

SLOUGH BOROUGH COUNCIL

REPORT TO: Council

DATE: 21st July 2022

CONTACT OFFICER: Steven Mair – Executive Director Finance and Commercial (s151)

WARD(S): All

PART I **FOR INFORMATION**

RECOMMENDATION OF CABINET FROM ITS MEETING HELD ON 18TH JULY 2022 - FINANCIAL ACTION PLAN UPDATE

1 Purpose and Recommendations

- 1.1 To provide Members with the background to the Council's financial position and an update on the work undertaken to respond to the many and very serious financial challenges and the recommendations made by external agencies.
- 1.2 Council are recommended to note the progress and issues arising from the continued work on the above
- 1.3 Council is requested to note the progress and current position on the Financial Action Plan.

Commissioner Review

- 1.4 Given the history of the items mentioned in this report, the Commissioners are pleased to see progress with the identified actions.

2 Report

Background

- 2.1 As Members are aware the Council during 2021-22 received the following:
 - statutory and non-statutory recommendations from the external auditor,
 - a significant number of recommendations from internal audit,
 - a s114 notice from the Director of Finance, highlighting a then estimated budget gap of at least £174m and a wide range of financial management issues which will require a great deal of extensive long term work to correct. These issues have developed further as the Council finance team continues its work which began in May 2021 and has been reported to Full Council since September 2021
 - a report from the Chartered Institute of Public Finance and Accountancy (CIPFA) in October 2021 that highlighted there was a high likelihood that this figure could grow. This has proven to be the

case. The latest forecast is that the Council will need an unprecedented level of support of a capitalisation direction of circa £479m to 2028/29 (assuming the Council meets its various financial challenges) in order to place it on a sustainable financial footing for the future, of which £223m is required to deal with historic issues and £84m for 2022/23 to enable the Council to deliver a legal budget for 2022/23.

- reports from both DLUHC and CIPFA. Both reports identifying significant weaknesses in financial management processes, governance and internal control
- a written ministerial statement and directions (reported on separately) and
- an intervention package from DLUHC

- 2.2 Grant Thornton recommended regular reporting to members on year-end close and audit matters. This is a statutory recommendation which the Council cannot ignore.
- 2.3 The DLUHC/CIPFA reviews issued in October 2021 also recommended more regular reporting to members on the Council's financial position.
- 2.4 The Commissioners appointed to oversee the Council's financial recovery expect regular reports to evidence the progress made since the various critical reports were issued.
- 2.5 It is important to remember that the Council's very serious financial challenges have arisen over a period of several years and represent the combined impact of a wide range of issues. These problems are now being addressed but designing, implementing and embedding new processes together with the required changes to organisational culture will take a further estimated 4 years. A detailed assessment of the improvement timeframe is becoming clearer as the finance team undertake further investigations and assess the scale and nature of the improvements required, which are very extensive. This report sets out progress to date, the current and emerging issues, the actions and proposed timescales for further improvements. The work required has to be prioritised and delivered within the available budget and the staffing resources secured
- 2.6 The Finance department developed a comprehensive business plan for 2022-23 which is now the focus of delivery and improvement activity for the team. This report is structured against the departmental aims and objectives set out in the plan which are aligned with the key objectives of the Corporate Plan and the Recovery and Improvement Plan.
- 2.7 This report also includes a summary of the responses to the recommendations in various reports from external agencies during 2021/22. It is important to retain this link as the recommendations provide the basis of the improvement agenda and assist in framing the scale of the financial challenges facing the council.
- 2.8 Appendix 1 of the May Cabinet report outlined in detail the significant amount of progress that had been made in implementing changes to the financial systems and procedures during 2021/22. This detail has not been repeated

in this report but should not be under-estimated in terms of the platform it has given to enable the finance function to move forward in a more sustainable manner. A summary of the significant work undertaken is shown below:

- overhauling financial reporting and the statements of accounts and year end closedown processes
- improving budget setting and compiling the capitalisation direction
- improving the budget process and allocations method
- improving capital budget monitoring and capital receipts
- developing financial business partnering
- improvements to financial accounting and control
- reviewing interests in companies
- improving procurement and contract management
- making arrangements to bring internal audit in-house
- improving the response to audit recommendations
- stabilising the insurance function
- improving revenues and benefits services
- reviewing the Housing Revenue Account (HRA)
- improving the approach to the Dedicated Schools Grant (DSG)
- implementing a financial modelling and business case approach
- reviewing the fees and charges policy
- implementing an expenditure control process
- developing a procurement strategy
- improving risk management arrangements

however, many risks and issues remain before the Council can be deemed to be operating in a fully acceptable and sustainable financial manner. It is expected that it will take up to a further four years for the Council to be in this position. Appendix 1 sets out the key risks facing the finance department in 2022/23 and beyond.

2.9 Appendices 2 - 4 shows the detail and the current position in relation to the responses and progress against the recommendations in the following external reports:

- the DLUHC Governance Review
- the CIPFA Review
- Grant Thornton's statutory recommendations

A summary of the current position and key issues are shown in section 3.

2.10 The key actions for 2022/23 are shown against each of the business plan objective areas in sections 4-12 below. These include the remaining issues, actions and timelines for completion. The department is working towards:

- delivering financial sustainability and improved medium-term financial planning
- improving financial reporting and accounts closedown
- developing capacity, capability and standards across the whole Department and improve our customer services offer
- developing business case capability to support decision making
- developing and implementing a people, training and culture strategy.

- further developing and implementing the asset management and investment strategy.
- establishing a new procurement and contract management function
- improving governance, counter fraud, internal audit, risk management and insurance
- further improving the revenues, benefits and charges service

2.11 Major progress to note currently are:

- the 2018/19 accounts have now been submitted to the external auditors and work on the audit has commenced. This has identified an extensive range of issues and will provide a solid base for future years accounts
- it is anticipated that an indicative 2021/22 outturn position will be available shortly (subject to the closure of the accounts which will not be until March 2023), as will updates on 2022/23 monitoring and 2023/34 budget proposals
- capital receipt generation is now beginning, see report to Cabinet on the 18th July
- the finance restructure has been agreed by Cabinet which will allow the Council to progress towards securing a new permanent finance service
- the Dedicated Schools Grant outturn is estimated (subject as above the closure of the 2021/22 accounts) to have delivered the £2.3m, 32% reduction in the original estimated overspend

2.12 All of the work referred to in this report is extensive, demanding and will continue to evolve. It was always envisaged that the format of these reports will develop over time as is evidenced in this document. New issues will continue to be identified and will be reported to members as and when they emerge.

3 External Reports from CIPFA, MHCLG/DLUHC, Grant Thornton and Directions

3.1 Detailed responses to the reports received from MHCLG/DLUHC, CIPFA, Grant Thornton and the formal Directions from DLUHC are shown in detail in Appendices 2-4. Table 1 below shows a summary of the progress to date against each set of recommendations.

Table 1: Progress on implementing recommendations from external reports

Report	No of Finance Related Recs	Complete	Partially complete / On Track for deadline
CIPFA	21	13	8

(Appendix 2)			
MHCLG/DLUHC (Appendix 3)	20	7	13
Grant Thornton (Appendix 4)	23	13	10
Total	64	33	31
Total %		52	48

- 3.2 Significant progress has been made on completing and responding to the recommendations from the various reports issued by CIPFA, DLUHC, Grant Thornton and within the Directions issued by Government during 2021/22. 52 per cent of all recommendations have been completed with the remainder on track to complete during 2022/23. Since the last report the number of complete recommendations has increased from 28 to 33. The remaining recommendations will be implemented in the medium to longer-term due to their nature although a vast majority are expected to progress during 2022/23 and 2023/24.
- 3.3 Appendices 2 - 4 set out in detail the findings from all these reports and the responses to date. By their nature the reports include some duplication but we continue to track all matters at a detailed level in order to ensure they are completed at the earliest opportunity. The Council will be continuously reviewing and improving its response to the actions to the extent that even those marked as complete will be subject to further development and they will be marked as such and reported back to the Committee as appropriate.

4 **Deliver Financial Sustainability and Improved Medium Term Financial Planning**

The key actions against this objective are shown below with a RAG rating outlining progress to date:

Objective : Deliver Financial Sustainability and improved Medium-Term Financial Planning		
Planned Actions	Responsibility	By When
We will continue to improve budget setting and strategic financial planning by reviewing procedures and implementing systems of expenditure control, income generation and asset management.	Fin Mgt	Initially May 2022 for 23/24 budget Refined by September 2022
We will continue to improve system interfaces and reduce manual processes thereby improving efficiency and reducing the risks of associated with manual interventions	Financial Systems Team	December 2022
We will provide finance training for Budget Managers and Members	Finance Team	On-going during 2022
We will develop a Debt Strategy with a set of principles around efficiencies or receipts not previously identified	Accounts Payable and Receivable	October 2022
Getting the basics right - there remains the need to ensure that all the key financial controls, management and reporting routines are in place as a base on which to build the changes that are needed. Review and monitoring will be supplemented with training in the department and training for members and departmental teams to ensure responsibilities are understood	Finance Team	On-Going throughout 2022/23 and 2023/24

Financial Sustainability, Improved Budget Setting and Financial Planning

- 4.1 The key factors for ensuring future financial sustainability are the continued support of DLUHC in the form of future capitalisation directions; the achievement of £20m of savings per annum; the sale of up to £600m of assets; improved financial management and control and the preparation and audits of the various sets of accounts without the audit process identifying any additional material items.
- 4.2 DLUHC support for £307m was agreed in principle in March 2022 following submission of a detailed capitalisation direction request for the period from 2008/09 up to and including 2022/23. This is subject to regular monitoring and review and without which the Council would not have been able to set a balanced budget.
- 4.3 Detailed savings plans are in place for 2022/23 and these are being closely monitored. Where pressures have been identified then alternative courses of action have been sought.

- 4.4 In respect of the Medium-Term Financial Planning process, £16.4m of savings proposals have now been put forward from service areas across the council in order to meet the target set (excluding SCF) for 2023/24. A timetable has been drafted to work through the process from here to final council approval of the budget in March 2023. The initial steps of producing a series of Equality Impact Assessments (EIAs), Action Plans and Business Cases for the savings are underway.
- 4.5 Four training webinars have been held to support the savings proposal owners understand the requirements of the EIAs, guidance has been produced and issued, and the EIA template updated to include a traffic light risk summary which will help members understand clearly where attention may need to be focused.
- 4.6 Later in the year there will be a Corporate Budget Review Group convened to enable officers from across the support services (HR, Procurement, Legal, IT Finance) to understand and ask questions about the proposals and identify any implications or issues which will require their support in the implementation.
- 4.7 Refinement will continue through to September 2022 and then Scrutiny will take place in the autumn of 2022 with the aim of providing a clearer and more comprehensive review of the proposals than has been the case in the past. Work will also begin on preparing the zero-based budgeting process for part of 2024/25 and beyond later in the year.
- 4.8 Financial monitoring will begin with the period 3 report and work is ongoing to prepare for this. This will focus on the deliverability of the 2022/23 savings as well as any known variances, risks and opportunities to the outturn forecast.
- 4.9 A review of sales, fees and charges will take place later this year with a view to bringing a report to Cabinet in the autumn for approval on changes to existing prices and any new fees to be considered.

Asset Disposals

- 4.10 Cabinet have previously approved an orderly programme of **asset disposals** totalling up to £600m over the next five years. These capital receipts will be used to repay external borrowing, which will reduce the impact of debt charges on General Fund revenue budgets. The strategy to achieve this has been agreed and is now being implemented. A number of pieces of consultancy work have been procured to assist in ensuring this process happens in a timely manner.
- 4.11 In order to manage the envisaged reductions in capital expenditure a new Capital Programme and Treasury Management Strategy has been drawn up and presented to members as part of the 2022/23 budget process. To ensure there is strengthened governance around the programme a Cabinet Sub-Group focusing on Asset Disposals and reporting to the Cabinet on a regular basis is to be formed subject to Full Council approval in July.

