

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet

DATE: 21 September 2022

SUBJECT: Financial Action Plan – Update

PORTFOLIO: Councillor Rob Anderson
Cabinet Member for Financial Oversight and Council Assets

CHIEF OFFICER: Executive Director Finance and Commercial (S151)

CONTACT OFFICER: Executive Director Finance and Commercial (S151)

WARD(S): All

KEY DECISION: No

EXEMPT: No

DECISION SUBJECT TO CALL IN: No

APPENDICES:

Appendix 1 - Risk assessment

Appendix 2 - Response to CIPFA Review

Appendix 3 - Response to DLUHC Governance Review (Finance only)

Appendix 4 - Response to Grant Thornton's recommendations

Appendix 5 – Response to Directions (Finance only)

Appendix 6 - Capitalisation Direction Changes

1 PURPOSE AND RECOMMENDATIONS

1.1 To provide Cabinet with an update on the key areas of the work undertaken to respond to the many and very serious financial challenges and the recommendations made by external agencies. Specifically, it provides an update on the following issues:

- capitalisation direction and changes to the estimated value of this
- progress being made on generating capital receipts
- MRP
- the Council's borrowing levels
- accounts
- budgets
- the dedicated schools grant
- the finance structure
- revenues and benefits

- 1.2 Cabinet is recommended to note the progress and issues arising from the continued work on the above
- 1.3 Cabinet is requested to recommend the report to Council.

Commissioner Review

- 1.4 *“The Commissioners note the contents of the report and are pleased to see the progress on the implementation of the recommendations arising from the CIPFA Review, the DLUHC Governance Review, Grant Thornton recommendations, and the Directions*
- 1.5 *The report also provides an exemplification of the capitalisation directions (CD) required to deliver balanced budgets for the medium term which suggest a total CD of £369m up to 2027/28 which is a reduction of £105m over the same period and negates the need for a second phase of CD originally considered which took the total to £782m. These are predicated on a series of assumptions including a programme for the delivery of capital receipts, ambitious in both timescale and amount, and savings targets, which whilst less than that included in the Capitalisation Directions outlined in March 2022, are still higher for the next 3 years than that being delivered in the current year.*
- 1.6 *Considering the asset disposal programme, the scale of disposals is huge and very little work if any has yet been done by the Council to consider the implications of such reductions on the operating model of the Council or even on the future viability of Slough being able to continue as an independent authority. Whilst the 2022/23 sales are likely to have a minimal impact on service delivery, and the risk of realisation of these is relatively low, this risk rises as we move forward, taking into account the economic climate, the increased impact on services and the required work to deliver a programme of this magnitude. This needs to be done alongside a requirement to deliver significant savings each year for the next 5 years. It is noted that in the current year, the directorate savings targets have only achieved some 78% of that expected, albeit this has been mitigated by additional corporate savings.*
- 1.7 *Other assumptions include inflation risks affecting both employee and contract budgets, and other service pressures including the requirements arising from the adult social care reforms, and demographic changes impacting children’s services. No account has also been taken to comply with Direction requirements where Action plans have yet to be presented and approved.*
- 1.8 *All of this work will require considerable capacity, competence, pace and focus to deliver.”*

2 **REPORT**

Background

- 2.1 The range and extent of the financial issues facing the Council have been well documented and reported to Cabinet in the last 15 months
- 2.2 The Cabinet, auditors and commissioners expect regular reports to evidence progress made. This report focuses on the key issues of the:
- capitalisation direction and changes to the estimated value of this
 - progress being made on generating capital receipts
 - MRP
 - the Council's borrowing levels
 - accounts
 - budgets
 - the dedicated schools grant
 - the finance structure
 - revenues and benefits
- 2.3 It also includes a summary of the progress made in respect of the recommendations in the various reports from external agencies during 2021/22. These recommendations provide the basis of the financial improvement agenda and assist in framing the scale of the financial challenges facing the council.
- 2.4 Appendices 2 - 5 have been retained as they show the detail and the current position and progress against the recommendations in external reports:
- the DLUHC Governance Review (Finance Only)
 - the CIPFA Review
 - Grant Thornton's statutory recommendations
 - Directions (Finance Only)
- 2.5 The financial strategy agreed and actioned by the Council was to:
- address the identified problem, this began in July 2021
 - sell assets to reduce borrowings and thus reduce MRP/interest costs and finance the CD – agreed September 2021
 - reduce net revenue expenditure – ongoing since July 2021
 - produce and have audited high quality accounts – ongoing since July 2021
 - all to an appropriate standard and in an appropriate manner and with an understanding that this will take up to 5 years
- 2.6 The Council's strategy is starting to come to fruition although there is a great deal of work still to do and to deliver before stability can be achieved. It should be noted that the position throughout this report is at a point in time and will undoubtedly change. This includes achieving modelled asset sales, delivering all savings or equivalent mitigations, owning budgets and living within them, producing and auditing annual accounts and taking timely and difficult decisions.

