.

**Strategic Objectives:**

- A council that lives within our means, balances the budget, and delivers best value for taxpayers and service users.

**Actions Required:**

- Continue to monitor and report the asset sales position to CLT etc, as the continued sale of assets during 2024/25 and beyond will remain crucial to the Council’s medium to long term financial sustainability.
  - Action Owner: Pat Hayes
  - Target Date: 31 March 2025 (year-end update position)
  - Latest position: On track for 2023/24.
- Clarify the disposals target, so that it is clear how much the Council needs to achieve from this programme.
  - Action Owner: Tom Mulloy
  - Target Date: 31 January 2024
  - Latest position: On track
- Clarify how the financial benefit to the General Fund can be maximised, from the disposal of HRA (Housing Revenue Account) assets
  - Action Owner: Tom Mulloy
  - Target Date: 31 January 2024
  - Latest position: On track
- Clarify the methodology and application of a process to determine the minimum (‘break-even’) price, for an asset disposal, that can be supported by Finance.
  - Action Owner: Tom Mulloy
  - Target Date: 31 January 2024
  - Latest position: On track

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	3	2
Impact	4	4	4
Score	24	12	8

Date last updated: **15 January 2024**

## **Risk 12: Governance and financial implications of the Council companies**

**Risk Owner: Executive Director – Housing, Property and Planning**

**Direction of Travel: ↑**

### **Description:**

If we fail to review the relevance and rationale for each of the Council's Companies, we open the Council up to potential financial losses, reputational damage, and legal challenge.

### **Context**

- The Council has a number of subsidiary companies and an LLP joint venture (SUR) that deliver a range of services or address specific issues. Given the Council's current financial and operational circumstances, and issues that have been identified to date, the rationale for continuing to have these companies continues to be reviewed. This had been highlighted by both CIPFA and DLUHC in their reports in October 2021 and the Council started to consider this in summer 2021 and has been progressing ever since.
- In addition, a wide range of governance, management, operational and financial issues have been identified over a number of years and are being addressed.
- There is a Direction in place regarding the Commercial Companies including consideration of the roles and case for continuing with each subsidiary company of the Authority (except Slough Children First).

### **Consequence:**

- Inefficient service delivery by the Council, especially in relation to housing, due to poor contract management and controls.
- Potential grant clawback across a range of companies which may have implications for the Council.
- Reputational damage to the Council as a result of the failure of a number of high-profile initiatives with a national interest.
- Key strategic sites are not developed – failure to achieve the Council's strategic objectives and key outcomes. e.g., Slough Urban Renewal
- Improved governance arrangements should enable the Council to make timely informed decisions on key strategic and financial matters that are critical to the Council's capitalisation directive. These include:
  - the Council's capital programme has been reduced.
  - increased loan repayments to the Council improving cash flow and borrowing costs.
  - capital receipts have been accelerated.
  - reduced cost exposure on key development sites.
  - reduced operational losses for JEH due to the change to its acquisition strategy and improved Council operational oversight and additional sources of funding have been identified and approved to reduce the Council's overall financial exposure.

### Current Controls:

- Establishment of a new corporate oversight board for Slough Urban Renewal.
- Development of role profiles for Directors and appointment of new directors and senior responsible owners with clarity on roles and reporting has occurred.
- Regular Board meeting cycle to be established at all active companies.
- Establishment of shareholder oversight group for GRE5.
- Establishment of monthly financial reporting from key companies into the Council
- Internal audit tracker for key issues to monitor progress through to issues getting closed down.
- All Dormant Companies have been closed down.
- Revised governance arrangements have been introduced across all companies (with the exception of DISH which was not prioritised for action in FY 22/23 as it is a much smaller scale compared to the other entities, is not a trading company and has limited risk (it has a lease with the Council for 54 properties dating back to 1988 when it was established) and is lower risk rated by Internal Audit compared to other entities. DISH revised governance is being introduced in early FY 23/24 following a review).
- Establish appropriate governance and reporting arrangements for GRE5 and JEH

### Strategic Objectives:

- A council that lives within our means, balances the budget, and delivers best value for taxpayers and service users.

### Actions Required:

A wide range of workstreams are underway with the immediate actions focused on:

- Ground Rent Estates 5 – execution of Council loan; continue to support litigation proceedings; further strengthen performance, risk and financial reporting, development of exit strategy.
  - Actionee: Pat Hayes
  - Target date: 31 March 2024
  - Latest Update:

In line with previous reports provided to Cabinet, it is expected that the Council will exit GRE5 when the works to Nova House have been completed and the legal claim has concluded – this is expected to be in 2024. Cabinet will be requested to approve an exit route and a number of options are likely to be available to the Council if the works are completed satisfactorily and the legal claim is resolved. Bevan Britain have been asked to provide advice on regulatory and legal considerations to inform the most appropriate exit strategy. e.g., sale of freehold lease to a third party, leaseholder transaction.

Significant progress has been made to **GRE5's** financial planning and reporting, oversight and critical governance arrangements including the appointment of new external directors, the establishment of a new corporate oversight group and strengthened risk management. The Council's loan to GRE5 has now been fully executed following a financial review in FY 21/22 which identified that the Council's loans had not been approved in line with its Investment Strategy and was not implemented appropriately. Whilst

building work is underway on Nova House, a number of additional structural issues have been identified which have had an impact on the ACM works and the resolution of the legal claim. A report was taken in March 2023 and a further update to be given in September 2023.

- Slough Urban Renewal – in principle agreement obtained for the restructuring of the Council’s commercial relationship with Muse. Progression with negotiations and Heads of Terms for the SUR key sites (Montem and NWQ have been sold and Wexham, Haymills and Stoke Wharf – sale is being progressed).
  - Actionee: Pat Hayes
  - Target date: 31 March 2024
  - Latest Update: The Council has established a Corporate Oversight Board for SUR to strengthen governance and management arrangements, including oversight of a phased reduction in SUR’s activities.  
Following an Options Review by Montague Evans, the SUR Partnership will not be undertaking any further major developments.  
Good progress has been made on the only ongoing SUR development project; the Old Library Site (OLS) where all flats have been sold and the loan paid off.
  
- James Elliman Homes – strategy for exit is going to Cabinet in September 2023.
  - Actionee: Pat Hayes
  - Target date: 30 September 2023
  - Latest Update: strategy for exit is going to Cabinet in September 2023
  
- DISH – establish regular performance reporting to the Board, commence high level options review to explore the potential to transfer DISH properties into the HRA, commercial review of DISH lease, preparation of a service level agreement to reflect the services the Council is providing.
  - Actionee: Pat Hayes
  - Target date: 31 March 2024
  - Latest Update: DISH was established in 1988 and has a lease with the Council for 54 properties; with the majority of tenants classed as long-term tenants. DISH is considered to be a lower risk compared to other companies and an options review and exit strategy is scheduled to be complete by FY23/24.
  
- SCF – an update on actions and risks is covered in Risk 1. There is a monthly corporate oversight group including the Council’s contract manager, “shareholder” representative and finance lead.

	Inherent Risk	Current Risk	Target Risk
Likelihood	5	3	1
Impact	4	3	2
Score	20	9	2

Date last updated: **25 January 2024**

## **Risk 13: Improvement and Recovery Planning**

**Risk Owner: Chief Executive**

**Direction of Travel: ↑**

### **Description:**

Failure to deliver on the wide range of improvement and recovery actions specified in the Directions and various Government reports leads to further intervention.