- 4.12 The asset disposal strategy is well underway with the Council's external advisors (Avison Young) due to report back on an overall strategy by 30 June and alongside an appraisal of the Council's property management arrangements. The capital programme was approved for the period to 2026/27 in March 2022 as part of the Council's budget-setting process. For the first time in a number of years, the capital programme was forecast over a 5-year period in line with best practice rather than a two-year period. This gives the Council a better strategic oversight of its future capital expenditure plans. The opportunity was also taken to re-configure the capital programme to minimise the previous reliance on borrowing as a source of finance and limit the programme to schemes which are financed from other sources.

HRA Business Plan

- 4.13 The **HRA** 30-year business plan was not updated before setting the 2021/22 budget. As part of the budget setting process for 2022/23, the 30-year HRA business plan has been updated to reflect the Council's current financial position.

Core Financial Systems

- 4.14 The Council uses **Agresso** for its core financial systems, procurement, payroll and HR. Initially installed in 2016, the system is still fit for purpose but is not currently used to its full capacity. Workstreams have begun to amend the way the system is utilised in order to use the current system to the best of its capacity.
- 4.15 The focus in the last 12 months has been finalising projects that relate to HR and Payroll enhancements as well as improving the overall user experience. This will be completed by August 2022.
- 4.16 Finance and Procurement have not been reviewed from inception of the ERP and the development of both strands is the next stage in the quest to make optimal use of the ERP for SBC. The scope of this development will be crystallised in July with the view to the project going live in August 2022.

Reconciliations

- 4.17 Due to staff turnover and lack of documented processes SBC had struggled to maintain reconciliations of major control accounts.
- 4.18 This situation has been addressed and verifiable reconciliations are now in place for council tax, and business rates and the housing benefits payments was completed at the end of June.
- 4.19 Accounts payable and accounts receivable control account reconciliations are now completed monthly and the full validation and documentation of the bank reconciliations process for the 7 main accounts that SBC uses will be completed by the end of July 2022.
- 4.20 The basis for the balances on all suspense and holding accounts as at the end of the 21/22 financial year have been documented and an ongoing

process is in place to ensure that the reconciliations are completed by the relevant stakeholders in a timely fashion.

Dedicated Schools Grant (DSG)

- 4.21 Local authorities are facing increased demand for places for pupils requiring specialist education provision, which has risen in Slough by 86% since 2015. As well as this significant increase in numbers, the complexity of pupils' needs is also increasing. The Council's DSG deficit has also been growing. The overall deficit has grown from £4.9m in 2015/16 to £19m at 31 March 2021, and could potentially grow to £42m by 2024/25 without further action.
- 4.22 No action had been taken to address this situation until May 2021. The outturn position in 2020/21 was an overspend of £7.2m and it was anticipated that an overspend of £7.2m would occur in 2021/22. However, as a direct result of the actions since undertaken the final outturn position for 2021/22 has dropped to £4.9m, a reduction of circa £2.3m when compared to last year's position. It will take several years for financial balance to be achieved and for the situation to improve. The significant progress made in 2021/22 will be built upon for 2022/23.

Sundry and Adult Debt

- 4.23 There was an improvement in debt recovery from September 2021 to March 2022 which reduced the overall level of debt year on year. This will be consolidated through the rest of the year. Although there has not been a significant change in total debt outstanding in the past three months, £16.8m of payments have been received as new invoices raised have been paid promptly.

Year	30 - 59 Days	60 - 89 Days	90 - 119 Days	120 - 365 Days	Over 365 Days	Total
	£000	£000	£000	£000	£000	£000
31.03.21	242	332	555	2,597	5,482	9,208
31.03.22	263	493	149	2,176	3,321	6,402
Reduction	21	161	(406)	(421)	(2,161)	(2,806)
24.06.22	563	532	585	1,935	3,365	6,981

- 4.24 The debt outstanding includes an element of debt that is not been pursued that is secured, e.g. Adult Care Clients defer their repayments until their property has been sold or is in dispute. This is £1.7m at 24.06.22.
- 4.25 In July 2021 there was a large backlog of outstanding financial assessments in Social Care, 775 in total. The non-residential assessments, 386 were cleared in January 2022 and just 49 of the 389 of the residential assessments are now outstanding. These are the more difficult ones to collect.
- 4.26 A new online self-service portal is in the process of being implemented for Adult Social Care services where clients can input their financial information and receive an illustration of what their financial contribution will be that will be verified by the financial assessments team.

- 4.27 **Creditors Improvements** - Significant numbers of invoices had been “parked” i.e. had been put on the finance system without being dealt with, £6.6m at May 2021, risking late payment and costs not being included in the accounts. The bulk of these have now been cleared, with just £21k of invoices now parked.
- 4.28 There was no analysis or monitoring of potential duplicate payments. An exercise using specialist software has identified potentially 68 payments that had a potential likelihood of being duplicates of £425k going back over six years. Those with a strong likelihood totalled £194k. To date £251k has been collected with other suppliers being chased for further information. This exercise will be completed on a regular basis going forward.
- 4.29 Plans for 2022/23 include introducing an Optical Character Recognition (OCR) system so invoices can be scanned and matched to orders to reduce manual input and software will be introduced to allow for monitoring of duplicate payments.
- 4.30 **Getting the basics right** - there remains the need to ensure that all the key financial controls, management and reporting routines are in place as a base on which to build the changes that are needed. A significant amount of work was undertaken during 2021/22 to understand the scale of the issues within the council. Whilst a great deal of work has taken place to rectify historical issues as reflected in Appendix 1 there remains a need to put in place structured and on-going reviews and monitoring of the new systems and monthly routines and procedures to ensure the function continues to meet basic standards. This review and monitoring will be supplemented with training in the department and training for members and departmental teams to ensure responsibilities are understood. This review will take into 2023/24.
- 4.31 A review of the Financial Procedure Rules is currently taking place and will report back to Cabinet with an updated version for approval.
- 4.32 A programme of training for Audit and Corporate Governance Committee members is in place. One session has been delivered to date covering an introduction to local government finance. A session on the role of the audit committee is being planned for July and a session on understanding the accounts will be delivered once the audit of the 2018/19 statement of accounts is largely complete.

5 Improve Financial Reporting and Accounts closedown

5.1 The key actions against this objective are shown below.

Objective: Improve Financial Reporting and Accounts Closedown		Completed
Planned Actions	Responsibility	By When
Finalise the closure and audit of the 2018/19 accounts.	Corp & Strategic Finance	June 2022
Finalise the closure and audit of the 19/20 accounts	Corp & Strategic Finance	Sept 2022
Finalise the closure and audit of the 20/21 accounts	Corp & Strategic Finance	Dec 2022
Finalise the closure and audit of the 20/21 accounts	Corp & Strategic Finance	Mar 2023
Complete the AGS for 2018/19	Corp & Strategic Finance	May 2022
Complete the AGS for 2019/20	Corp & Strategic Finance	Sept 2022
Complete the AGS for 2020/21	Corp & Strategic Finance	Dec 2022
Implement a new process for completion of the 2021/22 AGS	Corp & Strategic Finance	May 2022
Embed the new approach for 2021/22 accounts closedown	Corp & Strategic Finance	June 2022
Continue to develop the monthly reporting routines	Corp & Strategic Finance	All year

5.2 The key actions for 2022/23 are the delivery of each of the outstanding sets of accounts following the completion of the audit of the 2018/19 accounts. The Council has now completed its 2018/19 accounts and submitted them to the auditors for them to complete their audit. As a result of the investigations by the new Finance team there have been significant amendments made to the 2018/19 accounts plus many working papers, figures and narrative statements have had to be fundamentally corrected. Three versions of these accounts were provided to the auditors between July 2019 and May 2021 before the audit process was halted. In total there have been 24 material errors made that have affected over 60 per cent of the figures in the core statements and 80 per cent of the disclosure notes. Of these changes 15 changes relate to previous financial years, 8 changes correct earlier versions of the 2018/19 accounts and 1 further change has been made as a result of the Capitalisation Direction obtained in March 2022. Material changes are:

	£m	Affecting Balance Sheet	Affecting General Fund balances
Land and buildings incorrectly valued	41	41	
Infrastructure not depreciated	40	40	
MRP not charged in line with Regulations	33		33
Staff costs incorrectly capitalised	22	22	22
Investment income incorrectly recognised	10	10	10
Inadequate provisions for bad debts and rating appeals	32	33	
Liabilities not included in Balance Sheet	8	8	
TOTAL	186	154	65

- 5.3 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 nearly 40 per cent. The changes to property, plant and equipment reflect inaccurate asset records and incorrect capitalisation of staff costs. These main changes are shown in summary below:

	1st draft June 2019	3rd draft May 2021	Revised May 2022
	£m	£m	£m
Property, plant and equipment	1,046	969	943
Other non-current assets	142	156	127
Cash and short-term investments	70	69	69
Other current assets	48	36	24
Current liabilities	(272)	(276)	(279)
Long-term liabilities	(631)	(617)	(635)
NET ASSETS	403	337	249
Usable Reserves	(81)	(71)	(70)
Unusable Reserves	(322)	(266)	(179)
TOTAL RESERVES	(403)	(337)	(249)

- 5.4 In addition, the errors have impacted the Council reserves position. The table below shows the position with and without the capitalisation and direction.

	General Fund Balance with CD	General Fund Balance without CD
GF Balance at 31 March 2017	£8m	£28m in deficit
GF Balance at 31 March 2018	£4m	£46m in deficit
GF Balance at 31 March 2019	£1m	£64M in deficit

- 5.5 Having an accurate assessment of General Fund and HRA balances is essential for setting future years budgets. Many of the Council's financial problems would have been highlighted sooner if its accounts had been produced earlier and to the standard required.
- 5.6 Following detailed discussions between the new finance team and the external auditors, it was decided that the Council will prepare and then the auditors will audit the 2018/19 accounts and then move onto subsequent years. It is intended that a set of accounts will be completed and made available for audit every quarter during 2022/23. If this happens then the Council will be back on track as regards the external audit process. The 2019/20 accounts will be prepared by end of September 2022, the 2020/21 accounts by the end of December 2022, the 2021/22 accounts by the end of March and the 2022/23 by the end of June 2023. These deadlines are subject to the outcome of the 2018/19 audit which set the baseline for the future years.
- 5.7 In order to embed the improvements for the future a number of process changes have been made including the following:
- amending the format and presentation of the Council's Statement of Accounts
 - introducing a "whole team" approach which is upskilling numerous members of staff as well as spreading the workload.
 - adopting a "right first time" approach to ensure that all year end work is completed to the expected standard before submission to audit
 - standardising the preparation and filing of supporting information
 - providing comprehensive technical guidance and training to all staff involved in closedown work
 - establishing regular liaison meetings with external audit, and a systematic process for managing and responding to audit queries
 - improving bank reconciliation processes
 - regular review of creditor and debtor balances
 - monthly reconciliation between ledger balances and supporting information
 - clearance of suspense and holding on a regular basis
 - more effective use of the ledger and coding structure to obtain efficiencies
- 5.8 Additional work during 2021/22 has been completed to address "high risk" accounting areas. Discussions have been concluded with DLUHC as to how best to recalculate the Council's MRP in a manner that meets relevant accounting and legal requirements whilst not placing unnecessary financial demands on the Council. The outcome of these discussions has been included in the capitalisation request submitted and approved in principle in March 2022.

6. **Develop capacity, capability and standards across the whole Department and improve the customer services offer**

6.1 The key actions against this objective are shown below.

Objective: Develop capacity, capability and culture across the whole Department and improve customer services		
Planned Actions	Responsibility	By When
Undertake a review and propose a departmental re-organisation across all grades.	Interim Financial Adviser	May 2022
Recruit to new structure	Interim Financial Adviser	October 2022
Implement a comprehensive Training and Capability Strategy which emphasises the need for investment in training and development, well-being and support, coaching and mentoring.	Strategic and Corporate Finance	April 2022 onwards
Implement a customer service strategy	Strategic and Corporate Finance	April - November 2022

6.2 There is a very large amount of work to do to rectify previous weaknesses and put the Council on a sound financial footing. The external auditors and others have recommended that the Council invests significantly in its financial capacity and capability if it is to be able to provide an adequate level of service. The finance function has to secure more permanent employees as it is currently heavily dependent on senior interim support. It is envisaged that the restructure will go some way to solving this problem.