Summary Updates

- 2.7 The Council applied for and received a minded to **capitalisation direction** of £307m to 31/3/23. Looking forward the Council modelled to 2028/29 a total that could have risen to £474m. For further modelling purposes if the Council was unable to deliver £20m annual revenue savings from 2022/23 to 2028/29 and instead achieved £13m as a guide then the capitalisation direction would have to increase further and allowing for MRP on that would have totalled an estimated £782m.
- 2.8 It is currently estimated that **the overall capitalisation direction could be reduced from a potential total of £782m to £369m**. The improvement is due to the net impact of the following:
- improved and accelerated assets sales leading to earlier financing and hence reductions in the MRP profiling, together with
 - improvements in the collection fund,
 - council tax and
 - funding settlement assumptions,
 - refinement of estimates as the accounts are produced and allowance for
 - reviews of the pressures services are facing and inflation estimates

However, it is important that in providing this lower figure, there is a clear understanding of the assumptions and risks inherent in this figure. The following table sets these out and is shown in detail in appendix 6

Issue	Assumptions	Risks and <i>Mitigations</i>
Improved and accelerated assets sales leading to earlier financing and hence reductions in the MRP profiling	AY advisors work to generate £384m (£206m by 23/24) £65m from the work of the Council LSVT £200m (desk exercise)	<p>Council does not plan for the service impacts of the sale of assets, principally effective from 23/24</p> <p><i>Newly appointed Executive Director will be able to take forward accommodation plan</i></p> <p>Timing and value currently assumed are not achieved</p> <p><i>Value and timing to achieve reduction in the CD do not yet include any receipts from LSVT which could generate from a desk exercise £200m</i></p>
Improvements in the collection fund	The work on the accounts has identified £18m of secure income which will be accounted for ongoing in accordance with normal accounting practise through a smoothing reserve which will last until 2028/29	<p>Subsequent years income may reduce</p> <p><i>The assumptions going forward assume no growth in the collection fund from B Rates. Thus a prudent approach has been taken</i></p>
Council tax	<p>The Council will be able to increase C Tax by 2.99% pa</p> <p>And for 2023/24 only will see a tax base increase of 2% and an increase in the collection rate of .1%</p>	<p>The restrictions on C Tax are reduced ie to lower than 2.99%</p> <p>The one year only increase does not materialise</p> <p><i>No further assumptions of growth are assumed thus a prudent approach has been taken</i></p> <p><i>No assumptions have been made about the Council being allowed increases above 2.99%</i></p>

Issue	Assumptions	Risks and <i>Mitigations</i>
Deliverability of savings	It has been assumed that savings as forecast at P4 are still deliverable in the full year	<p>The savings position deteriorates</p> <p><i>In 2022/23 we have provided £2.1m towards additional non-delivery of savings. In 2023/24 we have provided a further £1.6m.</i></p> <p><i>Services would need to continue to work with Finance and the PMO to develop mitigations over the remaining 6 months</i></p>
Funding settlement assumptions	It has been assumed that 2023/24 will see an increase as in 2022/23.	<p>The Council does not experience such a settlement</p> <p><i>The Council has assumed an inflationary pressure on contracts in 2022/23 of £5.9m excluding pay and energy contracts which has yet to materialise in actual specific contract renewals. This is now part of the base budget and may be available in 2023/24, to which a further £3m specifically provided for contracts has been added, together with other contingencies of £2.5m and savings contingency of £1.6m.</i></p> <p><i>The Council has built in for the inflationary and growth pressures c£11m from 2024/25, with additional allowance on the net cost of CD at 3-5% (£1-2m) and a reducing provision against non-delivery of savings in 24/25 to 26/27.</i></p>
Changes as accounts are produced	No assumptions made, as accounts produced, actual figures that differ from original assumptions are adjusted	<p>The Council's 2018/19 accounts have been extensively restated from those submitted in May 2021. Accounts beyond 2018/19 have not been previously prepared despite being several years overdue which may mean there could be some movement in the baseline level of reserves arising from issues identified as part of the accounts process such as:</p>

insufficient levels of provisions
incorrect accruals
erroneous debtor and creditor balances
incorrect accounting treatments
incorrect capitalisation
incorrect charges to transformation

To mitigate, high risk areas have been reviewed and the financial implications have been built into the capitalisation direction

Pressures services may face

pay inflation, 7% over two years

Pressures may be more than assumed

Pay inflation for 22/23 has been bolstered and based on the latest offer of £1,925 per person. For 23/24 it is provided for at £2m. This is estimated to provide c7% over two years.

contract inflation at 11% over two years

Rather than simply accepting and trying to absorb all inflationary pressures, services will need to collaborate closely with suppliers and service providers to reduce the overall expenditure required through further efficiencies and reductions.

Social care reform at £7m over two years

£7m has been provided across 23/24 and 24/25. The council is expected to be working towards addressing the pressures of social care reform but indications are that the full cost of implementation may be greater than the additional funding available from Government. While we have provided £7m towards this, it is probably too much for the council and other authorities to have to bear and so either more funding will be needed from Government or the implementation and hence costs in some way restrained.

The Council is thus beginning to see the benefit and the outcome of the strategy adopted. Overall, this leaves the Council with a very large and challenging capitalisation direction of £369m but does represent a reduction of £413m that can be fully financed by:

- applying capital receipts from 2021/22 to 2027/28 £358m
- paying MRP in 2022/23 and 2023/24 of £11m

2.9 This reduction is split as follows:

Table 1 – Estimated Improvement in the Budget Outturns and Reduction in the CD

	Up to 2022/23 £m	2023/24 £m	2024/25 to 2028/29 £m	2029/30 to 2047/48 £m	Total £m
Original CD	307	78	287	110	782
Revised CD	263	37	69	0	369
Reduction	(44)	(41)	(218)	(110)	(413)