### **Context**

- The Council has put in place a wide range of improvement and recovery actions to respond to the various reports it received. The council has carefully considered the timing and delivery of improvement and recovery actions, so they are completed in line with Government Directions.
- The Council has delivered a wide range of the required actions and brought these together in a holistic manner in communication with the Commissioners.

### **Consequence:**

- Failure to deliver a robust Improvement and Recovery Plan will lead to an extension of the period of intervention and Directions from DLUHC
- Preparing these plans will enable the Council to set its strategic direction and set the Council on its way to recovery.
- Failure to put in place an effective Transformation Team risks being unable to deliver the plan to the satisfaction of the Commissioners as required by Directions.

### **Current Controls:**

- The Commissioners' Improvement and Recovery Board receives monthly updates on progress in delivering the plan, alongside other reports on the council's finances and performance.
- There is quarterly reporting on progress to Cabinet and Scrutiny.
- The Council has a monthly officer Recovery and Transformation Board that manages the significant programme of improvement that needs to take place.

### **Strategic Objectives:**

- A Council that lives within our means, balances the budget, and delivers best value for taxpayers and service users.
- Implementation of a new operating model for the Council.

### **Actions Required:**

- Finalise Phase 2 of our Improvement and Recovery Plan to address outstanding actions.
  - Actionee: CEO / ED Strategy & Improvement
  - Target date: February 2024.



- Latest Update: Draft to be presented to February Improvement and Recovery Board
- Embed recovery across the organisation through service planning which will align with activity to deliver the Corporate Plan.
  - Actionee: All EDs
  - Target date: 30 June 2024
  - Latest Update: Service planning process being finalised ready for launch
- Manage the communications with Commissioners in a positive manner and implement any further actions arising from the Commissioners Reports as required.
  - Actionee: CEO / ED Strategy & Improvement
  - Target date: 31 January 2024
  - Latest Update: The commissioners second annual report is expected January 2024.

	Inherent Risk	Current Risk	Target Risk
Likelihood	6	5	3
Impact	4	4	2
Score	24	20	6

Date last updated: **19 January 2024**

## **Risk 14: Risk that the lack of an agreed council-wide vision, principles, and governance for building digital access for residents continues to lead to incoherent and poor-quality digital services**

**Risk Owner: Executive Director Strategy and Improvement**

**Direction of Travel: ⇔**

### **Description:**

- There is a risk that the Council is unable to meet its ambition for more efficient digital services due to insufficient resources, poor governance and engagement across services, and poor understanding of the tools in place and the work done to date.

### **Context**

- The Council has not had an integrated Digital and Customer service strategy that is focused on delivery of more efficient and effective customer service.
- The Council has not transferred the point of access of enough of its services to a coherent digital platform resulting in significant capacity and customer service issues in many frontline services.

### **Consequence:**

- The Council cannot switch to lower cost transactions that are easier for residents, leading to an inability to make savings and lowering the quality of interactions for the public.

### **Current Controls:**

- Analysis of the current digital interactions has identified which are working, which need to be removed and which require further investigation to see if they are meeting resident needs.
- A chatbot is being procured to provide residents with 24x7 support with general enquiries which will lower demand on the contact centre. It will answer general enquiries that would otherwise result in contact being made with Customer Services. These types of interactions will offer a lower cost per transaction solution.
- Direct engagement with our CMS/CRM/Forms supplier, Jadu, has identified several minor updates that should improve user experience. They have also identified mechanisms in use across other UK Councils that Slough can further explore to improve how we enable services to engage efficiently with residents.
- Digital Customer Engagement Manager recruited and engaging directly with customer services and the wider organisation to improve the digital offering.
- Staff member responsible for content reviewing and uploading has moved into the Digital team for greater overview and control of page set-ups, accessibility, and user experience.
- Engagement and Understanding – We are now producing regular internal comms relating to developments on the website and improving understanding of

accessibility requirements. We are also including these elements in all Technical Design Authority (TDA) checks on newly sought after software to increase understanding of already available resources and digital considerations.

**Strategic Objectives:**

- Corporate Health: Customer engagement

**Actions Required:**

- Establish more robust governance (TDA) to ensure departments connect to corporate CRM.
  - Actionee: Simon Sharkey Woods
  - Target date: 31 August 2024
  - Latest Update: COMPLETE - Technical Design Authority (TDA) in place and already capturing ideas centrally, ensuring the approach to new resident facing services is consistent.
  
- Complete the resourcing of the core digital team.
  - Actionee: Jemma Reid
  - Target date: 31 March 2024
  - Latest Update: Two new roles are in the process of being pushed forward for recruitment in February 2024 to support the improvement of digital customer engagement.

	Inherent Risk	Current Risk	Target Risk
Likelihood	4	3	2
Impact	4	4	4
Score	16	12	8

**Date last updated: 31 January 2024**

## **Risk 15: The Authority will receive an 'Inadequate' Rating when CQC begin inspecting Adult Social Care**

**Risk Owner: Executive Director People, Adults**

**Direction of Travel: ⇄**

### **Description:**

If the Authority receives an 'Inadequate' Rating when CQC begin inspecting Adult Social Care, then the reputational damage that may result from CQC publishing enforcement action taken against ASC may have a detrimental effect that impacts beyond SBC balance sheet.

### **Context**

- There are pressures across the adult social care service with regard to provider stability, increasing demand, partnership working and provider costs.

### **Consequence:**

- Not being able to provide regulated services.
- Prosecution.
- Loss of income

### **Current Controls:**

- Self -Assessment 3 completed – Action Plan developed – Progress being made
- Business Case approved to onboard additional Business Analyst and 2 x Business Support
- Task & Finish Group finalised recommendations which will be going to Cabinet. Cover paper being drafted
- ADASS offer of Associate to undertake peer review has been accepted and work due to commence end of January 24

### **Strategic Objectives:**

- A council that lives within our means, balances the budget and delivers best value for taxpayers and service users.
- An environment that helps residents live more independent, healthier and safer lives.

### **Actions Required:**

- Continue to progress actions highlighted within the CQC Assurance Action Plan
  - Actionee: Amanda Halliwell
  - Target Date: 31 March 2024
  - Latest Update: Progress continues to be made.

	Inherent Risk	Current Risk	Target Risk
Likelihood	4	3	2
Impact	4	4	4
Score	16	12	8

Date last updated: **30 January 2024**

## **Risk 16: Failure to have a stable Adult Social Care Market capable of meeting the needs of vulnerable local residents**

**Risk Owner: Executive Director People, Adults**

**Direction of Travel: ⇄**

### **Description:**

- Risk associated with Providers increasing costs in line with rising costs everywhere.
- Risks that we may lose some Providers because market conditions mean that profitability is reduced.
- Risk that other authorities obtain care and beds originally used by Slough because they are able to offer more attractive rates.
- Increase cost pressure affects quality of provision.
- Providers rated as inadequate unable to take referrals

### **Context**

- There are pressures across the adult social care service with regard to provider stability, increasing demand, partnership working and provider costs.

### **Consequence:**

- Not being able to provide regulated services.
- Failure to fulfil statutory duty to meet assessed need.
- Prosecution.
- Loss of income.

### **Current Controls:**

- Securing block purchase arrangements where possible.
- Using NHS Discharge Grant in creative ways to support providers.
- Consideration of how best to quality assure provision is an ongoing discussion, also in line with the Council's Assurance Workstream around Regulatory Inspection.

### **Strategic Objectives:**

- A council that lives within our means, balances the budget, and delivers best value for taxpayers and service users.
- An environment that helps residents live more independent, healthier, and safer lives.