6.3 A new staffing structure has been designed and is due to go out for consultation with staff and the Trade Unions from the 28 June 2022. Once the consultation is complete there will be an internal and external recruitment campaign during August and September to recruit to all vacant posts. The team are currently securing external support to assist with the recruitment and assessment process.

6.4 The restructure will bring the commercial services function and the internal audit function back-in-house after a period of being outsourced. It will also bring Revenues and Benefits into Finance as well as moving the Counter fraud and Investigations team from business services to finance.

6.5 Work on a revised customer services strategy is a key part of the new Corporate Plan priorities. This is not scheduled to be in place until early 2023 but work has begun between the Customer Services team and the IT teams to ensure there is a joined-up approach to making the channel shift happen alongside the changes in staffing needed to support these fundamental changes. In the interim resources have been made available and targets set for improving current performance.

7 Develop business case capability to support decision making

7.1 The key actions against this objective are shown below.

Objective: Develop business case capability to support decision making		
Planned Actions	Responsibility	By When
Implement a business case review process that is compliant with HM Treasury five case model	Strategy and Corporate Finance	Designed, implementation will take place during 2022/23
Recruit specialist support to develop and train new recruits	Strategy and Corporate Finance	May /June 2022

7.2 For all projects that will progress a robust business case process following the HM Treasury model was introduced during 2021-22 and will continue to be utilised in 2022/23. All business cases are reviewed by the Expenditure Control Panel before approval. Additional requirements have been put in place regarding the quality of reports submitted to decision makers.

7.3 It is intended that recruitment within the new structure will aim to secure additional capacity and capability in these skill areas by October 2022. Interim support will continue to be retained and utilised ahead of permanent recruitment.

8 Develop and implement a people, training and culture strategy

8.1 The key actions against this objective are shown below.

Objective: Develop and implement a people, training and culture strategy.		
Planned Actions	Responsibility	By When
Plan and deliver a series of staff communication events including an all staff away day, monthly briefing sessions face-to face and virtual, and social events as allowed/required.	Strategic and Corporate Finance	On-going up to Sept 2022 and beyond
Develop a Departmental Succession Plan	Strategic and Corporate Finance	September 2022
Develop a cultural strategy and plan in line with wider organisational initiatives	Strategic and Corporate Finance	September 2022
Develop a Departmental Training Plan	Strategic and Corporate Finance	September 2022

Develop a productivity plan	Strategic and Corporate Finance	September 2022
Develop a non-monetary rewards scheme	Strategy and Corporate Finance	September 2022

- 8.2 The Council's Finance department developed a business plan in February 2022 in order to inform its activities during 202/23 and beyond as well as to respond to the requirements of Commissioners with regard to the capacity and capability of the department.
- 8.3 The business plan has a clear focus on its people, their development and the culture of the team. Work is to be undertaken across the whole Council on a range of these matters in coming months and whilst this may influence our approach. As a department we have however decided to push ahead with a number of proposals as our people are the most important resource we have and to delay will potentially impact our ability to recruit and retain quality people.
- 8.4 Work has begun to engage with the team through regular communications and team updates but recognise a much more structured and sustained effort is required to develop the team of the future. We recognise that the Departmental Restructure has meant uncertainty for the finance staff. This is now further progressed and has only identified one person at risk as a result of the job matching process. Once the restructure and recruitment processes are complete, we will share the business plan with the team at an event in September. In the interim the business plan is being reviewed in the light of the publication of the new Corporate Plan in May 2022 and will be subject to further refinement as the year progresses.
- 8.5 The various plans that underpin the business plan, for example, for succession planning, training and development, productivity, culture and growing our own have been drafted and will be put into place once the restructure is complete.

9 Develop and implement an asset management and investment strategy

9.1 The key actions against this objective are shown below.

Objective: Develop and implement an asset management and investment strategy.		
Planned Actions	Responsibility	By When
Deliver and implement an asset management disposal strategy	Strategic Finance with asset management	Principle agreed. Strategy end of June 22
Implement a Treasury Management and revised capital strategy	Strategic Finance	Done, to be refined again for March 2023
Close those Companies that are no longer required or fit for purpose by June 2022.	Strategic Finance	June 2022
Work with partners to obtain the best commercial position for the Council from reviewing the remaining Companies.	Strategic Finance	March 2023

- 9.2 The Council needs to sell up to £600 million of assets if it is to become financially viable. External advice has been procured to develop a strategy to complete this work. The various reports will make recommendations by the end of June 2022 as to the way forward. As at 30 June 2022 all of the 'dormant' companies owned by the Council have been closed.
- 9.3 For the 'active' companies numerous issues have been identified, and continue to be identified, in relation to financial planning, reporting and management; governance; scrutiny and oversight; operational effectiveness; commerciality; performance management and risk management. A review of each company is currently being undertaken to assess the ongoing viability and strategic requirement. Strategic options reviews are already well advanced for SUR, JEH and DISH.
- 9.4 Given the wide range of issues identified a Corporate Oversight Board has been established for SUR and significant progress has been made to GRE5's financial planning and reporting, oversight and critical governance arrangements including the appointment of new directors.
- 9.5 In 2022/23 work will continue to focus on addressing internal and external audit recommendations, exploring opportunities for asset disposals and the release of asset value, developing exit strategies, strengthening value for money and efficiency and minimising any liabilities.

10 Establish a Procurement and Contract Management function

10.1 The key actions against this objective are shown below.

Objective: Establish a Procurement and Contract Management function		
Planned Actions	Responsibility	By When
Implementation of a contracts register and a process to manage and monitor contracts and obtain better value for money	Commercial	April 2022
Recruit and develop an In-House Procurement and contract management function by October 2022	Commercial	October 2022
Investigate and initiate the implementation of a contract management system that will enable better contract awareness and ensure contract review and renewals are more timely and therefore better value for money.	Commercial	June 2022 - March 2023

10.2 The structure of the commercial function, including procurement and contract management is included in the restructure of the finance and commercial department which went to Cabinet on 20th June. This will be implemented alongside actions in the functional capability assessment costed action plan. Specialist management consultancy is transitioning in to support the service during recruitment of a permanent team. It is planned that the new structure will be in place by October 2022.

10.3 Improvements to contract procedure rules were agreed by full council in November. The commercial team and HB law are now rolling out a training programme to all relevant staff on procurement processes and procedures including the revised contract procedures rules. This is to inform staff and embed improvements to governance in relation to procurement and contract management. Financial regulations are also being improved and these are expected to be completed by Autumn 2022.

10.4 A central register of all contracts is now in place and the project is into phase 2 where the register is being used to identify contracts that can be culled as they are no longer required or where there are opportunities to gain better value for money through changing the scope of contracts or combine contracts to reduce duplication.

11 Improve governance, counter fraud, internal audit, risk management and insurance

11.1 The key actions against this objective are shown below.

Objective:		
Planned Actions	Responsibility	By When
Improve governance, counter fraud, internal audit, risk management and insurance		
Recruit and develop an in-house Internal Audit Team	Interim Financial Adviser	October 2022
Develop an Insurance Strategy and implement a detailed action plan.	Interim Financial Adviser	March 2023
Deliver the Insurance Renewal Programme	Interim Financial Adviser	March 2023
Implement an Enterprise Risk Management Framework	Interim Financial Adviser	March 2023
Develop and implement a suitable approach to monitoring and reporting on the implementation of internal audit recommendations.	Interim Financial Adviser	April 2022
Review the Counter Fraud and Corruption Plans and develop regular reporting to the Audit and Corporate Governance Committee	Head of Counter Fraud and Anti-Corruption	October 2022

- 11.2 **Internal Audit** - The internal audit function is being brought back in house during 2022/23, and the structure is included in the finance and commercial services departmental restructure reported to the 20th June Cabinet meeting. Transitional arrangements are in place with the current suppliers RSM, whilst a permanent structure is recruited to, with a permanent team to be in place for the 2023/24 audit year. The internal audit plan for 2022/23 has been developed, in order that the s151 officer can meet his statutory responsibilities.
- 11.3 Robust tracking of internal audit actions has been implemented and progress continues to be made in closing down outstanding audit actions. The monitoring and reporting to the Audit and Corporate Governance Committee will continue and will also be refined during 2022/23 as it is linked to the recruitment of an in-house team.
- 11.4 **Insurance** – the interim Insurance and Risk lead delivered the renewal programme for the 2022/23 insurance policies at the end of March 2022 and continues to work with our brokers, insurers and departments to make sure the cover procured is adequate and covers the Council’s needs. The backlog of claims from 2022 has been resolved and the service is back on a sound footing.

- 11.5 The budget for 2022/23 and the levels of reserves and provisions for insurance claims were reviewed and additional funds made available to cover the latest estimates of need. The insurance contract was previously re-tendered on a seven-year cycle and is due for re-tender in 2024. During the autumn of 2022/23 plans will be put in place to ensure a comprehensive tender process is run that meets best practice requirements and obtains best value for money for the Council.
- 11.6 **Counter Fraud** - The counter fraud and investigations team is to become part of the Finance Department as part of the restructure that is taking place during 2022. The activity of this team will be reported on a more regular basis to the Audit and Corporate Governance Committee. It is expected that an annual report of the work of the team will be re-introduced from 2022/23.
- 11.7 **Risk management** – A revised risk management strategy will be presented to July Cabinet and the July Audit and Corporate Governance Committee. The corporate risk register is to be reviewed and discussed at Corporate Leadership Team monthly, and quarterly risk workshops will be held to ensure the council regularly considers key strategic risks. Work to improve the overall culture and approach to risk management is underway including staff training. Directorate risk registers have also been developed to ensure the council embeds risk management across service areas.

12 Improving Revenues and Benefits Services

12.1 The service has taken actions to address the Directions, CIPFA report and weaknesses identified by the Head of Service. It has also developed an action plan to identify and implement changes and improvement to the service. This has been split into four key workstreams which will be delivered over the next 18 months to two years.

- People and process
- Technology
- Government Initiatives, and
- Performance.

12.2 Revenues and Benefits was one of the corporate functions identified as not effective in the DLUHC Governance review in October 2021. The Council was recommended to drive through improvements by implementing a rigorous improvement plan and investing additional resources. The functions associated with the oversight of collection of revenues and the distribution of benefits are one of the four areas specified as the responsibility of the DLUHC Commissioners in the Directions issued by the Secretary of State.