2.10 Capital receipts of £449m are forecast to be achievable from the sale of assets which is more than sufficient to cover the CD. Thus if any challenges arise with achieving the total from the current plans sufficient flexibility is retained to do this by other means. Current assumptions related to capital receipts are that:

in terms of value:

- the production and cleansing of the accounts will generate circa £25m of available capital receipts;
- the work on reviewing the Council’s companies and generating capital receipts from those of circa £40m;
- asset sales of circa £384m up to 2027/28 by disposing of investment properties and surplus operational assets;
- a potential of £200m from a stock transfer (from a desk exercise) should be achievable, if it is decided to pursue stock transfer;

generating receipts of £25m pre 22/23, £143m in 2022/23 and £93m in 2023/24 with the balance to follow

in terms of process:

- the Council has experienced senior resources engaged with the Council’s companies and asset disposals advisers
- good progress is being made in negotiations, ensuring the Council has an up to date record on the property terrier, full report on title including title deeds and up to date valuations for all asset disposals planned for 2022/23 and 2023/24

- will be seeking Cabinet approval to ensure that all assets planned for disposal over the next two years are declared surplus
- has established a sub-committee to scrutinise and approve asset disposals before report to Cabinet in order to speed the disposal process but within the confines of local government governance requirements.

2.11 Should the receipts not be received as planned or to the assumed value then the capitalisation direction would be impacted. For example, if the programme of disposals slips by 20% in each year from 2023/24, this could increase the total cost of the CD by £5m, but with no impact on MRP. Equally the other elements that make up the CD, see para 2.8, could vary and impact likewise.

2.12 Overall it is estimated that taking account of the reduction in the capitalisation direction, improved capital receipts reduced borrowings and MRP, changes in the required capitalisation adjustments, completion of the accounts and delivery of the 2022/23 budget and planned delivery of the 2023/24 budget the **budget savings required** in future years will reduce from £20m in 2022/23 and 2023/24 to:

- £14m from 2024/25 to 2027/28
- £13.4m in 2028/29
- £11.5m in 2029/30
- and circa £8-9m thereafter

It should though be noted that of the £19.958m of directorate savings to be delivered in 2022/23, the forecast amount to be delivered is £15.519m, just 78% of the target. The principal area of challenge is Children's Services, including SCF, which are forecasting £2.610m of under achievement. The above targets therefore still represent a significant challenge for the Council, however they also represent only 5.6% of addressable budgets and experience elsewhere suggest that given appropriate leadership, focus and drive they should be achievable. The savings forecast in 2022/23 and planned for 2023/24 are both higher than the targets from 2024/25 onwards and will benefit from the recent restructure of the Council's senior management team. The savings coming from Directorates are shown below:

Directorate	Savings Target £'000	Savings at Risk £'000	Forecast Delivery £'000	Savings Mitigations £'000	Residual Gap £'000
People (Adults)	5,900	-	5,900	-	-
People (Children)	1,109	277	832	-	277
Slough Children First Contract	2,673	2,832	(159)	499	2,333
Place & Community	7,453	1,829	5,624	-	1,829
Resources	2,823	-	2,823	-	-
Total Savings/ Budget Programme	19,958	4,938	15,020	499	4,439

The above shortfall in savings in 2022/23 is however offset by a number of other variances which combine to deliver a reduction in the capitalisation requirement of £25.5m:

2022/23 Key Movements	£m	£m
Savings shortfall	4.4	
Other service pressures	3.2	
Allowance for new pressures	4.4	
		12.0
Collection fund increase	(2.5)	
Settlement funding increase	(5.6)	
MRP reduction	(10.7)	
Loan impairment rephased	(1.8)	
Other capitalisation adjustments reduced	(16.9)	
		(37.5)
Total reduction in CD requirement		(25.5)

2.13 The lack of adequate budget for **MRP** was identified when the s114 was issued and reported extensively to Cabinet and Council. The Council's MRP budget for 2021/22 was £40k. The original estimated total impact of MRP was £18.3m in 2021/22 and £28.0m in 2022/23, this has now reduced to £10.7m. This is due to the identification of £25m capital receipts from redrafting the accounts which has enabled capital expenditure from previous years to be fully financed thus reducing the need for MRP.

2.14 The Council's **borrowings** are forecast to reduce as follows and as shown in the chart below:

- by £190m from £760m at 30 June 2021 to £570m by 31 March 2023, and
- down to £280m by 31 March 2029.

The reduction reflects the forecast receipts from asset disposals as profiled by advisors AY. By using the capital receipts from the programme of asset disposals, the Council will be able to reduce temporary borrowing to £30m by 2024/25 and this will reduce the Council's exposure to interest rate risk by £5m per annum.

Chart 1: Forecast reduction in borrowing



2.15 **Accounts** have been submitted for 2018/19, nothing of material significance has arisen from the audit to date, although the audit is being conducted in more detail than anticipated due to the increase in risk profile of the Council. 2019/20 accounts are being compiled and are on target for 30/9/22. 2020/21 accounts are estimated to be completed by 31/12/22. The current revised gap between the original estimated capitalisation direction for the period pre 2019/20 to 2021/22 has reduced by £18.6m

2.16 The **2022/23 budget** is forecast to be balanced as at period 4, 31 July 2022 and taking account of various risks and mitigations and reductions in the capitalisation adjustments leads to an underspend and reduction in the overall call on the £84m capitalisation direction in 2022/23 of £25.5m. Attention is drawn to paragraph 2.12 which demonstrates where the savings in this year are being achieved and not achieved

2.17 The **2023/24 budget** has a target of £20m of savings which is progressing with options to that value to be tabled at Scrutiny in October/November and January 2023. Work will continue on these. The budget is also allowing for various estimated cost pressures such as pay, contracts, investment income reductions and service demand pressures

2.18 The **2024/25 budget** has a savings target of £14m and is progressing with options totalling a potential £3.5m currently being explored.