### **Actions Required:**

- Obtain agreement for the Provider uplift and implement in the most efficient manner.
- Continue to work closely with Providers to maintain a stable and sufficient market.
  - Actionee: Jane Senior
  - Target date: ongoing
  - Latest Update: Approach to Provider uplift initially discussed at DLT January 24. Follow up meeting in planning to shape recommendations
  - 2 x Care Homes moved from Inadequate ⇄ Requires Improvement

	Inherent Risk	Current Risk	Target Risk
Likelihood	3	3	2
Impact	4	4	4
Score	12	12	8

Date last updated: **30 January 2024**

## **Risk 17: IT Resiliency**

**Risk Owner: Executive Director Strategy and Improvement**

**Direction of Travel: ↓**

### **Description:**

- Failure of IT systems and infrastructure.
- Disruption to services provided to residents.
- Fines linked to inadequate management of resident information.

### **Context**

- Technology infrastructure must be continually refreshed, typically on a 4–5-year cycle for it to function with a low risk of failure. For a significant period, a managed refresh programme was not in place at Slough Borough Council.
- The finance position in Slough (s114 etc.) has exacerbated this issue.
- A proposal that went to the Cabinet Committee in March 2022 was successful in bidding for funding to modernise and remediate the legacy technology infrastructure.
- The ICT & Digital Team has been actively managing a portfolio of work to replace legacy infrastructure and ensure services are performant and resilient.
- Work has continued since March 2022 and the risk has steadily reduced.
- Some work has been waiting for larger corporate decisions to be made such as the future use of Observatory House, the Council's current primary HQ building.

### **Consequence:**

- *Worst case:* Temporary or permanent loss of access to some or all of SBC data and / or IT systems leading to not being able to deliver business critical or statutory functions, along with significant financial impact of rectification.
- *Likely case:* (some of) loss of reputation in handling personal data, short term loss of access to one or few data or systems. Financial costs of rectification.
- *Best case:* Isolated incident with minimal or no data loss and minor short term loss of access to an IT system.
- If there is not an adequate response there is a chance that the following may arise:
  - fines
  - criticism from the information Commissioner
  - damage to corporate reputation
  - civil claims for damages
  - serious implications for beneficiaries of services (e.g. social care)

### **Current Controls:**

- Managed portfolio of work seeking to replace high risk infrastructure and establish an operating model for technology services that ensure continuity of services for residents and staff.
- Regular reviews of priorities of works on the portfolio to ensure highest priority risk areas are dealt with first.



- Improved communication to staff around how to seek support through the Astro support hub if they have issues with any system or service.
- Successful move of the primary technology data centre.
- The lift and shift of more key services and platforms to cloud hosted or software-as-a-service options.
- Initiated procurements for better disaster recovery and backup solutions.

**Strategic Objectives:**

- Corporate Health: Corporate Operations

**Actions Required:**

- Maintain monthly reporting to demonstrate progress on reducing the risk of IT failures to the organisation.
  - Actionee: Simon Sharkey Woods
  - Target date: 31 March 2024
  - Latest Update: One month skipped due to the Christmas break. Next monthly report to be shared with Cllrs, ED for Strategy & Improvement and Commissioners in early February.

	Inherent Risk	Current Risk	Target Risk
Likelihood	4	3	2
Impact	3	3	3
Score	12	9	6

Date last updated: **22 January 2024**

## **Risk 18: Data Protection**

**Risk Owner: Executive Director Strategy and Improvement**

**Direction of Travel: ⇔**

### **Description:**

- Failure to comply with the Data Protection Act 2018 (GDPR) legislation and risk of breach.

### **Context**

- DPA 2018/GDPR came into force in May 2018. Policies and processes were developed as our corporate and local response to the implementation of DPA 2018/GDPR. A full data flow analysis was undertaken across the organisation and is being refreshed in 2024 as part of the IG Improvement workstream.
- The team that manages information governance has had limited resource. The team has now aligned the DPO role as part of the completed ICT restructure.
- There is an established Information Governance (IG) Board that meets monthly and has oversight and final approval of all DPIA's, DPA's and Breach actions. This is attended and chaired by the DPO and has membership that includes the Caldicott Guardian and various stakeholders across the Council.

### **Consequence:**

- *Worst case:* Loss of stakeholder and public confidence. Potential for ICO fines and ability to share data with partners. Impact on individuals with additional costs of remedial actions and potential legal action.
- *Likely case:* (some of) loss of reputation in handling personal data, removal of access to PSN and DWP direct data connections, removal or penalties for bank payment handling and processing. ICO warning with remedial activities.
- *Best case:* Isolated incident with minimal or no data loss.
- If there is not an adequate response, there is a chance that the following may arise:
  - fines
  - criticism from the information Commissioner
  - damage to corporate reputation
  - civil claims for damages

### **Current Controls:**

- Communications to staff has been increased through councils Newsround and subject specific emails in particular awareness on data protection responsibilities.
- The ICT&D restructure has assigned the formal Data Protection Officer (DPO) role for SBC to the ICT&D Service Manager. An Information Governance officer role has been established as part of the structure and is currently fulfilled by an interim resource whilst the JD is re-evaluated. An Information and Records manager role has been proposed as part of the ICT&D structure with a job description currently under evaluation with HR.

- DPA 2018/GDPR training for new starters to minimise breaches.
- Data mapping completed by SBC supported by RSM.
- The council has updated its information governance policy in September 23 and this has been signed off by the Information Governance (IG) board, the updated policy supports the process by which an organisation obtains and provides assurance that it is complying with its legal, policy and moral responsibilities in relation to the processing of information.
- An IG Improvement plan has been developed to strengthen compliance and controls where necessary and will be monitored through the Information governance board.
- Established breach reporting processes for ICT security and information incidents.
- Updated corporate templates for data breaches and data protection impact assessments in line with advice and guidance from the ICO.
- Monitoring of IG training compliance at the Information Governance (IG) Board.
- New and updated policies are being rolled out with oversight from IGB, SharePoint site in development, will support the roll out and wider awareness.
- Audit work has confirmed the direction of travel and mitigating actions required for this Risk. Continued work on implementing those actions with oversight being provided by the IG Board.

**Strategic Objectives:**

- Corporate Health: Corporate Operations

**Actions Required:**

- Recruit to the IG roles within the ICT&D structure.
  - Complete development of IG SharePoint site and communicate to staff.
  - Complete outstanding GDPR audit actions.
- Actionee: Alexander Cowen
  - Target date: 31 March 2024

	Current Risk	Residual Risk	Target Risk
Likelihood	4	3	2
Impact	4	4	3
Score	16	12	6

Date last updated: **23 January 2024**

## Risk Matrix

## Appendix C

Likelihood	Negligible Impact	Marginal Impact	Critical Impact	Catastrophic Impact
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

### Assessing the SEVERITY/ IMPACT of a risk

Severity is assessed on a scale of Negligible to Catastrophic indicating increasing seriousness. The impact is assessed looking at credible scenarios (taking prevailing circumstances into consideration) and looking forward to the risks that arise from these scenarios.

	Negligible 1	Marginal 2	Critical 3	Catastrophic 4
Economic /Financial	Financial impact up to £50,000 requiring virement or additional funds	Financial impact between £50,000 and £500,00 requiring virement or additional funds	Financial impact between £500,000 and £1,000,000 requiring virement or additional funds	Financial impact in excess of £1m requiring virement or additional funds
Political	Could have a major impact one departmental objective but no impact on a Council strategic objective	Could have a major impact on a department's objective with some impact on a Council strategic objective	Council severely impact the delivery of a Council strategic objective	Council would not be able to meet multiple strategic objectives.