People and process

12.3 During second half of 2021/22 the service undertook the following actions:

- stabilised resourcing across the service but identifying support needs, securing extensions to agency staff
- redefining and clarifying responsibilities of senior staff
- identified training needs and commenced training interventions
- re-tendered or renewed all expiring contracts including – print and mail, enforcement agent and NNDR administration
- identified additional resourcing needs and commenced recruitment to deal with key areas of failure
- assessed internal audit recommendations and reviewed relevant process and procedures
- produced draft debt recovery policy and reviewed write off process
- commenced work with Liberata to identify opportunities to improve NNDR administration

12.4 Progress on the key actions undertaken to date are shown below:

Objective Improve Revenues, Benefits and Charges service - (People and Process)	Target Date	Updates	RAG Status
Planned Actions	By When		
Recruit appropriate temporary and improvement resource to address identified process failures and data quality issues <ul style="list-style-type: none"> Recovery data cleansing 	June 2022	2 of the 4 resources recruited in May, currently completed 488 of the initial 1,600 cases identified for review and cleansing to ensure cash allocation was correctly applied by Avarto and to balance what the enforcement agents are holding	Yellow
<ul style="list-style-type: none"> Housing Benefit Overpayment collection 	June 2022	2 Appointments made May 2022, first officer started 20/6/22, second offer has been withdrawn and new recruitment to be undertaken	Green
<ul style="list-style-type: none"> Council Tax Debt Recovery Team 	June 2022	Currently updating Job description and preparing recruitment advert	Yellow
<ul style="list-style-type: none"> Project Management resource 	June 2022	Agreed extension to project manager who had been delivering Test and Trace Support payments	Green
Increase capacity in key support areas – Customer contacts	May / June 2022	On-going recruitment underway although difficult to retain staff – additional officers recruited and undergoing training	Yellow
Deliver a comprehensive training and development plan to existing staff	Sept 2022	Invitation for quotes requested for Benefit training modules sent May 2022 Council Tax training modules identified and being planned, indicative delivery dates 25/5 (Committals), 7/6 (Council Tax liability training)	Green
Identify and recruit to key posts to ensure stability of the service – Systems Support and control, training, and policy etc.	Sept 2022	Systems Control Manager tasked with recruitment to Policy and training post, Revenues Systems Support (1) and Benefits Systems Support post (1)	Yellow
Procure a suitable resilience solution to improve management of peaks of work and reduce	Sept 2022	Departmental Restructure will assist with resilience solution.	Yellow

the reliance on agency staff			
Review and restructure rents and leaseholder team to align with implementation of new housing System	November 2022	Currently dependant on progress of NES migration project. In the short-term resource is planned to move from Accounts receivable team to service and preparation of new procedures	
Completed recruitment and development of an In-house team whose costs are comparable with statistical neighbours	June 2023	Reliant on delivery of key ICT projects	
Review and renew key service support contracts that are due to expire to identify options which might offer better value for money going forward. Including <ul style="list-style-type: none"> • Enforcement agents – Nov 22 • NNDR administration – Jun 23 	June 2023	For enforcement agents, draft tender being developed prior to procurement. Awaiting appointment of procurement resource to assist	
Consider implementation of single view of debt for management of high value debtors	July 2023	On hold pending other project delivery, corporate debt policy drafted for presentation to cabinet	
Review and identify appropriate delivery model for the service, this will include continuing with the in-house model, outsourcing of elements and options for shared services	March 2024	Planned review during 2023/24 once service has been stabilised and service improvements have been put in place.	

Revenues and Benefits Technology

12.5 In October 2021 the Council appointed an experienced Head of Service to take action to address these weaknesses and to identify other areas for improvement. Over the intervening period further issues have been identified including:

- the core system (Academy) platform being unsupported from Oct 2022/23.
- failure to deliver on key DWP initiatives – Verification of Earnings and Pensions (VEP) and Housing Benefit Award Accuracy (HBAA)
- poor data quality and incorrect cash allocation to recovery accounts
- reliance on agency staff for key roles within the service

- lack of training and development for staff
- weak and ineffective processes reducing capacity to drive collection from persistent non-payers
- inadequate service supplied to customers contacting the Council by phone
- limited use of technology to deliver efficiencies
- service performance is below that of comparator Councils.

12.6 Many of these issues also are impacting the other elements of the service including the collection of benefit overpayments and rent arrears. The key actions identified for the technology element.

12.7 Progress on the key actions undertaken to date are shown below:

Objective Improve Revenues, Benefits and Charges service – (Technology)		Updates	RAG Status
Planned Actions	By When		
Implement Single Persons Discount monitoring tool	July 2022	Business case signed off, Procurement Board sign off, GDPR and data security board considering compliance. Contract signed start date tbc	
Procure and implement robotic automation of key processes – VEP processing and UC change processing	Aug 2022	Business case signed off, Procurement report with procurement board. Awaiting Cabinet delegation on 17 th May. Draft contract being finalised, awaiting legal response	
Implement solution to auto capture email correspondence	Sep 2022	Potentially will utilise robotics for this	
Identify and implement further robotic automation in Council Tax and benefits	Oct 2022	See above	
Implement Cloud hosting solution for core system	Oct 2022	Delegated decision report written and submitted, awaiting agreement at 17/5 cabinet for delegation, procurement board report is in draft awaiting ICT comments. ECP business case to be written	
Introduce the use of proactive telephone, SMS and Email collection techniques	Oct 2022	On hold whilst other major ICT projects completed	
Increase in self service options (On hold	March 2023	Placed on hold until the completion of the migration to Cloud and the bedding in of	

<p>until Server hosting completed) to include</p> <ul style="list-style-type: none"> • Change of circumstances form • Discount and exemption applications • Back-office automation of these and existing form data • E-reminders and E-benefit notifications 		<p>SaaS. Service will undertake a review of options for forms and back-office automation – use of Jada or other suppliers and Robotics or use of Capita automation.</p>	
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Government initiatives

12.8 At the same time as making these improvements the service has been asked to deliver some sizable additional projects by government

- Business Grants providing support to local businesses during the pandemic. This has included Omicron Hospitality and Leisure Grants (£0.5m), Additional Restrictions Grant (£1.4m)
- Household Support fund delivering support to vulnerable households across Slough to meet food and utility needs (£1.17m)
- Test and Trace Support payments for those forced to self-isolate and most recently manage the changes in the entitlement criteria brought about by changes in guidance. During its operation the service paid out over 1600 self-isolation awards.
- deliver Energy bill rebates to more than 49,000 households. Of these 26,000 claims will need to be processed from households that do not currently pay Council Tax by Direct Debit

12.9 The key actions identified for the Government initiatives element of the departmental workload are shown overleaf:

Objective Improve Revenues, Benefits and Charges service – (Government initiatives)		Updates	RAG Status
Planned Actions	By When		
Develop and implement CARF policy	May 2022	Policy written and submitted for decision at Cabinet on 17 th May 2022. Currently being implemented	
Review and update Household Support Fund to meet new requirements and agree responsibilities and budgets for payments	May 2022	Proposal agreed	
Write and seek agreement for the Discretionary Energy Bill Rebates	May / June 2022	Report and policy written to be presented at Cabinet of 20 th June (Done)	
Implement and test software solution for Energy bills	May 2022	COMPLETE	
Make appropriate changes to IVR to ensure calls are routed correctly/update web.	May 2022	COMPLETE (22,539 payments issued)	
Complete full end to end test	May 2022	COMPLETE	
Make payments to Direct Debit Payers (approx. 23,000)	Jun 2022	COMPLETE	
Invite applications from non- Direct Debit payers	Jun 2022	OPENED 16/6/22, letters issued to residents 29/30 – 6. 22	
Make payments for households entitled to discretionary award	Jun / Jul 2022	Subject to agreement of policy on 20 th June, planned for end of July 2022	
Auto credit Council tax accounts of those eligible households that do not make application for direct payment	Jul / Aug 2022	Planned for end of application window.	
Close scheme	Sep 2022		

12.10 Performance

12.11 The key actions identified for the Performance initiatives element are progressing as follows:

Objective Improve Revenues, Benefits and Charges service – (Performance)		Updates	RAG Status
Planned Actions	By When		
Agree a clear set of Key Performance Indicators that target performance above comparator Councils	June 2022	No progress as yet as focus on other key projects	Yellow
Create a performance culture within the service that includes performance management, accountability, and ownership	Sept 2022	To be tied in with Corporate Plan 2022-25 improvement actions	Green
Achieve recognition for performance and service improvement within the Sector	Oct 2023	No progress as yet as focus on other key projects	Green

13 Other Specific Issues

Rent collection and arrears

13.1 Rent arrears relating to council tenancies, temporary accommodation and those in respect of tenants with James Elliman Homes have all increased significantly since 2019/20. There are a number of reasons for this:

13.2 Current council tenancies have seen three major issues impacting arrears:

- the introduction of Universal Credit and Covid. Before Universal Credit (UC) housing benefit (HB) was paid direct to the rent account, with the introduction of UC the money equivalent was paid monthly in arrears to the tenants for them to pay the rent. Most tenancies have now migrated from HB to UC with some still to complete in summer 2022. The effect is a potential loss of 4 weeks rent. Under Covid arrears spiked in June 2020 but the figures are now back to where they were at the start of the pandemic. Arrears in 2021/22 were £1.465m against rent collected of £35.481m. Percentage arrears are likely to remain static because the 2022 rent increase was greater than previous (inflation + 1%) and income is likely to be higher.
- **Temporary Licences:** the key issue is the increase in number of residents in temporary accommodation and thus the potential for arrears and associated technical issues. The main barrier to improving collection and arrears is that the Housing Team is running at 50% staffing levels so support for residents to complete Housing Benefit forms is limited and the changes to accessibility makes supplying information to support a

housing benefit application difficult. Many clients are very vulnerable (ex rough sleepers/ mental health issues/ lack of English as a first language) so struggle with access to facilities such as emails and scanning, without which it is difficult to complete applications in a timely manner. Arrears are currently £204K on rent collected of £3.2m. This may increase due to the increasing number of licences and until the council resolves access/support issues.

- **James Elliman Homes (JEH):** for housing benefit purposes JEH is treated as a private landlord so is paid via landlords portal, consequently all tenants on HB are paid 4 weekly in arrears. There are also issues with the service level agreement between the Council and JEH which are impacting on the councils ability to speed up recovery processes. Arrears in 2021/22 were £239k on £2.029m. There remains an urgent need to resolve Tenancy issues, if they are resolved arrears will be static, no rent increase so income likely to be static.

Commercial Leases and rent arrears

13.3 Part of the review of the Council's property management arrangements undertaken by Avison Young has highlighted that the management of rent collection and management for the commercial property portfolio is disjointed with:

- Unclear responsibility for establishing the rent debit (which determine the rental due for each rental period)
- Unclear responsibility for monitoring rent collection and arrears
- Inaccurate rent posting which can impact on enforcement action

Work is now ongoing to improve the quality of management information to manage the commercial property portfolio to address the above issues.

13.5 The total arrears on commercial leases is £619k of which 3 debtors make up 50 per cent of the arrears and are reclaimable leaving an amount due of £311k.

Chalvey Extra Care Development Lease

13.6 The Council had originally hoped to re-develop the site at Chalvey as an extra care facility, but the Council's plans have now changed in response to the s.114 Notice issued in July 2021 and the need to limit the capital programme to essential projects only and reduce future borrowing. Negotiations are ongoing with the landlord regarding the future of the lease.

Observatory House Business Case

13.7 The Council purchased the Observatory House site with an initial view to providing quality office space that could be utilised for its own purposes but also sub-let as a source of income. The Council's plans have now changed in response to the s.114 Notice issued in July 2021 and the need to undertake a critical appraisal of all assets as part of a significant asset disposal programme. A review of the options for Observatory House is currently in progress as part of this wider programme of work. There are risks attaching

to this review not least the fact that additional rental income of £1.3m is budgeted for in the Place budget for 2022/23 and beyond for letting two floors of the building

14 **Implications of the Report**

14.1 **Financial implications**

14.1.1 These are set out throughout the report. Should the work being undertaken not be completed or be significantly delayed, the Council's financial position would quickly deteriorate and become untenable.

14.2 **Legal implications**

14.2.1 The Council has a number of statutory duties in relation to financial management. These include the following:

- Under Part I of the Local Government Act 1999, a best value duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of efficiency, economy and effectiveness;
- Under section 31 of the Local Government Finance Act 1992, the requirement to set a balanced budget at the start of each financial year;
- Under section 28 of the Local Government Act 2003, a requirement to review actual expenditure against the approved budget on a regular basis throughout the year and, where it appears that there has been a deterioration in the financial position, a requirement to take such action as is necessary to deal with the situation;
- Under The Accounts and Audit Regulations 2015, a requirement to maintain adequate systems of internal control.

14.2.2 The Council's Constitution, which is based on the requirements of the Local Government Act 2003, requires that decisions in relation to financial management must be taken at specific levels within the organisation, as follows:

- Full Council is responsible for approving the policy and budget setting framework at the start of each financial year. This includes approval of Council Tax increases, revenue and capital budgets, Treasury Management Strategies and capital investment plans.
- Cabinet is then responsible for determining how and when expenditure will be incurred, and what levels of service are provided, so long as this is in accordance with the overall budget framework.
- Part 3 of the Constitution also includes a Scheme of Delegation whereby some decisions can be delegated to individual officers or to senior officers acting as a group.

14.3 **Risk management implications**

14.3.1 There are a range of risks associated with this work. These risks and the mitigations put in place to manage them are set out in Appendix 2. Some of

these mitigating actions are already in place, others will take time to develop and embed. This risk assessment will continue to be developed and the position continuously assessed, with regular reporting to members as part of these progress reports.