2.19 A series of assumptions have been made in estimating the current budgetary requirements, see paragraph 2.8

2.20 The **Dedicated Schools Grant** deficit for 2021/22 has been reduced from a forecast of £7.2m to £4.9m, that for 2022/23 is now forecast at £3.393m and the management plan is being continuously revised to secure an in-year balance for 2025/26 by October/November 2022. This will facilitate potential support from the DfE regarding the historic deficits

- 2.21 The **Finance structure** has been approved, internal appointments effected, opportunities to be completed September 2022. External recruitment starts September 2022. Work continues in **revenues and benefits** on collection rates and projects and has completed the energy rebate payments
- 2.22 Detailed responses to the reports received from MHCLG/DLUHC, CIPFA, Grant Thornton and the formal Directions from DLUHC are shown in detail in Appendices 2-5. Table 1 below shows a summary of the progress to date against each set of recommendations.

Table 2: Progress on implementing finance only recommendations from external reports

Report	No of Finance Recs	Complete/ Ongoing	Partially complete / On Track	Total
CIPFA (Appendix 2)	22	17	5	22
MHCLG/DLUHC	20	12	8	20
Grant Thornton	23	13	10	23
Directions (Appendix 5 - Finance Only)	9	2/6	1	9
Total	74	50	24	74
Total %		68%	32%	
Position in July *		58%	42%	
Movement since last report	-	10% 	10% 	

*- the Directions were not included in the July report. Some of the directions are by their nature continuous and have thus been recorded as complete or ongoing as appropriate

- 2.23 Significant progress has been made on dealing with the recommendations from the various reports issued by CIPFA, DLUHC, Grant Thornton and the Directions (Finance only) issued by Government during 2021/22. 68 per cent of all recommendations have been completed or are continuously ongoing with good progress with the remainder on track to complete during 2022/23. Since the last report the number of complete/ongoing recommendations has increased from 33 to 50 (33 to 42 excluding Directions recommendations). 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.
- 2.24 Clearly the above positions are best estimates at this point in time and will change continuously as the work continues to progress

INFORMATION

Capitalisation Direction

- 2.25 A capitalisation direction is a means of allowing the Council to charge to capital funds revenue expenditure and finance the capital expenditure by asset sales etc. Clearly this will be time limited as capital receipts are one off and not recurrent
- 2.26 It thus provides a temporary mechanism to enable Council's to address their budgets and put themselves into a stable revenue position. Financing and minimisation of the capitalisation direction is a fundamental element of achieving financial stability because of the magnitude of the sums involved, the drain on capital receipts and the consequential MRP charges to revenue
- 2.27 The Council's original CD estimate was principally driven by its excessive borrowing and the lack of budget to finance the consequential MRP costs. Other issues were also identified including:
- lack of reserves, operating with a general fund reserve of effectively nil
 - emerging pressures, provisions and contingencies because of incorrectly charging costs to capital in previous years
 - inadequate budgets for core corporate functions
 - historic budget pressures such as unachieved or double counted savings which had not been addressed
 - inadequate provisions for such as business rates, insurance
- 2.28 The latest projection of the CD estimates that it could total £369m by 2028/29 at which point no further amounts should be needed. It has reduced since the original version due to improved and accelerated assets sales leading to earlier financing and hence reductions in the MRP profiling, improvements in the collection fund, council tax and funding settlement assumptions, enabling the savings requirement profile to be eased. Assumptions regarding the service pressures faced and inflation requirements have been refined. Overall, this represents a reduction of £413m from the original CD put forward. However, this is built on a range of assumptions including the profile of capital receipts, achievement of ambitious savings targets, effective management of the budget, including inflation and other pressures
- 2.29 The list of matters below are some of the major drivers in the reduction, noting that they are the cumulative effect of smaller reductions by year but have a cumulative effect on the CD required each year, with further detail in Appendix 6:
- removal of additional extended capitalisation in original £176m
 - MRP on above £132m
 - further MRP reduction due to accelerated asset disposals £77m
 - funding settlement – 22/23 and 23/24 £41m
 - collection fund smoothing reserve £18m
 - Council Tax assumptions £9.5m

2.30 The reduction in the overall CD means that the level of savings needing to be generated by the council has been able to be reduced from 2024/25 onwards. NB the 2023/24 target has been increased by £3m which directorates are required to find on top of the £16.4m identified to date, assuming that an increase in settlement funding will contribute a further £3.6m. As can be seen from the table below, the savings requirement then falls to £14m for a period of 4 years, then further to £13.4m in 2028/29, £11.5m in 2029/30 and £8.7m in 2030/31, a significant improvement from the previous iteration of the CD. Clearly these savings will need to be delivered annually going forward and attention is drawn to paragraph 2.12:

Table 3 – Change in savings requirement by year

Saving Requirement by Year	Previous CD £'000	Latest CD £'000
2023/24	20,000	23,000
2024/25	20,000	14,000
2025/26	20,000	14,000
2026/27	20,000	14,000
2027/28	20,000	14,000
2028/29	14,167	13,397
2029/30	14,928	11,489
2030/31	13,440	8,667

