

SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet
DATE:	21 st September 2022
SUBJECT:	Update on Annual Business Plan for Slough Children First Limited (SCF)
PORTFOLIO:	Cllr Swindlehurst – Leader of the Council Cllr Christine Hulme, Children's Services, Lifelong Learning & Skills
CHIEF OFFICER:	Gavin Jones – Chief Executive Officer
CONTACT OFFICER:	Jane Senior, Associate Director People Strategy and Commissioning Peter Robinson – Nominated Council Finance Representative
WARD(S):	All
KEY DECISION:	NO
EXEMPT:	Public c with exempt Appendices under paragraph 3 of Schedule 12A Local Government Act 1972 – Information relating to the financial or business affairs of the Council and Slough Children First
DECISION SUBJECT TO CALL IN:	YES
APPENDICES:	Exempt Appendix 1 – Type-one in year change request. Exempt Appendix 2 – SCF Serious Risks and Issues July 2022

1 Summary and Recommendations

- 1.1 This report provides an update on the development of Slough Children First's (SCF) annual business plan since a report was presented to Cabinet in February 2022. SCF is wholly owned by the Council and approval of the annual business plan is a reserved matter under SCF's Articles of Association. The business plan should set out SCFs priorities and budgetary requirements, together with the assumptions underlying its financial strategy.

It also requests approval for a request made by the company for an increase up to a maximum of £0.343m to the 2022/23 contract sum agreed by Cabinet in February 2022. Increasing the size of the contract to £31.779m. The change relates to increases in demand which are a permitted exception in the contract.

Agree a maximum of £0.343m in-year increase in the contract sum to Slough Children First to £31.779m for 2022/23. The actual sum will be dependent on the appointment of the additional resource being sought and will be paid to the company as these new staff start with the company. The Council and SCF will work together to identify savings on support costs which could be delivered through joint working.

This report also seeks agreement to progress with an options appraisal concerning alternative approaches towards delivering children's social care. This is linked to serious risks and issues which have been identified by SCF in respect of the current resources available to manage pressures associated with rising demand, along with risks concerning insolvency.

Recommendations:

Cabinet is recommended to:

- Note this update concerning the development of a business plan by Slough Children First
- Agree a maximum of £0.343m in-year increase in the contract sum to Slough Children First to £31.779m for 2022/23. The actual sum will be dependent on the appointment of the additional resource being sought and will be paid to the company as these new staff start with the company.
- Following the finalisation of the Mutual Ventures report, delegate authority to the Chief Executive, in consultation with the Lead Member for Children's Services, Lifelong Learning and Skills, to engage with the Department for Education on commissioning an options appraisal on alternative models for delivering children's social care.

Reason:

To ensure that Cabinet is provided with an update on the development of business plans by SCF and agrees the in-year funding increase. Also, to be aware of the risks which have been raised by the Company – both in respect of the delivery of statutory children's social care, and matters relating to the solvency of the company.

Commissioner Review

“The Commissioner’s view is that given the Council’s financial position, it is untenable for it to agree additional funds for any service without a funding source being identified. Given some informal discussions which have occurred in the past, the Commissioners’ view is that savings could be achieved in SCF support services by the basis of these services being provided by the Council instead, thus enabling efficiencies to be identified which can be used to finance this additional spend. In the circumstances, the Commissioners feel that Council can provide in-year support up to the maximum of £343,000, thereby providing sufficient time for savings to be identified from 1 April 2023. With both the Council and SCF using best endeavours to achieve the reduction in costs.”