Health & Safety	Reduced safety regime which if left unresolved may result in minor injury	Minor injuries	1 death or multiple serious injuries	Multiple deaths
Environment	Minimal short-term/temporary environmental damage	Borough-wide environmental damage	Major long term environmental damage	Very severe long term environmental damage.
Legal/Regulatory	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 CLT but major departmental management effort required	Very severe regulatory impact that threatens the strategic objectives of the Council
Management including Contractual	Minimal contract management required	Minimal departmental but major contract management required	Minimal CLT but major departmental management effort required	Major CLT management effort would be required

The **examples** against each category are for your guidance and should be thought of as the consequences that would be likely to occur if things were left to go out of control.

The **examples** detailed below will help ensure a consistent approach.

### **Assessing the LIKELIHOOD of a risk occurring**

The LIKELIHOOD of the risk occurring is estimated on the basis of historic evidence or experience that such situations have materialised or are likely to.

The table gives example details of how the likelihood is assessed.

The likelihood needs to be assessed in terms of has it happened before and is it expected to happen in the near future.

<b>Almost Impossible</b>	<b>Very Low</b>	<b>Low</b>	<b>Significant</b>	<b>High</b>	<b>Very High</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Less than 10%	10 – 30%	30 -50%	50-70%	70 – 90%	More than 90%
Event may occur only in exceptional circumstances	Event will occur in exception circumstances	Event should occur at sometime	Event will occur at sometime	Event may occur only in most circumstances	Event will occur only in most circumstances

**Slough Borough Council**

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	20 <sup>th</sup> March 2024
<b>Subject:</b>	Treasury Management Report April to September 2023-24 (H1)
<b>Chief Officer:</b>	Adele Taylor, Executive Director of Finance & Commercial (S151 Officer)
<b>Contact Officer:</b>	Moji Olusanya, Head of Treasury
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 1 – Treasury Management Report April to September 2023-24 (H1)

**1. Summary and Recommendations**

1.1 This report sets out the mid-year Treasury Management position for Slough Borough Council's April to September 2023-24 (H1).

**Recommendation:****That the Committee**

Review and comment on the Treasury Management Mid-Year Report April to September 2023-24 (H1) at Appendix 1.

**Reasons**

The Committee should assess the performance of investment activity and the associated risks, taking account of external advice that has been provided by the Council's Treasury advisers – Arlingclose. This will allow the Committee to assure itself that the Council is taking prudent decisions and if it has any concerns, to make recommendations to Cabinet or Full Council to address these concerns as appropriate.

**Commissioner Review**

The commissioners note the content of this report.

**2. Introduction**

2.1 This H1 Report documents the Treasury activities of the Council from 1<sup>st</sup> April 2023 to 30<sup>th</sup> September 2023, its borrowings, investments and cash balances. It demonstrates SBC's compliance to the approved Treasury Management Strategy, policies and its overall recovery vision.

2.2 The Council has delegated the authority to review the H1 Treasury Management activities to this Committee. Learnings from previous investment decision-making and from other local government failures has emphasised the importance of member oversight to assess the performance of any investment programme and the associated risks.

2.3 In the future years, Finance department via the Treasury team would report on mid-year earlier in the year - around December. The report has not been ready earlier due to issues around record keeping, historic issues and changes in staffing.

2.4 The Council's Treasury Management Strategy 2023/24 (TMS) was presented to Cabinet for recommendation on 27<sup>th</sup> February 2023 approved by Full Council on 9<sup>th</sup> March 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue impact of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy. This strategy adopted a different approach from previous years to ensure that financial risks were properly identified, monitored and controlled.

2.5 The Treasury Management Strategy for 23/24 focused on using funds received from asset disposals to reduce Council's liabilities, with assumed capital receipts to 31<sup>st</sup> March 2024 of over £400m. However actual net receipts are now forecast to total some £225m including £31m forecast for the current year.

2.6 External advice has been sought from Arlingclose, the Council's treasury management advisors. This is set out in Appendix 1 (H1) and includes a summary of the external context.

### **3. Local Context**

3.1 30<sup>th</sup> September 2023, the Council had total external borrowing (excluding PFI and leases) of £430m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.



Table 1: Balance Sheet Summary

	<b>31.3.23 Actual £m</b>	<b>31.3.24 Forecast £m</b>
General Fund CFR	635	510.7
Capitalisation Direction	149	86.9
Housing Revenue Account CFR	174	174.0
<b>Total CFR</b>	<b>853</b>	<b>771.6</b>
Less: *Other debt liabilities	33.1	31.2
<b>Loans CFR</b>	<b>819.9</b>	<b>740.4</b>
External borrowing**	590.5	502.4
<b>Internal/Under borrowing</b>	<b>185.4</b>	<b>238.0</b>
Less: Balances sheet resources***	-	-
<b>Loans CFR</b>	<b>819.9</b>	<b>740.4</b>

\* Finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

\*\*\*the above table includes numbers which are yet to be finalised as they are subject to audit. This includes Balance sheet resources figures that are yet to be confirmed.

3.2 The Council has pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position on 30<sup>th</sup> September 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary (\*)

	<b>31.3.23 Balance £m</b>	<b>Movement £m</b>	<b>30.9.23 Balance £m</b>	<b>30.9.23 Rate %</b>
***Long-term borrowing				
- PWLB	433.97	16.97	417.0	3.04
- LOBOs	13.0	0.0	13.0	4.15
- Other		0.0		
***Short-term borrowing	143.5	-143.5	0	
<b>Total borrowing</b>	<b>590.47</b>	<b>-160.47</b>	<b>430.0</b>	
***Long-term investments	119.0	-119.0	0	0
***Short-term investments	22.0	1.81	23.81	5.10
**Cash and cash equivalents				
<b>Total investments</b>	<b>141.0</b>	<b>-120.81</b>	<b>23.81</b>	
<b>Net borrowing</b>	<b>449.5</b>	<b>-281.28</b>	<b>406.19</b>	

\*Subject to audit

\*\*These are company's assets that are cash or can be converted into cash immediately. Cash equivalents include bank accounts and marketable securities such as commercial paper and short-term government bonds. Cash equivalents should have maturities of three months or less.

\*\*\*Long term borrowing/ investments are repaid/matures over a period longer than a year. Short -term borrowing/ investments are repaid/matures over a period shorter than or a year.

3.3 At 30<sup>th</sup> September 2023 the Council held £430m of loans, a decrease of £16.47m compared to the position at 31<sup>st</sup> March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30<sup>th</sup> September are summarised in Table 3A below.

#### 4. Borrowing Activity

4.1 CIPFA's 2021 Prudential Code emphasises that local authorities should not borrow to invest primarily for financial returns. Local authorities should not make any investment or spending decision that increase the capital financing requirement, resulting in new borrowing, unless such decisions are directly and primarily related to the functions of the local authority. Local authorities are no longer permitted to secure PWLB loans for purchasing investment assets primarily for yield unless the loans are for refinancing purposes.