2.31 It should be noted that due to the long-term nature of these projections, it is expected that they will fluctuate as new information comes to light and more certain analysis and insight becomes available. The following factors for example are key but difficult to project with certainty:

- the rate of inflation on both salaries and service contracts
- impact of the energy crisis
- the potential impact of the above on the collection rates of council tax, business rates and sundry debt
- the likelihood of a recession and the impact of this
- the impact of Social Care reform both in terms of cost and funding made available to local authorities
- outcome of the next Triennial Pension Valuation
- actual success in achieving the asset sales required, timing and value
- service areas' ability to identify and then deliver all savings required
- changes in Local Government funding settlements in light of a new PM and Cabinet in September and following the next general election
- the Council's ability to deliver the change required

Capital Receipts

2.32 The Council originally assumed capital receipts of up to £600m in its estimates, reported to Cabinet in September 2021 as £200m by 2023/24 and between £200m and £400m by 31 March 2027.

2.33 The current work being undertaken by the Council and Avison Young (the Council's appointed property advisors) has identified potential sales of

£384m, of which £206m could be received by 2023/24, split £121m in 2022/23 and £85m in 2023/24. In addition the Council has also identified/is working on further receipts of £65m. Receipts from a LSVT (large scale voluntary transfer of housing) could generate circa £200m. This is summarised below and as can be seen can fully finance the revised capitalisation direction.

Table 4: Capital Receipts

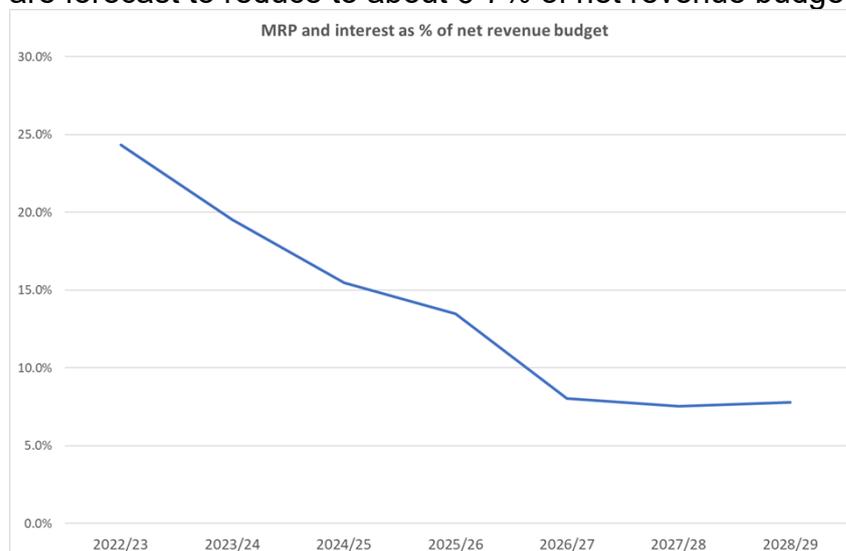
	Pre 2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Avison Young		121	85	54	43	46	35	384
SUR sites		22	8	10				40
Receipts from closure of 2018/19 and 2019/20 accounts	25							25
General Fund sub-total	25	143	93	64	43	46	35	449
LSVT						200		200
TOTAL	25	143	93	64	43	246	35	649

2.34 The position is thus much improved from that estimated and has a significant impact on the delivery of the Council's financial strategy

MRP

2.35 As can be seen above the amount of capital receipts likely to be received is in excess of that originally assumed and is likewise being received earlier. This allows the previously unfinanced capital expenditure to be financed sooner than planned and short-life assets (i.e those with a life less than 20 years) in particular to be fully financed.

2.36 When the budget was approved in March 2022, MRP was forecast to be £28m and interest a further £7.2m for 2022/23. This would have amounted to 32.7% of the net revenue budget. As a result of the accelerated realisation of capital receipts and the identification of capital receipts from re-drafting the accounts for 2018/19, MRP and interest charged reduce to £26m in total or 24.3% of net revenue budget. Over the period to 2028/29, MRP and interest are forecast to reduce to about 6-7% of net revenue budget.



- 2.37 When the Council approved the Treasury Management Strategy, this included a Prudential Indicator on affordability, which expresses financing charges as a percentage of the net revenue stream (i.e. council tax, business rate and non-specific grants). This shows the same pattern as the chart above.

Budgets

2023/24

- 2.38 In respect of the 2023/24 medium term financial plan savings target of £20m, council directorates had proposed savings initiatives with an aggregate saving of £16.4m, leaving a gap of £3.6m to find. This was anticipated to come from savings to the contract with SCF, however the company business plan sets out that this will not be achievable. In light of the funding settlement for 2022/23 in which the council received an additional £5.6m on top of what was initially expected, this £5.6m in settlement funding has therefore been built into projections for 2023/24. Of this, £3.6m will match the gap in funding, leaving £2.0m needed to address additional budget pressures anticipated from inflation on contracts and staff costs. Directorates are to be asked to find a further £3.0m in savings on top of the £16.4m identified in order to provide further resilience. It is assumed that the council tax increase will be limited to 2.99% and that any further increase will be needed to cover new burdens such as in social care.