2 Report

Introductory Paragraph

- 2.1 SCF became wholly owned by the Council on 1 April 2021, with new Articles of Association setting out its governance arrangements. The Articles of Association set out a list of reserved matters, which must be approved by the Council, as the sole owner of the Company. The Company was previously Slough Children's Services Trust, incorporated on 12 March 2015 and was responsible for the Council's statutory children's social care functions from 1 October 2015.
- 2.2 SCF delivers statutory children's social care functions under a direction of the Secretary of State and in accordance with a service delivery contract between SCF and the Council. Improvement activity to support this across children's services are a critical part of the Council's improvement journey and the Council and SCF need to work together to ensure that the services can be delivered in a cost-effective way, contributing to the delivery of required financial savings to enable the Council to become financially sustainable within the medium term.
- 2.3 In February 2022, an interim business plan for SCF for 2022 to 2025 was approved by Cabinet. This set out the strategic priorities for the company as well as the financial strategy. The report included officer concerns relating to the deliverability of the plan and it was recommended that the plan was approved on an interim basis only – with further reports being brought back to Cabinet providing assurance on progress. It was also recommended that the plan would be refreshed following consideration by People Scrutiny Panel in Quarter 1 2022/23.
- 2.4 Since that time SCF has raised risks with the Council around insolvency and has drafted a high-level investment business plan 2022-2029 (the plan). The draft plan has been submitted on the basis that significant investment in SCF is necessary in order to implement a range of preventative initiatives which will deliver savings further down the line. The plan is drafted on a seven-year basis as this is the time period for a return on investment. The DfE has commissioned Mutual Ventures to undertake a review of the investment plan and to assess its viability. Further to this review, which is intended to be concluded in September 2022, a report and final version of the investment plan will be presented to Cabinet. A three-year business plan, updated annually – as per the Service Delivery Contract will also need to be presented to Cabinet to allow next year's Contract Sum to be set.
- 2.5 Alongside this SCF has flagged a number of critical risks to service delivery in its request for a Type one in-year change request, including financial risks and risks in relation to children's safeguarding. More detail is provided in Appendix 2.
- 2.6 In regard to these risks, the Company has submitted a Type one in year change request.
- 2.7 As the figure requested was below £500k, it could be determined via officer delegation, following consultation with the commissioners and the lead member. An urgent meeting of the Strategic Commissioning Group was convened on 10 August 2022 to consider the Type one change request. Subsequent to this, the commissioners advised officers that the decision should be made by Cabinet. Whilst the Council is minded to agree the request, additional savings will need to be factored into the next year's business plan. The Council has suggested that the

council and SCF work together in identifying savings in support services are identified, on the basis of these services being provided by the Council instead, thus enabling efficiencies to be identified which can be used to finance this additional spend. The SCF view is that these are two separate transactions, and the agreement of additional funds should not be dependent on the identification of savings. In the circumstances, the Council can provide in-year support up to the maximum of £343k, thereby providing sufficient time for savings to be identified from 1 April 2023.

- 2.8 Given risks to service delivery, insolvency issues, the costs associated with operating a wholly owned company, and the need for corporate ownership of services to children, including a focus on early help, it is considered that it would be prudent to undertake an options appraisal to consider alternative ways of delivering children's social care. This would be on the understanding, that the Council is bound by the Governance Side Agreement and that any change to the current arrangements would need to be agreed by DfE.

Slough Corporate Plan

- A borough for children and young people to thrive

The Council's corporate plan emphasises the need for children and young people to be able to access services that keep them safe and secure. This includes a focus on delivering preventative help to children and families and ensuring that children with SEND should have the same opportunities as non-disabled children and young people. It also includes a focus on raising aspirations and delivering opportunities for young people to prosper. Whilst children's social care services are delivered by SCF, education and services for SEND are delivered by the Council and many other council departments deliver services that contribute to this priority.

Whilst SCF and the Council work in partnership with each other and with other stakeholders, the separation of functions presents a potential barrier and a level of bureaucracy that is not necessarily adding value and could hinder progress. This is not to say that staff and board members are not contributing to improving services or working hard to deliver the improvements required, but the aspirations of improvement that were anticipated to come from having a separate entity have not been delivered at the speed that is desired.