4.2 The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in the future.

Table 3A: Borrowing Position

	<b>31.3.23 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.23 Balance £m</b>	<b>30.9.23 Weighted Average Rate %</b>
Public Works Loan Board	433.97	-16.97	417.0	3.11
Banks Lender's Option Borrower's Option (LOBO)	13.0	0	13.0	4.15
Banks (fixed-term)	0	0	0	
Local authorities (long-term)	0	0	0	
Local authorities (short-term)	143.5	-143.5	0	
<b>Total borrowing</b>	<b>590.47</b>	<b>-160.47</b>	<b>430.0</b>	

4.3 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During April to September 2023-24 (H1), the Council's investment balances ranged between £141m and £nil million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	<b>31.3.23 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.23 Balance £m</b>	<b>30.9.23 Income Return %</b>	<b>30.9.23 Weighted Average Maturity Days</b>
Banks & building societies (unsecured)	0.21	0.31	0.52	0	1
Government (incl. local authorities)	119.0	-106	13.0	5.18	3
Money Market Funds	22.0	-11.19	10.81	5.33	1
<b>Total investments</b>	<b>141.21</b>	<b>-116.88</b>	<b>24.33</b>		

4.4 The Council has also invested in non-treasury investments, being those for service purposes or for commercial purposes (primarily financial return). These investments are shown in table 5 below.

Table 5: Non-Treasury Investments

<b>Debtor</b>	<b>Balance at 30/9/2023</b>	<b>Interest receivable 30/09/2023</b>	<b>Rate</b>
	<b>£000s</b>	<b>£000s</b>	<b>%</b>
James Elliman Homes	51,700	1,551	3%
SUR LLP - senior debt	0	0	5%
SUR LLP - loan notes	2,885	144	5%
GRE 5 Ltd	2131	286	6%
Slough Children First Ltd	5,000	71	1%
St Bernards School	0	0	1.41%
	<b>61,716</b>	<b>2,052</b>	<b>3.40%</b>

4.5 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	<b>Actual £m</b>	<b>Actual % Interest rate</b>	<b>Bank Bench mark %</b>	<b>Over/ Under</b>	<b>LA Bench mark %</b>	<b>Over/ Under %</b>
PWLB	417	3.12	5.50	Under		
LOBO LOANS	13	4.17	5.50	Under		
<b>Total borrowing</b>	<b>430</b>					
PFI and Finance leases	31.25					
<b>Total debt</b>	<b>461.25</b>					
DMO	13	5.18	5.25	Under	4.93	Over
MMF	10.81	5.33	5.25	Over	4.93	Over
Total treasury investments	23.81					
<b>Net Debt</b>	<b>437.44</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>		

Information on compliance with specific investment limits is shown in Appendix 1.

## 5. Implications of the Recommendation

### 5.1 Financial implications

5.1.1 This report details the Council's Treasury Management and investment activity as at 30<sup>th</sup> September 2023. The Council is on a journey to get back onto a financially sustainable footing, principally by reducing debt, and by disposing of assets.

5.1.2 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

5.1.3 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of September around 5.55 – 6%. this is higher than those at the beginning of April. The rates on DMADF deposits also rose, ranging between 5.17%

and 5.26% by the end of September and Money Market Rates between 5.18% and 5.33%. Given the risk of short-term unsecured bank investments, the Council has invested mainly with DMADF & Low Volatility Money Market Funds.

## 5.2 Legal implications

5.2.1 The Local Government Act 2003 provides the Council with the power to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Council is under a duty to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code of Practice.

5.2.2 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.2.3 Full Council is required to approve a Treasury Management Strategy (TMS) and investment decisions must be made in accordance with that. Any decision to depart from this Strategy must be agreed by Full Council. The Council's TMS Appendix 5 confirms how the Council complies with the CIPFA Treasury Management Code. This confirms that the Audit and Corporate Governance Committee has responsibility for scrutinising treasury management activities.

## 5.3 Risk management implications

5.3.1 Best practice and learning from other local government failures has identified that a failure to properly review and monitor investment activity can expose the Council to significant financial risk. It is critical that delegated authority is set at an appropriate level, performance is assessed against the principles set out in the TMS, performance is regularly monitored at senior officer level and by elected members, consideration is given to including aspects of the investment strategy in the internal audit programme and that the Council does not rely on investment activity to avoid making service decisions to meet reduced budgets.

5.3.2 The key risks for future investment activity are:

Asset sales either do not generate the expected receipts or are delayed. The mitigation is using external consultants to ensure best consideration is achieved through a managed asset disposal plan; and

Interest rates rise thus increasing borrowing costs. The temporary borrowing portfolio is at risk of interest rate rises. This can be mitigated by locking into PWLB borrowing and shifting the focus away from temporary borrowing.

5.3.3 In general, LOBO loans come with the risk of interest rates rising. However, as Slough Borough Council has relatively low coupon levels and presently performing above benchmark level, rate rise risk affecting the Council's LOBO Loans is considered very minimal.

5.4 Environmental implications

5.4.1 There are no specific implications.

5.5 Equality implications

5.5.1 There are no specific implications.

5.6 Procurement implications

5.6.1 There are no specific implications.

5.7 Workforce implications

5.7.1 There are no specific implications.

5.8 *Property implications*

5.8.1 In order to reduce the overall level of borrowing and finance the capitalisation direction, the Council will have to generate capital receipts. The Council is currently managing the asset disposal plan to generate these receipts.

**6. Background Papers**

None

# Treasury Management Report April to September 2023/24 (H1)

## Introduction

In 2003 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report includes the new requirement in the 2021 Code, mandatory from 1<sup>st</sup> April 2023, of quarterly reporting of the treasury management prudential indicators.

The Council's treasury management strategy for 2023/24 was presented to Cabinet for recommendation on 27<sup>th</sup> February 2023 approved by Full Council on 9<sup>th</sup> March 2023. The Council has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

## External Context - Provided by External Advisors Arlingclose

**Economic background:** UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell

from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the Council's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

**Financial markets:** Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.



**Credit review:** Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody’s revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council’s counterparty list recommended by Arlingclose remains under constant review.

### Slough Borough Council Context

On 30<sup>th</sup> September 2023, the Council had total external borrowing (excluding PFI & leases) of £430m arising from its revenue and capital income and expenditure. External borrowing is forecast to rise from £430m to £502m during the second half of the financial year but will remain below the opening balance as at the 1st of April, and refinancing of loans will not take place until it is needed. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual £m	31.3.24 Forecast £m
General Fund CFR	539	510.7
Capitalisation Direction	149	86.9
Housing Revenue Account CFR	174	174.0
<b>Total CFR</b>	<b>853</b>	<b>771.6</b>
Less: *Other debt liabilities	33.1	31.2
<b>Loans CFR</b>	<b>819.9</b>	<b>740.4</b>
External borrowing**	590.5	502.4
<b>Internal/ Under borrowing</b>	<b>229.4</b>	<b>238.0</b>
Less: Balance sheet resources***	-	-
<b>Loans CFR</b>	<b>819.9</b>	<b>740.4</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Council’s total debt

\*\* shows only loans to which the Council is committed and excludes optional refinancing

\*\*\*the above table includes numbers which are yet to be finalised as they are subject to audit. This includes Balance sheet resources figures that are yet to be confirmed.

The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30<sup>th</sup> September and the change over the six months’ is shown in Table 2 below.

**Table 2: Treasury Management Summary**

	<b>31.3.23 Balance £m</b>	<b>Movement £m</b>	<b>30.9.23 Balance £m</b>	<b>30.9.23 Rate %</b>
Long-term borrowing				
- PWLB	433.97	-16.97	417.0	3.04
- LOBOs	13.0	0	13.0	4.15
- Other	0	0	0	
***Short-term borrowing	143.5	-143.5	0	
<b>Total borrowing</b>	<b>590.47</b>	<b>-160.47</b>	<b>430.0</b>	
***Long-term investments	119.0	-119	0	0
***Short-term investments	22.0	1.81	23.81	5.10
**Cash and cash equivalents	0	0	0	
<b>Total investments</b>	<b>141.0</b>	<b>-120.81</b>	<b>23.81</b>	
<b>Net borrowing</b>	<b>449.5</b>	<b>-281.28</b>	<b>406.19</b>	

*\*subject to audit*

\*\*These are company's assets that are cash or can be converted into cash immediately. Cash equivalents include bank accounts and marketable securities such as commercial paper and short-term government bonds. Cash equivalents should have maturities of three months or less.