2024/25

- 2.39 The Council's pension fund is currently in deficit and the financial benefits of paying off this deficit are currently being explored along with the possibility of new commissioning arrangements

Accounts

- 2.40 The Council has no audited accounts since 2017/18 and in revising the 2018/19 accounts it has become apparent that there were errors in the 2017/18 and 2016/17 accounts which have been corrected in the submitted 2018/19 accounts.
- 2.41 This means that the Council has not been properly able to demonstrate good financial stewardship of public monies since 1 April 2016, 6.5 years ago. It also means that the Council's budgeting since then has been particularly challenging because of the uncertainty over its financial position.
- 2.42 Production and audit of accounts is thus extremely important element of the strategy to allow the Council to financially recover.

Accounts – 2018/19

- 2.43 Since the 2018/19 Statement of Accounts were initially presented to members, issues identified by both the Council's new finance team and the external auditors have required a substantial re-draft of the financial statements. Some of these changes relate to 2018/19 transactions and balances but others relate to previous financial years. The key issues arising have been summarised below:
- 2.44 Prior period adjustments:
- misstatement of Property, Plant and Equipment balances due to multiple inaccuracies in the Fixed Asset Register
 - failure to adequately recognise all creditors and accruals at 31 March
 - inadequate set aside for General Fund debt charges relating to unsupported borrowing (MRP)
 - misclassification of capital receipts as revenue income
 - misclassification of loans and equity investments on the Balance Sheet
 - dividend income recognised in the incorrect financial year
 - infrastructure assets not depreciated and de-recognised correctly
- 2.45 In-year adjustments:
- increased provisions for Business Rate appeals, bad debts, refunds and impairments
 - incorrect capitalisation of staff costs
 - incorrect classification of investment property
 - incorrect identification and disclosure of grant income.
- 2.46 The 2018/19 accounts have been extensively revised from those submitted in May 2021 as reported to the last Council meeting in July 2022
- 2.47 As well as errors in the financial statements themselves, the new Finance team has identified significant weaknesses in financial management, financial processes and systems of internal control. The Annual Governance Statement has been revised and updated to reflect these shortcomings.
- 2.48 The capitalisation direction estimated a pre-2019/20 deficit of £61.709m. This has been finalised in the revised to 2018/19 Statement of Accounts, subject to the conclusion of the audit. The final deficit for pre-2019/20 is an increase of £2.8m and is shown below:

Table 5 – Proposed Capitalisation Direction for pre-2019/20 periods

	pre 1 April 2017	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000
To correct incorrect capitalisation of staff costs for Agresso Support	477	1,416	1,125	3,018
To address expenditure incurred by Slough Children's Service Trust Ltd incorrectly classed as Transformation Funding	3,123	3,300	2,558	8,981
To address expenditure incurred by the Council incorrectly classed as Transformation Funding	1,009	1,517	3,997	6,523
Understatement of Minimum Revenue Provision	21,661	5,136	6,074	32,871
To correct the incorrect treatment of Overage Income as revenue income to the General Fund	2,203	1,430	-	3,633
To charge the Council's share of the Collection Fund deficit from 2014/15 to the General Fund	6,301	-	-	6,301
To correct incorrect capitalisation of Property Staff	1,159	1,082	898	3,139
Total	35,933	13,881	14,652	64,466

Update on the 2018/19 Audit

- 2.49 The audit of the restated accounts began on the 20th of July 2022; Council officers have been meeting with the audit team twice every week to ensure that the audit is progressing, and any issues identified are addressed as soon as possible.
- 2.50 Whilst good progress is being made and no material issues have been identified to date by the auditors, the audit is being conducted at a more detailed level than originally anticipated due to the increased risk profile of the Council in light of the issues currently being faced.
- 2.51 As a result, officers are having to respond to queries relating to adjustments made to the original draft accounts by the previous finance team, the key issues identified by officers as part of the audit are summarised below:
- material reconciliation issues between the statement of accounts and the financial system resulting from the unsuccessful implementation of CIPFAs Big Red Button for preparing financial statements.
 - lack of documentation and record keeping to support balances held in the financial system
 - manual adjustments made to the accounts with no detailed explanation of what these relate or how these have been calculated, these adjustments have been entered onto the financial system resulting in reconciliation issues and some of these adjustments relate to the 2014/15 financial year
 - lack of evidence and explanation for journals processed on the system

- working papers to support the accounts either do not exist, are of poor quality and do not reconcile to the amounts quoted in the accounts or the financial system

2.52 At present it is anticipated that the audit will be completed by October 2022. However, due to the increased risk profile of the Council further technical and independent reviews will need to be completed meaning that an audit opinion is unlikely to be issued until the end of the December 2022.

Accounts – 2019/20 and 2020/21

2.53 The Council's accounts beyond 2019/20 have not previously been prepared despite being several years overdue. The 2019/20 accounts have now been in preparation since July 2022 and are expected to be completed by the end of September 2022. The accounts for 2020/21 and 2021/22 are expected to be completed by the end of December 2022 and end of March 2023, respectively.

2.54 Issues identified by the Council's new finance team in the 2018/19 accounts will be corrected and fed into the accounts for 2019/20 and 2020/21. The key issues arising for 2019/20 have been summarised below:

- analytical review of transactions in 2019/20 has identified that like for like transactions have not been posted to the same code in the financial system when compared to 2018/19, resulting in misstatements of income and expenditure.
- accruals relating to 2018-19 have not being reversed in 2019/20 resulting in misstatement on income and expenditure in 2019/20.
- potential mapping issues within Comprehensive Income and Expenditure Statement resulting from the way in which the financial system has been set up and structured.
- general information to substantiate the figures/balances held in the financial system is not available so a lot of time (more than anticipated) is being spent on fact-finding and looking for insight
- many "timing differences" in control accounts which are material
- historic overstatement of housing rents – debtors are materially higher than what is recorded on Capita so needs to be written-off.