- An environment that helps residents live more independent, healthier and safer lives

The development of a high-level business plan for 2022-29 is welcomed by the Council along with accompanying business cases concerning Early Help, Targeted Early Help, Workforce Retention and Edge of Care. Implementation of strategies to further develop these areas would have a positive preventative impact and support children and families to live healthier and safer lives. Further consideration of the affordability or otherwise to the Council will no doubt be given following completion of the review of these documents by Mutual Ventures and presentation of these to Cabinet in October 2022. It would also be prudent to undertake an options appraisal to give consideration to different ways of delivering children's social care.

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

Further consideration of the affordability of implementing proposed business cases for Early Help, Targeted Early Help, Workforce Retention and Edge of Care will be considered through the Contractual Mechanism and at Cabinet. In their report to DLUHC published 28th July 2022, Slough Borough Council Best Value Commissioners expressed uncertainty regarding the deliverability of the Council's current savings plan. Also, that the financial pressures arising from the current model of delivery of SCF are not possible to contain without an impact on service delivery. It is therefore unclear at this stage how the Council might support or justify any additional requests for funding for new initiatives – irrespective of the desirability of their implementation. Further information will be presented to Cabinet following the review being undertaken by Mutual Ventures.

Options considered:

In February 2022, Cabinet agreed that further updates would be provided concerning the development of a business plan. The updates have been delayed and an updated business plan has not been able to be submitted to scrutiny due to the amount of work needed by SCF and Council officers to ensure the investment plan was fit for purpose. Due to the Council's financial situation and the planned reduction in funding from the DfE, the DfE agreed to commission Mutual Ventures to undertake a financial review. This will provide an independent opinion on the deliverability of the investment plan, as well as a view as to whether the proposals are appropriate, and services provide value for money. Once this is complete, the Council will need to work with the DfE and DLUHC to consider options to fund any investment.

The model of delivery for children's social care in Slough is based on a model of delivery that has existed for some time. More recently local authorities have managed to turn around failing children's social care services without setting up separate companies or trusts, although these models have been used in other areas with success. With the SEND services delivered to children and young people aged 0-25 and a need to focus on preventative services, including housing, community safety, economic development and voluntary sector services, as well as effective transition and joint working with Adult Social Care, there is an opportunity to consider whether the current model of delivery remains the most effective one to ensure effective and value for money services.

Any change to the current delivery model would need prior discussion and detailed development with the DfE Children's Commissioner and DLUHC Commissioners, and the explicit agreement of the Secretary of State for Education.

Background

2.9 On 15 March 2021, Cabinet approved a change to SCF's articles of association to make it a wholly owned company, including changing its name to reflect its new status. As part of that decision, Cabinet agreed to targeted early help and NEET (not in employment, education or training) functions being transferred to SCF and authorised a new service delivery contract for a five-year period. Cabinet also agreed to write off £2.4 million of historic debt and authorised a new loan of £5 million to aid cash-flow to be repaid at the end of the service delivery contract.

2.10 The Articles of Association set out the governance requirements for SCF, including the reserved matters that must be agreed by the Council as the sole owner of the company. Under Article 29, annual approval of the business plan is a matter that requires prior written approval of the Council before SCF can pass any resolution to approve it.