14.4 Environmental implications

14.4.1 The work being undertaken will allow the Council to continue to function and thus help address its environmental aspirations

14.5 Equality implications

14.5.1 The work being undertaken will allow the Council to continue to function and thus help meet its equality requirements

14.6 Procurement implications

14.6.1 The proposed asset disposal programme, implementation of the Council's procurement strategy and maintenance or improvements to financial systems will all require the assistance of external specialists who will provide additional skills and capacity not currently available in-house.

14.6.2 Any support obtained from external support consultants will be secured in compliance with the Public Contracts Regulations 2015, Council procurement policies, and within approved budget spending limits.

14.7 Workforce implications

14.7.1 There are workforce implications associated with the restructure of the department which are being managed with HR support. Possible future changes to the staffing structures within Finance functions referred to in this report are subject to future Cabinet reports which will fully consider workforce implications.

14.8 Property implications

14.8.1 The asset disposal programme referred to in section 8 of this report will directly impact on the Council's property holdings. Full details will be provided via six-monthly progress reports to Cabinet.

15 Comments of Cabinet

This report will be considered by Cabinet at its meeting on 18th July 2022 and any amendments will be reported at the Council meeting.

APPENDICES:

Appendix 1 - Risk assessment

Appendix 2 - Response to CIPFA Review

Appendix 3 - Response to DLUHC Governance Review

Appendix 4 - Response to Grant Thornton's recommendations

Risk management

- There are a range of risks associated with this report. Risk identified to date have been listed below, together with the mitigations put in place to manage these risks down to acceptable levels. Some of these mitigations are already in place, others will take time to implement and embed. All risks and mitigations will change and develop over time and the current position will need to be continuously assessed. The RAG rating after mitigation is not time related ie as has been previously advised this while process will take circa 4 years.

Risk	RAG Before Mitigation	Mitigation	RAG After Mitigation
DLUHC/CIPFA/Grant Thornton/Commissioners may not have confidence that the Council can address all the matters to the quality and in the time needed	Red	Recruitment of new finance team in progress Employment of temporary additional resource Creation of appropriate permanent finance structure External review comments on the newly instigated finance service This also requires considerable input from across the whole Council	Red
Accounts not completed	Red	Employment of national experts Creation of robust project plan as developed and successfully used elsewhere Utilisation of proven whole team methodology On-going engagement with external audit Extensive training	Green
Budget may not be brought into balance	Red	On-going communication with DLUHC regarding capitalisation directions Development of more rigorous processes and timelines Continuous weekly meetings at all levels – officers and Members from July Proposal for asset sale process at a level that will have a material impact on borrowing levels in the longer term Cleansing of all budgets over the coming 18 months Major reductions in the capital programme Agreement from all involved that all matters have to be considered The Council is awaiting reviews of the SCF business plan which is currently having a material impact on the 2023/24 budget proposals.	Red
2022/23 Budget may not balance	Red	The Council is also currently facing the risk of a 2022/23 in year overspend. This will be firmed up as at 30 June when we will have the 21/22 outturn and the first quarters monitoring and thus at that stage the RAG rating may change	Red
Weaknesses in Council's strategic use of companies, governance, management, financial reporting and performance management continue	Red	Holistic reviews of all companies planned and in some cases underway Some issues already being addressed through Cabinet and Council. (Others will take place over the coming 18 months)	Green
Internal Audit reviews not actioned or consider the holistic requirements of the Council	Red	Proactive management of internal audit recommendations is now taking place and chasing down of responses to and implementation of actions. Discussions have been had with Internal about the balance of their reports in the context of the council's current position and extensive change agenda.	Green
Systems continue to fall behind the latest version, development work is not taken forward and	Red	Structure, resources and practices are under review and will be analysed, reviewed and assessed to address the issues	Amber

priorities are not identified or resourced		ICT restructure is being prepared and will greatly impact on this when in place	
Finance Team reverts back to being under resourced and under skilled	Red	Restructure programme well advanced for October completion Current team of interims are secured for the short to medium term Skills transfer takes place which is already underway Training is developed which is underway Additional required temporary and permanent resources are identified and secured The residual risk is securing a permanent team which makes the risk Amber at this stage	Amber
Poor financial management practises continue New practices are not embedded	Red	Range of new processes introduced on a phased basis Officers trained in the new approaches This depends upon officers throughout the Council fully engaging with the rigours of budget management	Amber

Response to CIPFA review

No.	Recommendation	Action taken	Responsible officer	End Date
Strengthening Financial Sustainability				
A On future sustainability: Establish a detailed plan to close its short and long-term budget gap				
1	1. The S151 Officer present their plan for the steps that they need to take to rebalance the budget to Council in October and seek Council approval for the Plan.	Plans were taken to Council in October 2021. Plans approved. Budget for 2022-23 approved.	S Mair	Complete for short term Work continues for the longer term
2	The Council produces an outline plan to close its identified budget gap for 2022-23 (before taking account of additional Section 114 liabilities) by November 2021.	A second s114 report was not necessary and a balanced budget has been set for 2022-23 with the support of a £307m capitalisation direction from DLUHC. The budget is subject to a number of key deliverables which will inform the deliverability and potential need for future s114 reports.	S Mair/EDs	Complete
3	The Council produces a longer-term outline plan for closing the MTFs budget gap by December 2021.	Outline Medium Term Financial Plan completed in late 2021 as part of submission of capitalisation direction to DLUHC in February 2022 and as support for 2022-23 budget approval.	S Mair/EDs	January 2022 Complete
4	The Council produces detailed delivery plans for savings required over the MTFs by May 2022.	Costed savings action plans have been produced for the 2022-23 budget and proposals are now	S Mair/EDs	May 2022

		being prepared for the 2023-24 budget which will be refined through to September 2022. The process beyond 2023/24 will be based on a zero basing of the Council's budget		Partially complete ZBB will take through to October 2023
B On future sustainability: Establish a high-level risk register				
5	The Council reviews the existing risk register to identify the high-level risks facing the organisation and assigns a senior risk owner to each risk	The Council's risk register is continually reviewed by Corporate Leadership Team, the officer Risk and Audit board and Audit and Corporate Governance Committee. A senior risk owner is assigned to each risk and includes assessment of strategic risk.	S Mair/EDs	Complete
C On Commercial activities and borrowing: Set limits on future borrowing and capital spending				
6	The Council sets very tight limits for future borrowing to enable it to better manage the subsequent revenue cost of repaying such debts.	The Capital Programme has been scaled back to a minimum and thus tight limits have been set on future borrowing reflected in the Capitalisation Direction submission to DLUHC.	S Mair/EDs	March 2022 Complete
7	The Council restricts investment in its capital programme to essential schemes as identified above.	The Capital Programme review has focussed on only retaining schemes where there is a health and safety or legal obligation.	S Mair/EDs	March 2022 Complete
D On commercial activities and borrowing: Gain increased assurance concerning the potential scale of past and future liabilities.				
8	The Council further reviews the risk-based approach to identifying liabilities to enable it to improve its	Since the CIPFA report was drafted work has been undertaken to	S Mair	July 2021

	assurance around the size and scale of current and future liabilities before it sets the budget for 2022-23.	<p>improve the Council’s understanding of the scale of liabilities – past, current and future. This covers not only capital finance but also provisions eg GRE 5 and others. This will continue to be developed during 2022/23</p> <p>Budget set for 2022-23 including estimate of £307m capitalisation direction from DLUHC to support current year and previous errors, and estimated liabilities.</p>		<p>November 2021 March 2022</p> <p>Partially complete</p>
E On Assets: Develop an outline disposal plan				
9	The Council considers at an early stage its approach to asset disposals and how it will secure the necessary expertise that it needs to achieve best value.	<p>The Council approved sale of up to £600m of assets and the procurement of external advisors in September to assist with the asset disposal programme.</p> <p>Avison Young now appointed and are expecting to produce a detailed disposal strategy with estimated sale proceeds and timeframes by 31 July 2022.</p> <p>Local Partnerships Ltd have been engaged to provide options for disposing of James Elliman Homes Ltd. Montague Evans commissioned for options for SUR LLP to explore sale of sites to Homes England.</p>	S Mair/R West	On Track
Strengthening Financial Governance and Oversight				

F Raise Member awareness of the scale of the financial challenge and its implication				
10	Mandatory briefings are provided to all Members on the Council's financial challenge.	Financial briefings provided weekly by s.151 officer and to each Full Council meeting. Training session on Public Sector Finance delivered to Members on Thursday 14 April 2022 to be followed by a series of future training briefings.	S Mair	Continuous On Track
11	Specific further training is provided to members of the Audit Committee to raise further awareness of their governance role and that this training is repeated as part of the induction process for all new members when they join.	Programme of member training being developed in conjunction with the Monitoring Officer Briefing programme and dates being finalised post-election to assess if any changes that need factoring into future sessions. Initial programme agreed at Audit and Corporate Governance Committee in January 2022	S Mair/A Wakefield	Start December 2021 On Track
G Address immediate Financial Governance risks				
12	The Council restores key controls within its Financial Management System as set out above.	Work is in progress to re-align access permissions within Agresso to match the current staffing structure.	S Mair	March 2022 Complete
	The Council reviews financial regulations in the medium term	Complete review underway and includes alignment with the recently updated (June 2021) Scheme of Delegation. First draft produced subject to wider governance review and seeking comments by July 2022.	S Mair	September 2022 revised completion target On Track

13	The Council sets out clearly the financial responsibilities of all new staff, interim and agency staff when they commence work with the Council.	The updated Financial Regulations will cover this. Additional briefings required for interim and current staff	S Mair	September 2022 revised completion target as per above On Track
H Prepare an Annual Governance Statement for 2020-21				
14	An Updated Annual Governance Statement and Action Plan should be prepared for consideration by the Audit and Governance Committee by December 2021.	Work in ongoing and a first draft AGS for 2020/21 expected in early November. Draft AGS completed and reviewed by CLT. Document will need finalising and further review once the 2020-21 financial statements are completed in Autumn 2022.	S Mair	December 2021 Complete subject to finalisation of accounts.
I Undertake an independent review of the Procurement Function				
15	The Council commission a separate independent review of the procurement function, rather than including this within the annual internal audit plan.	An initial review of the Procurement Function was undertaken by the Local Government Association in February 2022. A new team is included in the finance and commercial restructure which has been launch in June and will be recruited as the service is taken back in-house. Once the team has been established (estimated by October 2022), an internal audit review will be commissioned. If RSM are still the Council's internal auditors then	S Mair	June 2022 Revised date Complete

		a separate review will be commissioned, if not, the new internal audit team will undertake a review before q2 2023.		
J Review the provision of Internal Audit				
16	The Council commissions an independent review of the internal audit arrangements to ensure that they are effective and provide sufficient coverage to give it the assurance that it needs during this period of financial challenge.	<p>Internal audit options appraisal paper was presented to Audit and Corporate Governance Committee on 9th December 2021. This included fully costed plans to establish a best practice function. The council has entered into a one year contract with RSM consulting, during this time a transition will be made to an in house team, and the 2022/23 internal audit plan will be delivered.</p> <p>Recruitment to take place before 1 October 2022 of in-house IA team as part of wider re-structure of the department.</p> <p>The 2023-24 plan will be delivered by an in-house team subject to recruitment.</p>	S Mair	<p>March 2023</p> <p>Complete and Recruitment on track</p>
K Enhance Financial Capacity				
17	The S.151 Officer reviews the level of resource required to deliver his plan for restoring sound financial management	<p>Business plan agreed for additional resource through to March 2023 and beyond.</p> <p>Permanent structure developed based on good practice elsewhere. Consultation on new structure expected to take place in May 2022</p>	S Mair	<p>30 September 2022</p> <p>Complete</p>

		with recruitment completed by 30 September 2022. Wider business plan for Finance developed and shared with Commissioners		
18	The organisation makes further provision to enhance the capacity within the finance team including exploring other delivery avenues e.g. shared services	Restructure including required capacity developed and costed plan being implemented subject to consultation in May 2022. If recruitment in the wider marketplace is unsuccessful then other options will be considered. Note: previous shared services within Berkshire have not succeeded.	S Mair	October 2022 On Track
19	The Council commissions an independent review to demonstrate that financial procedures and processes are robust by May 2023.	O/S – not yet due This will be commissioned in October 2022		March 2023 On Track
L Stabilise the Finance Leadership Team				
20	The S.151 officer immediately commences the appointment process for a permanent Deputy S151 Officer.	Appointment of interim deputy s.151 officer pending completion of the finance restructure	S Mair	April 2022 Complete
21	The Council seeks to negotiate the contract terms for the S151 officer and his team to extend the current notice period.	Complete and commitments extended to March 2023.	S Mair	Complete