\*\*\*Long term borrowing/ investments are repaid/matures over a period longer than a year. Short -term borrowing/ investments are repaid/matures over a period shorter than or a year.

### **Borrowing**

CIPFA’s 2021 Prudential Code is clear that local Councils must not borrow to invest primarily for financial return and that it is not prudent for local Councils to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local Councils planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

The Council *has reviewed* its capital programme in light of the Prudential Code 2021 requirements and PWLB lending arrangements to ensure that borrowing to invest primarily for commercial return is no longer undertaken.

### **Borrowing strategy and activity**

As outlined in the treasury strategy, the Council’s chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council’s long-term plans change being a secondary objective. The Council’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30<sup>th</sup> September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31<sup>st</sup> March 2023 were 4.33%, 4.70% and 4.41% respectively.

A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15<sup>th</sup> June 2023. Initially available for a period of one year, this discounted rate is to support local Councils borrowing for the Housing Revenue Account and for refinancing existing HRA loans

At 30<sup>th</sup> September the Council held £430m of loans, decrease of £16.97m to 31<sup>st</sup> March 2023, as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 30<sup>th</sup> September are summarised in Table 3A below.

**Table 3A: Borrowing Position**

	<b>31.3.23 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.23 Balance £m</b>	<b>30.9.23 Weighted Average Rate %</b>
Public Works Loan Board	433.97	-16.97	417.0	3.11
Banks (LOBO)	13.0	0	13.0	4.15
Banks (fixed-term)	0	0	0	
Local Councils (long-term)	0	0	0	
Local Councils (short-term)	143.5	-143.5	0	
<b>Total borrowing</b>	<b>590.47</b>	<b>-160.47</b>	<b>430.0</b>	

In general, short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. As the Council has no short-term loans as at end of September, the average rate on the Council's short-term loans at 30<sup>th</sup> September 2023 of £0 was 0%, this compares with 1.84% on £35m loans 3months ago.

**Table 3B: Long-dated Loans borrowed (if applicable to your borrowing activity)**

	Repayment Method	Reference no	Loan Balance	Loan Rate
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	607670	50,000,000.00	4.80
PWLB PUBLIC WORKS LOAN BOARD	EIP	509819	25,000,000.00	1.85
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	498000	4,000,000.00	3.67
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	509820	40,000,000.00	4.54
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	498001	4,000,000.00	3.85
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	487800	1,000,000.00	4.45
PUBLIC WORKS LOAN BOARD	MATURITY	500578	20,000,000.00	3.08
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	488859	500,000.00	4.95
PWLB PUBLIC WORKS LOAN BOARD	EIP	509818	13,043,478.25	1.07
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	489227	5,000,000.00	4.70
PUBLIC WORKS LOAN BOARD	MATURITY	500582	20,000,000.00	3.30
PWLB PUBLIC WORKS LOAN BOARD	EIP	509540	9,533,333.36	1.40
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	490923	3,000,000.00	4.15
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	490924	5,000,000.00	4.15
PUBLIC WORKS LOAN BOARD	MATURITY	500579	20,000,000.00	3.44
PWLB PUBLIC WORKS LOAN BOARD	EIP	507555	18,750,000.00	2.12
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	494837	5,000,000.00	4.72
PWLB PUBLIC WORKS LOAN BOARD	EIP	508164	15,500,000.00	2.08
PUBLIC WORKS LOAN BOARD	MATURITY	500584	20,000,000.00	3.47
PWLB PUBLIC WORKS LOAN BOARD	EIP	509380	20,000,000.00	1.69
PUBLIC WORKS LOAN BOARD	MATURITY	500581	15,841,000.00	3.49
PUBLIC WORKS LOAN BOARD	MATURITY	500580	20,000,000.00	3.50
PWLB PUBLIC WORKS LOAN BOARD	EIP	508766	41,000,000.00	2.22
PWLB PUBLIC WORKS LOAN BOARD	EIP	507556	20,833,333.30	2.36
PWLB PUBLIC WORKS LOAN BOARD	MATURITY	507959	20,000,000.00	2.59
<b>TOTAL PWLB</b>			<b>417,001,144.91</b>	<b>3.12</b>
BARCLAYS CAPITAL	MATURITY	164	4,000,000.00	4.76
DEXIA MUNICIPAL AGENCY	MATURITY	166	4,000,000.00	3.75
DEPFA ACS BANK	MATURITY	165	5,000,000.00	3.99
<b>TOTAL LOBO</b>			<b>13,000,000.00</b>	<b>4.17</b>
<b>TOTAL LOANS as at 30/09/23</b>			<b>430,001,144.91</b>	

PWLB loans are repayable by one of three methods:

- (i) Maturity: half-yearly payments of interest only, with a single repayment of principal at the end of the term.
- (ii) EIP (Equal Instalments of Principal): equal half-yearly instalments of principal together with interest on the balance outstanding at the time.
- (iii) Annuity or ER (Equal Repayments): fixed half-yearly payments to include principal and interest.

The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

LOBO loans: The Council continues to hold £13m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Maturity dates are between 2054 and 2066. No banks exercised their option during the year.

### **Other Debt Activity**

Although not classed as borrowing, the Council also had £28.07m of PFI (Private Finance Initiative) finance for 2023/24 and £3.18m of finance leases.

After £1.81m repayment of prior years’ liabilities, total debt other than borrowing stood at £31.25m on 30<sup>th</sup> September 2023, taking total debt to £461.25m.

**Table 4: PFI & Leases**

	<b>2022/23</b>	<b>2023/24</b>
<b>Capital balance</b>		
Building leases	3,519,001	3,180,481
PFI	29,542,965	28,072,925
	<b>33,061,966</b>	<b>31,253,406</b>
<b>Repaid</b>		
Building leases	(536,432)	(338,520)
PFI	(803,596)	(1,470,040)
	<b>(1,340,028)</b>	<b>(1,808,560)</b>

### **Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. There are no plans to borrow in advance of need while the Council reduces its overall borrowing over the next 5-6 years

### **Treasury Investment Activity**

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Council’s cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Council’s investment balances ranged between £141m and £23.81million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement £m	30.9.23 Balance £m	30.9.23 Income Return %	30.9.23 Weighted Average Maturity days
Banks & building societies (unsecured)	0.21	0.31	0.52	0	1
Government (incl. local authorities)	119.0	-106	13.0	5.18	3
Money Market Funds	22.0	-11.19	10.81	5.33	1
<b>Total investments</b>	<b>141.21</b>	<b>-116.88</b>	<b>24.33</b>		

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 5.17% and 5.26% by the end of September and Money Market Rates between 5.18% and 5.33%.