- 2.11 Article 7 sets out the requirements for an annual business plan. This requires that for each year, no later than 30 September in the preceding year, the board of directors should prepare and submit a draft business plan for approval by the Council covering the next 3 years. The content of each business plan shall include relevant information under each of the following headings:
- (a) introduction;
 - (b) strategic framework;
 - (c) working with partners;
 - (d) priorities and objectives;
 - (e) financial strategy and plans;
 - (f) profit and loss account;
 - (g) cash flow statement;
 - (h) revenue budget and working capital requirements; and
 - (i) capital expenditure requirements.
- 2.12 The business plan can be varied each year, but that will also require prior written approval of the Council.
- 2.13 The draft business plan was submitted to Council officers for consideration on 10 December 2021. Officers had significant concerns about the content and structure of the plan and fed back these concerns on 16 December 2021.
- 2.14 A refreshed draft business plan was submitted on 24 January 2022 and was considered by the Department for Education (DfE) officials, DfE commissioner, Council commissioners, Council officers and the Leader and Lead Member for Children's Services and SCF officers at a joint meeting on 25 January 2022. Concerns were raised about the assumption underpinning the savings proposals and the deliverability of some of the savings. Particularly as it was projecting a significant in-year overspend in 2021/22.
- 2.15 In February 2022, Cabinet agreed that the business plan could be accepted as an interim business plan for 2022-25 on the understanding that an updated business plan for 2022-25 would be presented to People Scrutiny Committee in Q1 2022 – 23 and Council in Quarter 2 2022-23.
- 2.16 Since that time, SCF has developed a further high level 7 year business plan 2022-29, along with a prevention and early help (continuum of care) business case, targeted early help (abridged) business case, an edge of care (investing for outcomes) business case, a workforce (enhanced retention offer) and a draft programme plan. The development of the high-level five year business plan was discussed at the Strategic Commissioning Group on 21 April 22. The high level business plan was received by the Council on 25 April 22 and discussed as part of the finance elements of contractual meetings. Comments from the Council were sent to SCF on 28 April 22 and again on 30 June 2022. As at 26 July 2022, the high level business plan 2022-29 is still being updated. A presentation to People Scrutiny Committee has not taken place as intended in Q1 and the high-level business plan will not be ready for submission to Cabinet – until a review by the supplier appointed by DfE, Mutual Ventures has undertaken a review of it. The review is only likely to have concluded by Autumn 2022.
- 2.17 The current business plan does not include a strategy to repay the £5m Council loan at the end of the contract period or to reduce the cost of support services by

combining these with the Council. Both of which have been requested by the Commissioners for inclusion in a revised plan.

- 2.18 Pending final submission of the longer-term business plan, a type one in year change request was submitted on 27 July 2022, following Council feedback, this was updated and re-submitted on 5 August 2022. This requests funding of £343k in 2022/23 to provide for the urgent recruitment of additional resources to mitigate against rising risks of harm to children in Slough through demand pressures. A copy of the type one in-year change request is included as Appendix 1.
- 2.19 As part of a wider review of company's governance, the Council has undertaken a governance review. SCF has supported this process and provided detailed information and documentation on 6 September 2022. Council officers are working with board directors to inform the review.

3. Implications of the Recommendation

No recommendations are made within the report concerning the high level business plan as it is currently being reviewed by Mutual Ventures. Nevertheless, the implications concerning the absence of a business case being available for presentation are set out below:

3.1 Financial implications

- 3.1.1 The contract sum for services provided by SCF in 2022/23 agreed by Cabinet in February 2022 and approved by Council in March 2022 was £31.436m. Cabinet also approved a working capital loan of £5m in March 2021 that is due to be repaid at the end of the contract.
- 3.1.2 SCF incurred a deficit of £1.332m in 2021/22 and are forecasting a deficit for 2022/23 of £3.890m, an accumulated deficit of £5.222m at 31 March 2023. Assuming savings planned are delivered and the current forecasts are realistic. The current projections would mean SCF would be insolvent by the year end if no additional funding is agreed with the Council or DfE.
- 3.1.3 The company has also requested an additional £1.284m investment in prevention and early help in 2022/23 to mitigate costs in future years.
- 3.1.4 An element of this, £0.343m was requested by SCF in August 2022 as an in-year change request to the Council who were minded to approve it. However, it requires both Commissioner and Cabinet approval which is recommendation in this report.
- 3.1.5 The current year increase will be financed from an ongoing review of the Council's financial position as it moves to close down previous years accounts and manage the in-year position. The increase will be the first call on any savings identified.
- 3.1.6 It should be noted that the conditions for the allocation of in-year funding, and the on-going impact of it, is dependent on the employment of the additional resource. Funds will be transferred as the additional posts are filled