2.55 The capitalisation direction estimated for 2019/20 a deficit of £40.15m, this is now forecast as £37.33m. A reduction of £2.83m

Table 6 – Proposed Capitalisation Direction for 2019/20

	2019/20		
	Original estimate	Revised estimate	Movement
	£'000	£'000	£'000
Forecast Outturn Position	2,950	2,950	0
Emerging Pressures, Contingencies, and Provisions	22,000	18,291	-3,709
Companies	500	500	0
Incorrect capitalisation of staff costs	9,360	10,241	881
Minimum Revenue Provision (MRP)	5,348	5,348	0
Total	40,158	37,330	-2,828

2.56 The Capitalisation Direction estimated a 2020/21 deficit of £25.93m, this is now forecast as £21.79m. A reduction of £4.14m. Detail on the movements in later years is as set out in Appendix 3.

Table 7 – Proposed Capitalisation Direction for 2020/21

	2020/21		
	Original estimate	Revised estimate	Movement
	£'000	£'000	£'000
Forecast Outturn Position	6,942	6,942	0
Companies	300	300	0
Incorrect capitalisation of staff costs	5,104	5,104	0
Minimum Revenue Provision (MRP)	13,586	9,448	-4,138
Total	25,932	21,794	-4,138

2.57 An all years full analysis is shown in Appendix 6

Finance Service Structure

2.58 A key requirement for the Council is a designed and implemented permanent finance structure with appropriate service business planning, training and development, leadership etc . The required structure has been designed, evaluated, consulted on and agreed by Cabinet and is supported by a comprehensive business plan prepared in February 2022. The consultation phase of the Finance and Commercial services restructure completed on 27 July. The recruitment phase has now begun and will take place during September and October with an expectation of new appointments being in place by 31 December 2022.

2.59 The contract status of the current key finance interims has been discussed with them and all have agreed to remain until March 2023

Revenues and Benefits

- 2.60 The revenues and benefits service is a key element of the Council's finances being responsible for the collection in the region of £65m per annum. The service has recently come under the leadership and management of the Finance Service and has addressed the following key issues

Collection

- 2.61 Improvements are being seen for in-year collections for both Council Tax which stands at 45.76% up 0.25% on the same time last year and NNDR at 47.22% up 6.78% on the same period last year. Considering the economic conditions the Council Tax collection is very encouraging. It is anticipated that will be further improved next month. Arrears collection is also improving with Council tax balances reduced by £2.25m (10.85%) so far this year and NNDR seeing a reduction of £3.16m (29%).

Energy Rebates

- 2.62 The payment of the core scheme has been completed, paying £2.06m to the last 13,704 rebates onto residents Council Tax accounts. That brings the total number of Slough Households who have received the rebate to 46,674 paying a total of £6.8m.

Projects

- 2.63 Development of the service continues with a number of key projects underway which include:
- Academy Cloud Migration
 - recovery data cleansing releasing more than £0.5m of debt that was effectively on hold to be recovered
 - contracts are being finalised for the robotics project

3 IMPLICATIONS OF THE REPORT

3.1 Financial implications

- 3.1.1 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.

3.2 Legal implications

- 3.2.1 On 1 December 2021 the Secretary of State for Levelling Up, Housing and Communities made a statutory direction requiring the Council to take prescribed actions and that certain functions be exercised from this date by appointed Commissioners, acting jointly or severally. The functions to be exercised by the Commissioners include the requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs, and all functions associated

with the strategic financial management of the Council, including providing advice and challenge to the Council in the setting of annual budgets and a robust medium term financial strategy, limiting future borrowing and capital spending. The Explanatory Memorandum to this Direction confirms that in practice most decisions are expected to be taken by the Council, however the Directions are designed to give the Commissioners the power to tackle weaknesses identified to ensure the Council is better equipped to meet the best value requirements. Cabinet and full Council should have regard to the advice and comments of the Commissioners contained in this report

3.2.2 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.

3.2.3 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.

3.3 Risk management implications

3.3.1 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 1. 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.

3.4 Environmental implications

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

3.5 Equality implications

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

3.6 Procurement implications

3.6.1 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.

3.6.2 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.

3.7 Workforce implications

3.7.1 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.

3.8 Property implications

3.8.1 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.

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 or 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.	Amber
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	Green
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	Complete	Complete	Complete	Complete
3	Complete	Complete	Complete	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 being prepared for the 2023-24 budget which will be refined through to October 2022. The process beyond 2023/24 will be based on a zero basing of the Council's budget	S Mair/EDs	Complete Budget Paper going to September Cabinet ZBB will take through to October 2023 to set up and implement in 2024/25
B On future sustainability: Establish a high-level risk register				
5	Complete	Complete	Complete	Complete

	C On Commercial activities and borrowing: Set limits on future borrowing and capital spending			
6	Complete	Complete	Complete	Complete
7	Complete	Complete	Complete	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 assurance around the size and scale of current and future liabilities before it sets the budget for 2022-23.	<p>Since the CIPFA report was drafted work has been undertaken to 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>	S Mair	<p>Complete for budget 2022/23</p> <p>On-going for future years and in respect of Council Companies</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 2021 to assist with the asset disposal programme.</p> <p>Avison Young were appointed and have produced a detailed disposal strategy with estimated sale proceeds and timeframes.</p> <p>AY identified £335m of assets that could be sold in the next five years.</p>	S Mair/R West	Complete