The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023	3.81	AA-	16%	28	3.82
30.09.2023	4.15	AA-	45%	1	5.25
<b>Similar LAs</b>	<b>4.57</b>	<b>AA-</b>	<b>65%</b>	<b>42</b>	<b>2.46</b>
<b>All LAs</b>	<b>4.47</b>	<b>AA-</b>	<b>59%</b>	<b>13</b>	<b>3.69</b>

### Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

Table 6: Non-Treasury Investments

<b>Interest receivable 2023/24</b>	<b>Debtor</b>	<b>Balance at 30/09/2023</b>	<b>Interest receivable 30/09/2023</b>	<b>Rate</b>
<b>£000s</b>		<b>£000s</b>	<b>£000s</b>	<b>%</b>
1,551	James Elliman Homes	51,700	1,551	3%
0	SUR LLP - senior debt	0	0	5%
144	SUR LLP - loan notes	2,885	0-144	5%
354	GRE 5 Ltd	2,131	286	6%
71	Slough Children First Ltd	5,000	71	1%
0	St Bernards School	0	0	1.41%
<b>2,120</b>		<b>61,716</b>	<b>2,052</b>	<b>3.40%</b>

### Treasury Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	<b>Actual £m</b>	<b>Actual %</b>	<b>Benchmark %</b>	<b>Over/under</b>
PWLB	417	3.12	5.50	Under
LOBO LOANS	13	4.17		Under
<b>Total borrowing</b>	<b>430</b>			
PFI and Finance leases	31.25			
<b>Total debt</b>	<b>461.25</b>			
DMO	13	5.18	5.25	Under
MMF	10.81	5.33	5.25	Under
<b>Total treasury investments</b>	<b>23.81</b>			
<b>Net Debt</b>	<b>437.44</b>	n/a	n/a	n/a

### Compliance

The Executive Director of Finance & Commercial (S151) reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	Minimum Credit Criteria	Max. % or amount per Institution	Max. Maturity Period	30.6.23 Actual	Complied? Yes/No
<b>Specified Investments</b>					
DMADF - UK Government	N/A	100%	6 mths	£21m	Yes
Money Market Funds	AAA	100%	Daily	£14.36m	Yes
Local Authorities	N/A	100%/£20m	10 yrs	0	Yes
Lloyds Bank plc (the Council's bankers)	A+	£20m £5m	Overnight Deposits** Up to 12mths	£159k	Yes
Term deposits with banks & rated building societies	A+		Up to 3 yrs	0	Yes
Current & Ex - Government Supported banks	A+	50%	Up to 1yr	0	N/A
<b>Unspecified Investments</b>					
UK Government supported banks	N/A	£70m or 50% of total investments	3yrs	0	N/A
Enhanced Money Market Funds	N/A	£25m	4yrs	0	N/A
Pooled Property Funds	N/A	£25m	4yrs	0	N/A
Short Term Investment grade Sterling instruments	N/A	£25m	4yrs	0	N/A

\* DMO - is the maximum period offered by the Debt Management Office of HM Treasury

\*\* Over £20 million with the explicit agreement of the Director of Finance

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	H1 2023/24 Previous Forecast	30.9.23 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied? Yes/No
Borrowing	468.35	430.0	609	638	Yes
PFI and Finance Leases	31.25	31.35			
<b>Total debt</b>	<b>499.6</b>	<b>461.35</b>			Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not



counted as a compliance failure. Total debt was above the operational boundary for 0 days since 1<sup>st</sup> April 2023.

### Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

1. Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	30.9.23 Actual	Complied?
Under 12 months	70%	0%	18.4%	Yes
12 months and within 24 months	50%	0%	9.3%	Yes
24 months and within 5 years	35%	0%	5.8%	Yes
5 years and within 10 years	25%	0%	9.0%	Yes
10 years and above	50%	0%	57.5%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

2. Long-term Treasury Management Investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£90m	£90m	£90m	£90m
Actual principal invested beyond year end	0	0	0	0
Complied?	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

### Additional indicators

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2023/24 Target	30.9.23 Actual	Complied?
Portfolio average credit score	A	AAA	Yes

The Authority measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

**Capital Expenditure:** The Authority has undertaken and is planning capital expenditure as summarised.

	2022/23 actual	2023/24 forecast	2024/25 budget *	2025/26 budget
General Fund services	16.620	11.152	23.291	9.352
Council housing (HRA)	8.710	11.399	24.693	19.998
Capital investments	0	0	0	0

\* £0m of capital expenditure arises from a change in the accounting for leases and does not represent cash expenditure.

The main General Fund capital projects and HRA capital expenditure is recorded separately. The Authority also incurred £0m of capital expenditure on investments.

**Capital Financing Requirement:** The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget *	31.3.2026 budget
General Fund services	539	511	503	448
Capitalisation Direction	140	87	0	0
Council housing (HRA)	174	174	174	174
Capital investments	0	0	0	0
<b>TOTAL CFR</b>	<b>853</b>	<b>772</b>	<b>677</b>	<b>622</b>

**Gross Debt and the Capital Financing Requirement:** Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	Debt at 30.9.2023
Debt (incl. PFI & leases)	623.6	533.7	493.6	442,5	461.35?
Capital Financing Requirement	853	772	677	622	853

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	20 <sup>th</sup> March 2024
<b>Subject:</b>	Reporting and Audit of Backlog Statements of Accounts 2019/20 to 2022/23
<b>Chief Officer:</b>	Adele Taylor, Executive Director, Finance & Commercial
<b>Contact Officer:</b>	Chris Holme, Interim Finance Director (Corporate and Strategic)
<b>Ward(s):</b>	All
<b>Exempt:</b>	No
<b>Appendices:</b>	Timetable for Completion, reporting and audit of backlog accounts 2019/20 to 2022/23 (to follow)

### 1. Summary and Recommendations

- 1.1 This report advises Committee of the recently published Accounts and Audit (Amendment) Regulations 2024 which set out a timetable for audit of outstanding local authority Statements of Accounts to 2022/23 and for 2023/24. It also highlights the implications for Slough BC and summarises the timeline officers are proposing to meet the statutory deadlines,

#### Recommendations:

Audit and Corporate Governance Committee is recommended to:

- a) *Note the requirements of the draft Backlog Audit Process as set out in paragraph 3 of this report*
- b) *Note the current Slough BC position and implications of the Backlog Audit process as set out in paragraph 4 the report.*
- c) *Agree the indicative timeline for presentation of backlog accounts to this Committee, their publication, and compliance with public inspection requirements for each of the financial years 2019/20, 2020/21, 2021/22 and 2022/23, as set out in para. 4.3 and Appendix 1 to this report*

#### Commissioner Review

The commissioners note the recommendations in this report, challenging timescale and additional resources that will be required from the Council and its external auditors to deliver these objectives.

### 2. Report

#### Introductory paragraph

- 2.1 The Secretary of State has now issued draft Accounts and Audit (Amendment) Regulations 2024, following consultation with the sector and other stakeholders, which sets out the requirements for publication of statement of accounts, annual

governance statement and narrative statement for local authorities - financial years 2015-2027. This report sets out the arrangements and implications for Slough BC along with arrangements the Council is putting in place to ensure compliance.

### **Options considered**

Achievement of publication and audit requirements for backlog statements of accounts are regulations and so no other options are considered.