Response to DLUHC Governance Review

No.	Governance recommendations	P=Priority action M=Medium term action	Action Taken	Responsible Officer	Status / Next Steps
1	2. Undertake a pragmatic, rapid risk assessment of the functional capability of each service area identifying the gaps in capacity and capability. This process needs to be owned by the organisation. Junior managers and front-line colleagues should be involved in contributing to the way forward.	P	<p>Finance Action Plan has been developed reflecting the risks facing the Finance function and is being reviewed monthly</p> <p>Detailed High Level Service Assessment and Functional Capability Assessments completed by end of February 2022.</p> <p>Fully costed action plans being completed by 31 May 2022.</p>	S Mair	<p>Continuous</p> <p>On Track</p>
2	3. Prioritise the service areas to be addressed and determine a rigorous plan and allocate resource accordingly. Examples of service areas to be prioritised would be finance, revenue and benefits, IT and democratic services, including scrutiny.	P	<p>Finance Action Plan has been developed and is being reviewed monthly this includes all areas of finance and revenues and benefits.</p> <p>Detailed High Level Service Assessment and Functional Capability Assessments were</p>	S Mair	<p>Continuous</p> <p>On Track</p>

			<p>completed by end of February 2022.</p> <p>Fully costed action plans completed by 31 May 2022 including for IT and Democratic Services including scrutiny.</p>		
3	<p>5. With regard to recommendations 1 to 4, prioritise permanent recruitment and/or longer-term contract status of all relevant interim positions. In particular, the interim s.151 officer, DPH consultant and the Director of Children's Services. Confirming interim positions at junior manager and front-line level is as important. The CIPFA report refers to appointing a permanent Deputy section 151 officer.</p>	P	<p>Interim Deputy S151 appointed</p> <p>Complete and commitments extended to all finance posts and IT until March 2023.</p>	S Mair	<p>April 2022</p> <p>Complete</p>
4	<p>6. Identify permanent statutory post holders within the new scheme of delegation.</p>	P	<p>The Financial Regulations are currently being reviewed to align with the Scheme of Delegation revised in July 2021.</p> <p>A revised set of Financial Regulations has been produced and will be finalised by September 2022.</p>	S Mair	<p>September 2022 revised date</p> <p>On Track</p>
5	<p>11 Establish a 'management action' tracking system for internal audit actions which is fit for purpose. Emphasise to all staff the importance of internal audit and that identified actions can be used for continuous improvement within service areas.</p>	P	<p>Finance & Commercial Services team implemented an IA Management Action Tracker which is being monitored weekly. Significant progress has been made in closing down management actions from</p>	S Mair	Complete

			<p>previous financial years through frequent liaison with action owners, executive directors and associate directors.</p> <p>Further work is on-going to collate the identified actions into a cross cutting set of recommendations that can be used to generate continuous improvement activities.</p>		
6	<p>12 Address each unique management action from internal audit reports and use them as indicators of possible service failure. Prioritise, target and remediate each action as a matter of urgency. Include actions identified in the six draft audits completed in year to date.</p>	P	<p>Actions from finalised audit reports are incorporated into the IA Management Action Tracker. Council has recruited a specific resource to monitor implementation of IA recommendations and the corporate and departmental risk registers.</p>	S Mair	<p>Continuous On Track</p>
7	<p>13 Conduct an independent review of the internal audit contract and establish an 'in house' function which will enable the internal audit team to work alongside colleagues, whilst retaining their independence, as is practice in many councils.</p>	M	<p>Structure of internal audit options appraisal paper was presented to Audit and Corporate Governance Committee on 9th December 2021. Further review took place at the Audit and Corporate Governance meeting on 1 March 2022 and the paper was approved including arrangements for extending the current contract to ensure adequate IA cover in 2022-23.</p>	S Mair	Complete

			<p>This contract extension was completed on 14 April 2022.</p> <p>The recruitment of a new in-house internal audit team is happening alongside the Finance Department Restructure scheduled to be complete by 30 September 2022. A report is going to the 17 May Cabinet outlining the restructure and the consultation process.</p>		
8	14 Independently review the procurement and contract management function and develop an 'in house' team.	M	<p>Structure of the commercial function, including procurement and contract management has been reviewed and a new structure proposed and costed and is in the restructure of the finance and commercial department.</p> <p>A tender to procure specialist management consultancy to plug resource gaps during the transition of a permanent team has been completed, and this resource will also be used to support future complex procurement projects where the resource is not held in house.</p>	S Mair	<p>June 2022</p> <p>Complete</p>
9	15 Continue to understand and identify risk more generally and review the council strategic risk register to make it fit for purpose	P	<p>Training for officers has been rolled out to officers (at ED, AD and GM levels). A risk</p>	S Mair/EDs	Complete

			<p>management module has been loaded onto the council's online training system which was launched in Q1 2022.</p> <p>The Council's risk register is continually reviewed by Corporate Leadership Team, the officer Risk and Audit board and Audit and Corporate Governance Committee. A senior risk owner is assigned to each risk and includes assessment of strategic risk.</p>		
10	16 Improve proper decision making at appropriate governance levels and relevant meetings. For example, the annual review of the Council Tax Reduction scheme at full council and the comprehensive list of annual contracts to Cabinet.	P	An improved report went May Cabinet setting out the value, term and purpose of all contracts greater than £180k in value.	EDs	Continuous On Track
	5. Culture and Leadership recommendations				
11	19. Prepare an annual governance statement for 2020/21, the current 2019/20 statement does not have an action plan.	P	<p>2020/21 AGS prepared and reviewed by CLT during April 2022.</p> <p>Addendums to the 2018/19 and 2019/20 also written and reviewed by CLT in April 2022.</p> <p>Various AGS action plans updated for the risks which have transpired since August 2020.</p>	S Mair	December 2020 Completed

6. Financial governance recommendations					
12	21 Produce an overarching corporate action plan in response to the section 114 notice which indicates the way to financial sustainability	P	<p>Recovery and renewal plan approved on the 23rd September 2021. Finance Action Plan drafted in response to s.114 Notice, which is updated and reported to all Council meetings.</p> <p>Financial plans updated for the Budget 2022-23 reports including the completion of capitalisation direction to DLUHC and development of medium-term financial plans setting out key risks in the s 25 report.</p> <p>Outline Medium Term Financial completed in May 2022.</p>	S Mair	<p>Continuous</p> <p>On Track</p>
13	22 Ensure the recommendations in the concurrent CIPFA report are carried out.	P	Ongoing – see above	S. Mair	On Track
14	23 Develop the good awareness raising initiated by the interim s.151 officer into a mandatory financial and budget training module for all councillors and budget holders.	M	Included in the programme of training for Members and budget holders reviewed by Audit and Corporate Governance Committee in January 2022. First training session to be delivered on 14 April on Local Government Finances.	S Mair	<p>December 2021</p> <p>Continuous as training programme develops</p> <p>On Track</p>

15	24 Ensure that the excellent work of the interim s.151 and his team (in terms of action planning around the external reports) has corporate ownership and that finance is not merely regarded as a technical activity, but as an enabling function to help council wide continuous improvement.	M	Ongoing via weekly finance update briefings to Members, Commissioners and CLT and reinforced through the approach to business cases.	EDs	Continuous On Track
16	25 Respond corporately and systematically (not just in a financial sense) to the ongoing reviews of council owned companies to ensure immediate, effective governance of these companies.	M	Established a Corporate Oversight Board for SUR which has been extended to cover all the Council's companies, except Slough Children First Ltd. Dormant companies closed down by June 2022. Options review of each of the active companies is currently under review.	S Mair/R West	Continuous On Track
17	26 The interim s.151 officer has requested the current capital programme be cut by 50% and this has been accepted. It would be prudent to consider a capital programme of zero except for government grant allocations and health and safety issues, for example. This would be until past liabilities have been fully understood and there is a plan for financial sustainability within the full response to the section 114 notice.	P	The capital programme for 2021/22 has been cut by more than 50% and the requirement for new borrowing cut from £68m to £12m, but remains under review. This is reflected in the 2022-23 Budget approved by Council on 10 March 2022.	S Mair	March 2022 Complete
18	27 Carefully manage the potential reduction from £6m to the return on investments as a significant risk. The disposal strategy should be completed. This might take some time, which	M	The asset disposal programme will take into account reductions in investment income streams. However the £6m return is a	S Mair/R West	Continuous On Track

	could delay the amount of revenue available to the council.		gross return and did not take into account costs of borrowing or operating costs. Therefore expect this to be minimal impact.		
7. Services recommendations					
19	29 Address recommendations 1,2 and 3, which will help improve performance in other service areas, particularly revenues and benefits, IT, finance and democratic services.	P	See above	S Mair	On Track
8 Capacity/capability recommendation					
20	30 Significantly reduce the reliance on external consultancy and external contracts which deliver 'internal' services. Build and use internal capacity.	M	<p>Finance restructure in place and consultation expected to complete in June 2022. Recruitment expecting to be completed by October 2022.</p> <p>Other service areas also subject to significant restructure with a view to appointing permanent staff.</p> <p>Alternative options to be considered if recruitment is unsuccessful.</p>	EDs	<p>Imminent</p> <p>On Track</p>

Response to Grant Thornton's recommendations

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
1	Agreed savings are not supported by robust savings plans and as such are at risk of not delivering as anticipated.	The Council should:	The Council has recently undertaken a number of actions that will address this and related issues	S Mair	
	Medium	<ul style="list-style-type: none"> Ensure that savings are supported by robust savings plans and business cases 	The Council amended its then officer Strategic Finance Board (SFB) chaired by the Chief Executive to ensure that the then Executive Board was fully aware of all pertinent financial matters within the Council and gained a holistic understanding of the Council's finances. This Board received papers on financial standards, the accounts, the budgets, and other matters		Agreed for council services not yet for SCF
		<ul style="list-style-type: none"> Strengthen arrangements by introducing a corporate function, which could assess the likelihood of delivery, the robustness of proposed savings and their supporting plans as well as monitor delivery. 	<p>As part of this the Council has:</p> <ul style="list-style-type: none"> Revised its revenue business case and process to ensure 		<p>Agreed for council services not yet for SCF</p> <p>Design and implementation of the ZBB process will start from June 2022</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<p>that the business case focuses on the case for change, value for money and affordability before moving into the technicalities of procurement etc. Thus, assisting in ensuring that the Council's base budget is as robust as it can be and hence helping to provide a more informed base from which to generate any necessary savings</p> <ul style="list-style-type: none"> • Related to savings, the Council has a separate business case for savings which has been supplemented by a Saving Action Plan to assist in the verification and tracking of saving plans going forward 		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<ul style="list-style-type: none"> The finance service led the process for the budget for 2022/23 and the correction of the 2021/22 budget and worked with service colleagues to review and challenge all budgeted and future savings, monitor delivery, identify pressures and seek from colleagues' mitigations as necessary. It also revised the equality impact documentation. Going forward a further revised process will be established that will bring into the assessment of savings plans colleagues from other disciplines such as legal, HR, ICT etc – all working closely with service officers 		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<ul style="list-style-type: none"> • Supplementing this the Council revised its officer budget process to accelerate the timeline for production of the budget to allow for full engagement and scrutiny by Members in all their roles and likewise for full consultation and communication with other stakeholders • The design of the budget process will continue to develop through such as the introduction of Zero-Based Budgeting for the financial year 2024/25. Embedding this and the new standards will take some considerable time 		
2	We consider there is scope to ensure that the	The governance arrangements could be	A thorough review and redraft against the CIPFA	S Mair	On Track