3.2 Legal implications

- 3.2.1 The Secretary of State for Education has powers to issue a direction in relation to specified social services functions relating to children under s.497A of the

Education Act 1996. Various directions have been issued in relation to statutory functions in Slough since 2014. The sixth statutory direction was issued in April 2021. This requires that the Council secures that prescribed children’s services functions are performed by SCF and the Council jointly and other prescribed children’s services functions are performed by SCF on behalf of the Council. The Council was also directed to enter into a new service agreement to implement the discharge of these functions and continue to comply with any instructions of the Secretary of State, his representatives and the Children’s Services Commissioner in relation to i. ensuring that the Council’s children’s social care functions are performed to the required standard; ii. the terms of the Service Agreement that require the Secretary of State’s consent or approval; iii. the operation of the Direction.

3.2.2 The intention behind amending the Articles of Association and a new Governance Side Agreement was to change the ownership of the Company and clarify the roles and responsibilities of the Council and the DfE, on the basis this will give the Council greater control over the strategic direction of the Company, whilst ensuring operational independence for day to day functions. The reserved matters set out in the Articles allow the Council to make certain high level decisions as opposed to leaving these matters to the Company’s board of directors.

3.2.3 Under Part 3.5 of the Council’s Constitution, approval of annual business plans is a matter reserved to Cabinet.

3.3 Risk management implication

3.3.1 Risks associated with not having a current and agreed business plan are as follows:

Risk	Assessment of Risk	Mitigation	Residual Risk
Lack of availability of business case for consideration by Cabinet.	<p>Very High</p> <p>The Council cannot be assured that the Company has a clear strategic and financial plan to set out clearly its improvement journey within a financially sustainable way.</p> <p>The Council cannot be assured that the Company will not become insolvent</p>	<p>A draft business plan and accompanying business cases have been produced.</p> <p>The DfE have appointed Mutual Ventures to review the business plan. This will likely lead to a delay in the production of a final business plan for consideration by Cabinet and will mean that the Company is not compliant in respect of their contractual obligations to produce a business plan by 30 September each year. However, there will be some external assurance as to its viability or otherwise</p>	High
Children and Families at risk.	<p>Very High</p> <p>The Company has raised a serious issue that children</p>	A Type-one in year change request has been submitted seeking additional funding to address some of the risks	High

	and families will be at significant risk due to a rise in demand pressures, should solutions and mitigations not be found.	<p>raised. This type one-change request has been discussed at an urgent meeting of the Strategic Commissioning Group on 10 August 2022.</p> <p>Recruit to the existing vacancies to deal with the demand and effectively assess and intervene to mitigate risk of harm to children. It is vital that the recruitment and retention package is approved in order that we can stem the flow of the churn of staff, to ensure consistency for children.</p> <p>Assessment service to take Children in Need cases for six months to carry out direct work and meet needs before they escalate into longer-term requirements.</p>	
Insolvency risk is hard to properly assess without a finalised business plan.	<p>Very High</p> <p>The Company has raised an issue in respect of its solvency.</p>	The draft business plan 2022-29 is currently being reviewed by Mutual Ventures who have been appointed for this purpose. Future necessary action will be determined following the conclusion of this review.	High
Failure by the Company to produce a finalised business plan by 30 September 2022 means that the Company is in breach of its contractual obligations.	<p>Medium</p> <p>The Company has produced a draft high level business plan 2022-29. This cannot be finalised until a review of it has been undertaken by DfE appointed supplier, Mutual Ventures.</p>	It is incumbent upon the Company to offer assurance that a finalised business plan which is acceptable to the Council will be submitted as soon as a review has taken place by Mutual Ventures.	Medium

3.4 Environmental implications

None

3.5 Equality implications

None

3.6 Procurement implications

None

3.7 Workforce implications

None

4. Background Papers

None.