### **3. Background**

- 3.1 The Secretary of State has, as of February 2024, issued draft Accounts and Audit (Amendment) Regulations 2024, following consultation with the sector and other stakeholders, which sets out the requirements for publication of statement of accounts, annual governance statement and narrative statement for local authorities - financial years 2015-2027. All local authorities are duty bound to comply with the regulations.
- 3.2 Timely and high-quality financial reporting and audit of local authorities is vital. Not only does it support good decision making by those authorities, by enabling them to plan effectively, make informed decisions and manage their services - it ensures transparency and accountability to local taxpayers.
- 3.3 The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level and as of 31 December 2023, the backlog of outstanding audit opinions stood at 771. A number of factors have been cited that have contributed to this situation, including lack of resources in audit firms and in local authority finance teams.
- 3.4 In July 2023, the Minister for Local Government published a Cross-System Statement to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit ("system partners") have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.
- 3.5 This has resulted in consultations being issued by the Department for Levelling Up, Housing and Communities (DLUHC) and the National Audit Office (NAO), with one to follow shortly from CIPFA LASAAC on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on finance teams and auditors.
- 3.6 To clear the backlog of historical accounts and 'reset' the system, DLUHC has now issued a date in law (the "backstop date") – 30 September 2024 – by which local authorities must publish audited accounts for all outstanding years up to and including 2022/23. The NAO is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.
- 3.7 To achieve a balance between restoring timely audit and returning to unmodified audit opinions for most local bodies, the government is also set out deadline dates for the 5 years covered by the latest round of audit appointments:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

- 3.8 This backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date.
- 3.9 Recovering from modified and disclaimed audit opinions is likely to require significant additional work for those preparing accounts and their auditors. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. They will need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

#### **4. Current Position**

- 4.1 The Council last published Statement of Accounts for 2018/19 and they have yet to receive a formal audit opinion, but as the Committee is aware it will be a disclaimed audit opinion. Whilst progress has been made on preparation of the 2019/20 and 2020/21 statements, further work is required before they are ready for publication. As for 2021/22 and 2022/23 statements, significant work is required to be undertaken before these will be ready for publication.
- 4.2 A dedicated project team, led by the Finance Director – Corporate and Strategy, has been set up and a detailed plan prepared, with support from external partners. To ensure compliance with the requirements, there is a staggered timetable for consideration by Audit and Corporate Governance Committee, publication and public inspection of the accounts.
- 4.3 We anticipate the 2019/20 accounts to be presented to an extraordinary meeting of this Committee during April. There is likely to be a requirement for further extraordinary meetings to enable us to manage the process – given that four sets of accounts need to be prepared, published and audited within six months. A 30-working day public inspection is then a statutory requirement for each set of accounts and we are consulting with our external auditors as to the timeline for 2020/21 and subsequent accounts to enable a practicable completion. Appendix 1 (*to follow*) sets out the proposed timetable, following discussions with external auditors. Audit and Governance Committee is asked to review and approve the timetable.
- 4.4 The situation in Slough is further complicated by the Berkshire Pension Fund being administered by the Royal Borough of Windsor and Maidenhead (RBWM) on behalf of all Berkshire authorities. Until RBWM's accounts for each year are fully signed off by its external auditor, the other authorities' accounts are inevitably held up, due to the materiality of pensions transactions and the reliance placed on RBWM's audit opinion by other audit firms.

4.5 Training will be provided to Committee members on responsibilities and interpretation of local authority accounts to enhance the corporate governance arrangements and provide effective scrutiny.

#### 5.1 *Financial implications*

5.1.1 Delivery of the detailed programme of works has required the setting up of a dedicated finance project team, made up primarily of officers, for which some limited back-filling is required, with limited external support where specific technical skills are required. The costs are reflected in the 2024/25 budget as approved by Full Council on the 7<sup>th</sup> March 2024. There will be additional opportunity costs as preparing the statements of accounts requires specific tasks to be undertaken by nominated officers across the Council.

5.1.2 Costs of external audit fees, including those for 2023/24 and years 2019/20 to 2022/23 are factored into the 2024/25 budget.

#### 5.2 *Legal implications*

5.2.1 The legal obligations in relation to statements of accounts are set out in the main body of this report. The draft 2024 Regulations, once enacted, will amend the Accounts and Audit Regulations 2015 by adding in a new regulation 9A setting a new deadline for future accounts to be published. In relation to historic financial years, the deadline is 30 September 2024.

5.2.2 The Council has a duty of best value under the Local Government Act 1999. It has been found to have breached this duty by the Secretary of State for Levelling Up, Housing and Communities and is currently under statutory intervention. A significant reason for this intervention related to financial governance. DLUHC has issued draft best value guidance and highlighted use of resources as a key best value theme. This confirms that local authorities should have in place and properly deploy an effective internal control environment to safeguard the use of resources and clear and effective processes to secure value for money. This ensures having appropriate systems in place and the skills and capacity to manage the complexity of its finances, using specialist expertise where required. Any financial management and reporting needs to be supported by robust financial systems, record keeping and quality assurance. The Committee will be aware of the report by Grant Thornton presented to its last meeting, which highlighted significant areas of learning arising from the audit of the 2018/19 accounts. The Committee should seek appropriate assurance that this learning has been considered and responded to avoid similar issues with other statements of accounts.

#### 5.3 *Risk management implications*

5.3.1 Compliance with the requirement to prepare, publicise and audit four years accounts within a limited six-month period is fraught with risks and will require the appropriate level of both technical and programme management skills to manage. Failure to achieve the deadlines for completion of audited 2019/20 to 2022/23 accounts by the end of September, and subsequent 2023/24 accounts by May 2025 risk significant further reputational damage to the Council and could result in penalties or additional interventions. Progress on all workstreams will be reported monthly to Finance Board.

5.3.1 Details of individual programme risks are set out in the detailed project plan.

5.4 *Environmental implications*

5.4.1 There are no specific environmental implications of the recommendations.

5.5 *Equality implications*

5.5.1 There are no specific equalities and inclusion implications of the recommendations.

5.6 *Procurement implications*

5.6.1 Any additional external support required should be commissioned in accordance with both the Public Contracts Regulations and the Council's procurement rules. Any exception to the latter should only be for emergency requirements, following review by officers through the Expenditure Control Board, and will be reported to the following Audit and Governance Committee.

5.7 *Workforce implications*

5.7.1 What is planned is a very intensive programme of works, both to achieve the end of September amended statutory requirements and the subsequent May 2025 statutory deadline for completion of audited 2023/24 accounts. The backlog audit work programme will require allocation must be undertaken in conjunction with the normal business activities of the Council. A dedicated project team within Finance and Commercial Services has been set up which will require some limited temporary backfilling but will also require support from other key areas across the Council with a risk of additional pressures. Where any additional external resources are engaged it is vital that the appropriate level of internal capacity building is included within the contractual arrangement. From a duty of care perspective, it is essential that adequate resources are identified to fulfil essential requirements.

**6. Background Papers**

None

This page is intentionally left blank



**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>29/02/24 (Ext)</b>	<b>20/03/24</b>
E. Ahmed	P	P	P	Ap	P	
Akram	P* (until 6.48pm)	P* (until 8.50pm)	P	P	P	
Anderson	Ap	P* (until 8.52pm)	P	P	P	
O'Kelly	P	P	P	P	P	
Rana	P	P	Ap	P* (from 6.34pm)	Ap	
W. Sabah	P* (until 6.48pm)	P* (until 8.50pm)	P	P	P	
Shaik	P	P	P	P	P	
Zarait	Ap	Ap	P	P	P	
<b>CO-OPTED INDEPENDENT MEMBERS</b>						
Naira Bukhari	Ap	P	Ap	P* (from 7.15pm)	P	
Tony Haines**				P	P	
Rupa Sidpara**				P	P	
Jen Simpson**				P	P* (from 6.34pm)	

P = Present for whole meeting

Ap = Apologies given

\*\* Appointed from 1<sup>st</sup> December 2023

P\* = Present for part of meeting

Ab = Absent, no apologies given

This page is intentionally left blank