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>Annual Governance Statement (AGS) more clearly sets out the processes and procedures to enable the Council to carry out its functions effectively. Medium</p>	<p>improved by developing the AGS and introducing:</p> <ul style="list-style-type: none"> <li data-bbox="645 347 992 603">• Assessment of the effectiveness of the framework, it should be more than a description of what is in place <li data-bbox="645 611 992 866">• How the Council is defining outcomes in terms of sustainable economic, social, and environmental benefits <li data-bbox="645 874 992 1098">• An action plan, that brings together and addresses all the significant issues faced by the Council <li data-bbox="645 1106 992 1391">• A formal mechanism that monitors and assesses the progress of the issues and recommendations raised in the AGS throughout the year. 	<p>Solace framework has been completed for all years 2018/19 to 2020/21. CLT have reviewed and commented on all three AGS's and these comments have been incorporated into the revised documents.</p>		<p>Embed processes to ensure that future versions of the AGS are completed in accordance with the CIPFA Solace Framework.</p> <p>A new process will be implemented during the Autumn of 2022 for completion of the 2022/23 AGS.</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
3	<p>The Council consolidates a number of group entities into its financial statements; however, the accounting year ends are not all consistent with the Council, being 31 March, which adds additional complexity and consolidation adjustments for the Group financial statements.</p> <p>Medium</p>	<p>To facilitate a smooth and efficient group accounts preparation, the Council should work with its group entities to align all accounting year ends to 31 March</p>	<p>The Council has reassessed all of its' corporate interests and investments against Group accounting requirements. The Council has interests in 11 companies (9 subsidiaries, 1 joint venture and 1 associate). The only company with a different year-end to the Council is the joint venture, SUR LLP, with a 31 December year-end. The Council's interest in SUR is that of an associate which only requires consolidation on an equity basis (in contrast to line by line for subsidiaries). In view of this there is no benefit to be gained from changing the year-end of SUR LLP to 31 March</p>	S Mair	Complete
4	<p>Effective governance arrangements are not in place to ensure those in charge with governance are able to make</p>	<p>Cabinet and scrutiny should be regularly updated on the performance of their key services and be able to challenge this performance</p>	<p>We have recently begun the preparation of holistic financial briefings for Officers and Members, and these will be further developed in the future.</p>	S Mair	<p>On Track</p> <p>Financial reporting will be further developed during 2022/23</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>decisions in an open and transparent way</p> <p>High</p>	<p>and have the opportunity to make informed decisions in formal committee meetings.</p>	<p>We have also as noted above revised the budget timeline which will allow for more informed Member consideration of the budget and have introduced quality guidance for finance and other officers on the production of budget monitoring reports and financial implications in reports.</p> <p>We will ensure that key service financial and performance information is included as a regular agenda item for Cabinet, Scrutiny and the Audit and Governance Committee.</p> <p>A training programme is in place for officers in relation to procurement and contract management processes and procedures, including the council's contract procedure rules.</p>		
5	<p>Effective contract management arrangements are not in</p>	<p>The Council should consider and ensure effective arrangements are</p>	<p>The Council has begun reviews of its management of third-party organisations</p>	S Mair	On Track

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>place to effectively manage statutory services that are delivered by third parties</p> <p>High</p>	<p>in place in the following areas:</p> <ul style="list-style-type: none"> <li data-bbox="645 347 1005 826">• Role of elected members, including Members of the Board, as possible shareholder committees or monitoring committees such as the Commercial Sub-Committee, as well as the role of scrutiny committees <li data-bbox="645 826 1005 1420">• Elected members who are Board Directors of the SCST need to understand their responsibilities and duties to SCST and ensure they effectively manage any conflicts of interest. All company directors have a duty to act in the best interests of the company rather than in the best 	<p>and will be implementing a series of changes which will include among other matters appointing appropriate Senior Responsible Officers to ensure that companies meet their objectives, put in place new arrangements for holding companies to account, reviewing how the companies meet the Council's objectives, a review of the work undertaken by the companies, developing a clear approach to testing value for money etc.</p> <p>An extensive report has also been made to the Audit and Corporate Governance Committee</p>		<p>The ongoing reviews of the Companies will continue throughout 2022/23</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		<p>interests of the body that has appointed the Director to the company (e.g., the Council)</p> <ul style="list-style-type: none"> <li data-bbox="645 459 1005 975">• Elected members committee functions, this should include those charged with governance who would have oversight of the effectiveness of the SCST Board in line with Council's strategic objectives and statutory duties as well as scrutiny <li data-bbox="645 975 1005 1385">• The Council would benefit from applying consistent arrangements across the Council for dealing with all its third-party companies and ensure the role of the Commercial Sub-Committee is 			

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		<p>effective and understood</p> <ul style="list-style-type: none"> Those charged with Governance should receive updates and reports on a regular basis (quarterly as a minimum) to enable informed decision making. 			
6	<p>Effective governance arrangements are not in place to effectively manage statutory services that are delivered by third parties.</p> <p>High</p>	<ul style="list-style-type: none"> The Council should introduce contract management to ensure services are delivered as planned and any mitigating actions can be taken in a timely manner The Council should consider using its internal audit service to gain assurance that its contract procedures are being effectively applied across all Directorates 	<p>The first recommendation is being dealt with as noted above.</p> <p>In respect of gaining assurance this will be undertaken in two ways – through internal audit as described and through reviews by the Finance and Commercial team. The S151 officer will engage an audit of the procurement arrangements</p>	<p>S Mair</p> <p>S Mair</p>	<p>On Track</p> <p>On Track</p> <p>Procure alternative internal audit of the procurement function – to be actioned by October 2022</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			independent of the Council's current provider RSM to avoid any conflict of interest		
7	<p>Quality of working papers and clarity of the audit trail</p> <p>As noted on page 13, the audit process was hampered by issues with the clarity of the audit trail including:</p> <ul style="list-style-type: none"> • insufficient audit trail to support the movements in the cashflow statement • Lack of supporting audit trail for key notes in the accounts such as analysis of the income and expenditure by nature <p>High</p>	<ul style="list-style-type: none"> • Review the process used to produce the year end accounts and identify areas where further improvement needs to be made • Ensure that all disclosure have supporting working papers and there is a clear mapping between the general ledger and the financial statements 	<p>This is an area that the Council will seek to continuously improve. For the 2019/20 and 2020/21 accounts, the following improvements have been introduced:</p> <ul style="list-style-type: none"> • Comprehensive accounts plan linked to the auditors required by client schedule. This has been communicated to all key stakeholders and includes a responsible officer for each task and separate deadlines for preparation and review • Standardised templates linked back to the Code have been prepared 	S Mair	<p>Complete</p> <p>Progress against the plan is being monitored on a regular basis and feedback sessions will be held with all key stakeholders once the project is completed in order identify areas that might require further improvement.</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<p>for all notes. The templates also include a three-stage quality assurance process covering 1) preparation, 2) technical review and 3) sign off review</p> <ul style="list-style-type: none"> • Improved communication through the project plan, including regular and early communication to all stakeholders. • A whole team approach has been instigated through the involvement of the whole finance service to bring greater resilience and resource to this key requirement. • Comprehensive training and development for finance staff 		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<p>including how to prepare, and also regular reviews of, working papers that include evidence of the transactions in the ledger, an enhanced checklist of requirements, quality assurance review, links between the working papers and clear mapping to the ledger.</p>		
8	<p>Review of financial statements</p> <p>A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit.</p>	<ul style="list-style-type: none"> • Develop a year end timetable for the production of the accounts which include sufficient time for management review • Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements 	As above	S Mair	<p>Complete</p> <p>As Above</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	High				
9	<p>Group Accounts</p> <p>The basis of preparation of the Council's Group accounts was unclear and the working papers did not provide a comprehensive group consolidation schedule setting out how the group accounts and consolidation adjustments had been determined.</p> <p>High</p>	<p>The Council should ensure it prepares a clear and comprehensive group consolidation schedule to support the preparation of its group accounts.</p>	<p>As above</p>	<p>S Mair</p>	<p>Complete</p> <p>As above</p>
10	<p>Bank reconciliation process</p> <p>As noted on page 19, our review of the bank reconciliation process identified that the process in place in 2018/19 was overly complex and made identification of</p>	<p>Perform a review of the bank reconciliation process to simplify the bank reconciliation process and remove all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items.</p>	<p>Extensive work has been undertaken in this area</p>	<p>S Mair</p>	<p>Complete</p> <p>Processes are revised and improved and monthly reconciliations are being carried out as the review has been completed</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>reconciling items and their clearance difficult. There were also issues identified with the descriptions of reconciling balances within the balance.</p> <p>High</p>				
11	<p>Accounting treatments</p> <p>The loans made to JEH had not been accounted for in line with the Code requirements resulting in amendments to the valuation and disclosure in the final accounts.</p> <p>This was a new transaction in 2017/18 although it was not a material balance in the prior year and the accounting treatment had not been documented against Code requirements</p>	<p>Establish a process for significant transactions such as investments and loans, to be formally considered against the requirements of the Code and the consideration documented and reviewed before being applied.</p>	<p>A new process has been put in place to ensure that significant transactions are considered against the requirements of the Code.</p> <p>A separate review of transactions within the financial system that are above £3m will also be carried out to ensure that they are accounted for correctly.</p> <p>For 2019/20 and 2020/21 we will review all ledger transactions above £3m to ensure they are accounted for correctly.</p>	S Mair	<p>Complete</p> <p>Review all ledger transactions above £3m to ensure they are accounted for correctly.</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>before inclusion in the financial statements.</p> <p>High</p>				
12	<p>Debtor and creditor reconciliations</p> <p>During our testing of the debtor and creditor balance there were issues with the client producing reconciled balances which should represent the year end debtor and creditor positions excluding in year movements. Our sample testing of debtors and creditors has not identified any material balances that are not supported.</p> <p>We have discussed this with management and confirmed that a process has been undertaken in 2020 to review debtor and creditor codes and cleared down items</p>	<ul style="list-style-type: none"> • Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not. • Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors 	<p>The systems review is in progress as is the preparation of the year end analysis.</p>	S Mair	<p>On Track</p> <p>Ensure that processes are revised and improved and monthly reconciliations are carried out once the review has been completed</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>which are no longer valid balances.</p> <p>High</p>				
13	<p>Income and Debtors</p> <p>There is no review process over invoices issued before they were sent out to clients. The Council relies on customers to identify and inform them of any errors noted. However there is risk that if the invoice is undercharged and the customers may not raise error, and the Council may suffer a loss from undercharging.</p> <p>High</p>	<p>Review the internal processes over invoice raising to ensure there is sufficient review of invoices before they are sent to clients</p>	<p>As above</p>	<p>S MAIR</p>	<p>On Track</p>
14	<p>Declarations of interest</p> <p>Councillor and Senior Officer declaration forms are not dated. There is a risk that the</p>	<ul style="list-style-type: none"> • Ensure that all forms are signed and dated as part of their standard procedures 	<p>The Council requires every entry to the members register of interests to be signed and dated, it is standard practice that this is always followed. In the past 12 months the Council</p>	<p>S MAIR</p>	<p>On Track</p> <p>Check responses against list of Members in office and Officers employed by the Council during the</p>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	<p>declaration record is incomplete or insufficient as a result. The most recent forms for three Councillor declaration forms were signed, but not dated. Signing / dating a declaration form should be standard practice, as it could lead to forms being misfiled, or new interests not being declared in a timely manner.</p> <p>Senior Officers that were working for SBC through a contracting company are not required to complete a Declaration of Interests form.</p> <p>Interim staff are not required to complete the Registers of Interests and Gifts and Hospitality.</p> <p>High</p>	<ul style="list-style-type: none"> Consider whether Officers, including interim staff, should complete declaration forms as they may be able to have a 	<p>has strengthened the process and a democratic services officer must always countersign each form received from a councillor to ensure completeness.</p> <p>Senior officers' declaration forms are not part of this process and are in fact part of the declaration process for all staff which uses an online HR process to gather the submissions.</p> <p>The Council has also implemented a new process for capturing related party transactions for Members and Chief Officers. Responses will be cross-checked against the records held by Companies House to ensure completeness.</p> <p>The Council has implemented a process by to ensure that any interim staff or those recruited through contracting companies are required to</p>	<p>S MAIR</p>	<p>financial year in question. Cross-check against the records held by Companies House to ensure completeness.</p> <p>Check responses against list of Members in office and Officers employed by the Council during the financial year in</p>

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		<p>significant influence on the council's high-level decisions.</p>	<p>complete a declaration of interests form and where appropriate complete their Directorate gifts and hospitality register.</p> <p>The Council has also implemented a new process for capturing related party transactions for Members and Chief Officers. This will be completed electronically with responses documented as evidence. Responses will be cross-checked against the records held by Companies House to ensure completeness.</p>		<p>question. Cross-check against the records held by Companies House to ensure completeness.</p>
15	<p>Fixed asset register</p> <p>The client informed us of a number of properties which had not been removed / reclassified in the fixed asset register prior to the production of the year end financial statements.</p>	<ul style="list-style-type: none"> Establish a process to perform an annual review of assets to ensure that all disposals and reclassifications are amended Establish an in-year process for capital 	<p>Investigation into Council's asset register identified that there was a lack of in-house knowledge on how to use the Council's fixed asset register and a lack of guidance notes. Training on how to use the system has been provided to the relevant members of staff along with guidance notes</p>	S Mair	<p>On Track</p> <p>Quarterly reconciliations to be carried out going forward as part of the capital monitoring process to ensure that asset movements and reclassifications are captured appropriately</p>

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	<p>We also identified material assets which had been fully depreciated and were held at net nil valued in the fixed asset register and accounts.</p> <p>High</p>	<p>movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures</p>	<p>and video demonstrations saved in a central location to ensure resilience in the future.</p>		
16	<p>Capital accounting process</p> <p>The purchase of Thames Valley University had been accounted for using the stage payments as additions rather than the cost and a liability. This resulted in a material error in the current and prior year.</p> <p>High</p>	<p>Establish a process for reviewing and documenting the accounting treatment of significant transactions to ensure they are accounted for in line with the Code. This should be subject to internal review</p>	<p>Same as item 11 above</p>	<p>S Mair</p>	<p>Complete</p> <p>Same as item 11 above</p>

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17	<p>HRA valuation records</p> <p>Our testing identified inconsistencies in the accounting records between the categorisation of HRA properties held on the Capita Housing Rents system and the Council's fixed asset register. It is important that these two systems are reconciled on a regular basis to inform the Council's HRA valuation.</p> <p>High</p>	The Council should ensure that a regular reconciliation process is carried out between its Capita Housing Rents system and the Council's fixed asset register to ensure records are consistent and provide an accurate basis to inform the valuation of its HRA properties in the financial statements	The two systems have been fully reconciled for 2018/19 to 2020/21. Some minor discrepancies have been identified with adjustments required to fixed asset register and the 2018/19 statement of accounts.	S Mair	<p>Complete</p> <p>Quarterly reconciliations to be carried going forward as part of the capital monitoring process to ensure that asset movements and reclassifications are captured appropriately.</p>

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
18	Finance capacity and skills	The Council should put in place robust arrangements for the production of the 2019/20 and 2020/21 financial statements which meet statutory requirements and international financial reporting		S Mair	Complete

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		<p>standards. To achieve this the Council should:</p> <ul style="list-style-type: none"> Ensure sufficient resources and specialist skills are available to support the accounts production 	<p>Gaps in the Council's own team skills and capacity have been addressed in the short term by the appointment of interim staff to provide additional capacity.</p> <p>The Council began formal consultation on a restructure for the Finance and Commercial Services department on 28 June 2022. The restructure proposals have been approved For consultation by the Cabinet, the Employment and Appeals Committee and CLT. The restructure including recruitment to a permanent team should be complete by November 2022.</p>	S Mair	<p>The restructure of the Finance and Commercial services Department began formal consultation on 28 June and will run to 27 July 2022. All current staff have been matched to posts within the new structure or alternative posts within the council. Recruitment to a permanent team is expected to be complete by November 2022.</p> <p>During 2022/3 interim resources will be utilised to continue the change agenda ser in train during 2021/22. Once the recruitment to permanent posts has been concluded then the position in</p>

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					relation to interim support will be reviewed, although this expected to reduce significantly during 2023/24 and beyond, although it is anticipated there will still be a need for interim support for some time to come.
		<ul style="list-style-type: none"> Ensure the finance team has the skills and capacity to enable effective financial management arrangements and support the production of technically sound financial statements, 	<p>Training programme was developed and rolled out to the whole finance team in October 2021.</p> <p>Individual training sessions will be arranged as and when necessary. External training will be brought in if necessary</p>	S Mair	<p>The programme of training was completed by the end of November 2021.</p> <p>Additional training will be provided as and when necessary.</p>
		<ul style="list-style-type: none"> Ensure finance officers are provided with additional training, to ensure all staff involved in the accounts production process have the necessary technical knowledge of the CIPFA Code 	As above. In addition, the CIPFA Code and other technical guidance documents have been acquired and made available to the whole finance team. The	S Mair	As above

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		<ul style="list-style-type: none"> Introduce appropriate project management skills to oversee the timely production of the financial statements and supporting working papers 	<p>Council also has access to technical advisors from CIPFA via its subscription to CIPFAs Finance Advisory network.</p> <p>Weekly meetings have been arranged with the core team to ensure timely production of accounts</p>		<p>Weekly meetings will continue until the accounts have been prepared.</p>
19.	Preparation of the financial statements	<p>The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:</p> <ul style="list-style-type: none"> Entries in the accounts and supported by good quality working papers which are available at the start of the audit The financial statements and working papers have been subject to robust QA prior to approval by the s.151 officer There is clear ownership and accountability for tasks across 	<p>This is an area that the Council will seek to continuously improve. For the 2019/20 and 2020/21 accounts, the following improvements have been introduced:</p> <ul style="list-style-type: none"> Comprehensive accounts plan linked to the auditors required by client schedule. This has been communicated to all key stakeholders and 	S Mair	<p>Complete</p> <p>Progress against the plan will be monitored on a regular basis and feedback sessions will be held with all key stakeholders once the project is completed in order identify areas that might require further improvement.</p>

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		<p>service areas to support the timely production of the financial statements</p>	<p>includes a responsible officer for each task and separate deadlines for preparation and review</p> <ul style="list-style-type: none"> • Standardised templates linked back to the Code have been prepared for all notes. The templates also include a three-stage quality assurance process covering 1) preparation, 2) technical review and 3) sign off review • Improved communication through the project plan, including regular and early communication to all stakeholders. 		

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			<ul style="list-style-type: none"> <li data-bbox="1182 279 1478 678">• A whole team approach has been instigated through the involvement of the whole finance service to bring greater resilience and resource to this key requirement. <li data-bbox="1182 726 1478 1412">• Comprehensive training and development for finance staff including how to prepare, and also regular reviews of, working papers that include evidence of the transactions in the ledger, an enhanced checklist of requirements, quality assurance review, links between the 		

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			working papers and clear mapping to the ledger.		
20	Levels of usable reserves	<p>The Council should take urgent action to address its low levels of unearmarked and earmarked reserves through:</p> <ul style="list-style-type: none"> Developing a clear, sustainable medium-term financial plan to significantly replenish reserves to a level which enable it to respond to any significant unexpected events or manage its position effectively where its savings programme are not fully achieved 	<p>The Council has begun and agreed at officer level, a robust process for continued review of its base budgets including savings proposals, pressures, mitigations, monitoring etc. This will all lead into an improved MTFS that will contain full detailed savings proposals backed up by appropriate plans and working papers.</p> <p>As a consequence of this work and as part of the budget process a risk analysis will be completed to inform by how much the reserves</p>	S Mair	<p>Complete</p> <p>An additional £1m per annum is planned to continuously increase the reserves</p>

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			<p>should be built up over the coming 5 years. This will lead to an increase in the savings target to finance the necessary increase in reserves which will be formalised as noted during the budget process.</p> <p>£20m has been built into the capitalisation direction to provide the Council with a base level of reserves</p>		
		<ul style="list-style-type: none"> Reviewing its medium-term savings plans to ensure clear proposals are developed to achieve savings requirements in line with the MTFP and reserves strategy 	As above		
		<ul style="list-style-type: none"> Ensuring agreed savings are owned across the Council by officers and lead members to ensure clear ownership and accountability for delivery 	<p>All departments have completed savings plans including equality impact assessments. These have been agreed by ED's, Members and other officers for 2022-23</p>		Continue to work with Departments and embed the newly designed process

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		<ul style="list-style-type: none"> Ensuring it puts in place a clear and transparent savings monitoring and reporting process, in order to ensure that council departments are held to account for delivery of required savings 	<p>Embedding this improved process will take some considerable time</p> <p>This was completed to inform a fully engaged Scrutiny, stakeholder and Lead Members process during the 2022-23 budget process.</p> <p>The process for 2023-24 began during March 2022.</p>		<p>Continue to work with Departments and embed the newly designed process</p>
21	Financial governance. Monitoring and controls relating to group entities	The Council should review and implement effective financial governance and monitoring arrangements for its group relationships to mitigate exposure to additional financial risk.	The Council has begun reviews of its management of third-party organisations and will be implementing a series of changes which will include among other matters appointing appropriate Senior Responsible Officers to ensure that companies meet their objectives, put in place new arrangements for holding companies to account, reviewing how the companies meet the	S Mair	<p>On Track</p> <p>Reports to Audit and Corporate Governance Committee, as required</p>

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			<p>Council's objectives, a review of the work undertaken by the companies, developing a clear approach to testing value for money etc. This will include a clear separation of all financial transactions, a review of Council officers on all boards, a review of all financial performance information and actions for all boards and identification of any risks the Council is facing.</p>		
22.	Addressing the S114 report	<p>The Council should put in place arrangements to address the issues raised by the S151 officer as set out in his section 114 report. In our view the Council should:</p> <ul style="list-style-type: none"> • Report progress against the action plan to full Council at every meeting 	<p>This has been done, and this report forms the latest version of this, with the exception of the budget Council and exceptional meetings of Council</p>	S Mair	<p>Complete</p> <p>This is a continuous schedule of work</p>

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		<ul style="list-style-type: none"> Support the S151 officer's root and branch review of all aspects of the Council's finances 	<p>This work continues to expand as the magnitude of issues are identified and is reported as above</p>		<p>This is a continuous schedule of work</p>
		<ul style="list-style-type: none"> Invest significant extra resource in finance capacity, internal audit and risk management to ensure robust processes are brought into place across all of the Council's financial and budget management arrangements to meet statutory financial obligations. 	<p>This has been done with the Council bringing in temporary skilled staff to identify and resolve current and historic issues, preparing a fit for purpose finance structure to take the Council forward on a permanent basis and continuing to develop and progress its reviews of the Council's finances</p>		<p>It is anticipated that the Council's permanent structure will be consulted on and approved from May/June 2022</p>
23	Improving governance at the Council	<p>The Council should develop a comprehensive project plan for the improvement in governance arrangements:</p>		S Mair	Complete
		<ul style="list-style-type: none"> Commission/learn from any external governance review undertaken with regular reporting through the Audit Committee 	<p>There is extensive analysis and action against the external reviews undertaken and regular reporting to the Audit Committee</p>		Complete for reviews received to date

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		<ul style="list-style-type: none"> Strengthen Scrutiny and Audit Committee arrangements with external support to members 	<p>Training and development has commenced for the Committees through the Council's own interim finance team and by the LGA</p>		<p>Complete - Training has commenced and will continue</p>
		<ul style="list-style-type: none"> Establish a separate Finance Committee to monitor financial performance on a monthly basis 	<p>The aim was to establish this committee to take effect in the financial year 2022/23 to review financial performance on a monthly basis.</p> <p>A separate Committee is no longer seen as being required as there is a strong focus on finance through the Overview and Scrutiny Committee. In addition, the Commissioners have introduced an Improvement Board and Finance Board which will provide monthly monitoring of finance, performance and risk.</p>		<p>Complete July 2022</p>