		<p>This excludes income from a Housing Stock Transfer which after Repayment of HRA debt would provide a net capital receipt of £84m. If all these assets were disposed of then the net revenue impact due to reduction in minimum revenue provision reductions would be £21m per annum.</p> <p>Local Partnerships Ltd have been engaged to provide options for disposing of James Elliman Homes Ltd.</p> <p>Montague Evans commissioned for options for SUR LLP to explore sale of sites to Homes England.</p>		
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.	<p>Financial briefings provided weekly by s.151 officer and to each Full Council meeting.</p> <p>In addition, training session on Public Sector Finance delivered to Members on Thursday 14 April 2022 to be followed by a series of future training briefings.</p>	S Mair	Complete
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.	<p>Programme of member training being developed in conjunction with the Monitoring Officer</p> <p>Briefing programme and dates being finalised post-election to</p>	S Mair/Sarah Wilson (Interim)	Complete for induction training

		<p>assess if any changes that need factoring into future sessions. Initial programme agreed at Audit and Corporate Governance Committee in January 2022.</p> <p>Induction session held for new members in July 2022.</p>		On-going training programme in place
G Address immediate Financial Governance risks				
12	Complete	Complete	Complete	Complete
13	The Council reviews financial regulations in the medium term	<p>Review underway and includes alignment with the recently updated (June 2021) Scheme of Delegation.</p> <p>First draft produced subject to wider governance review and comments received and incorporated in July 2022.</p>	S Mair	<p>October 2022 completion target</p> <p>On Track</p>
14	The Council sets out clearly the financial responsibilities of all new staff, interim and agency staff when they commence work with the Council.	<p>The updated Financial Regulations will cover this.</p> <p>Additional briefings required for interim and current staff</p>	S Mair	<p>October 2022 completion target as per above</p> <p>On Track</p>
H Prepare an Annual Governance Statement for 2020-21				
15	An Updated Annual Governance Statement and Action Plan should be prepared for consideration by the Audit and Governance Committee by December 2021.	<p>Work is complete on a first draft AGS for 2020/21 expected in early November.</p> <p>Draft AGS completed and reviewed by CLT. Document will need finalising and further review once</p>	S Mair	Complete subject to timing of the finalisation of accounts.

		the 2020-21 financial statements are completed in Autumn 2022.		
	I Undertake an independent review of the Procurement Function			
16	Complete	Complete	Complete	Complete
	J Review the provision of Internal Audit			
17	Complete	Complete	Complete	Complete
	K Enhance Financial Capacity			
18	Complete	Complete	Complete	Complete
19	The organisation makes further provision to enhance the capacity within the finance team including exploring other delivery avenues e.g. shared services	Restructure now completed and recruitment phase beginning through to end of October 2022. If recruitment in the wider marketplace is unsuccessful, then other options will be considered..	S Mair	October 2022 On Track
20	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 December 2022		March 2023 On Track
	L Stabilise the Finance Leadership Team			
21	Complete	Complete	Complete	Complete
22	Complete	Complete	Complete	Complete

Response to MHCLG/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	Finance Action Plan has been developed reflecting the risks facing the Finance function and is being reviewed monthly Service plan completed to tie in with new Corporate Plan.	S Mair	Continuous On Track
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	Finance Action Plan has been developed and is being reviewed monthly this includes all areas of finance and revenues and benefits. Service plans now completed and being assessed against requirement of the new Corporate Plan. Finance complete, Revs and Bens to follow	S Mair	Continuous On Track
3	Complete	Complete	Complete	Complete	Complete
4	6. Identify permanent statutory post holders within the new scheme of delegation.	P	The Financial Regulations are currently being reviewed to	S Mair	October 2022

			align with the Scheme of Delegation revised in July 2021. A revised set of Financial Regulations has been produced and will be finalised by October 2022.		On Track
5	Complete	Complete	Complete	Complete	Complete
6	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	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.	S Mair	Continuous On Track
7	Complete	Complete	Complete	Complete	Complete
8	Complete	Complete	Complete	Complete	Complete
9	Complete	Complete	Complete	Complete	Complete
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 to May Cabinet and a further iteration is planned for Cabinet in September 2022 setting out the value, term and purpose of all contracts greater than £180k in value.	EDs	Complete as part of budget process
	5. Culture and Leadership recommendations				
11	Complete	Complete	Complete	Complete	Complete
	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>Revised Corporate Recovery and Improvement Plan approved by Council in May 2022 and now assimilated into Service Plans including an outline Medium Term Financial completed in May 2022.</p> <p>Outline financial plan completed as required and detail being progressed at pace:</p> <p>2018/19 accounts done, being audited 2019/20 will be complete by 30/9/22 2020/21 by December 2022 2021/22 by March 2023</p> <p>2022/23 budget monitor and CD reviewed and revised</p> <p>2023/24 likewise</p> <p>Initial proposals for 2024/25 commenced</p>	S Brown	Complete
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	Continuous as training programme develops
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/monthly finance update briefings to Members, Commissioners and CLT and reinforced through the approach to business cases.	EDs	Complete
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 underway.	S Mair/R West	Complete
17	Complete	Complete	Complete	Complete	Complete
18	27 Carefully manage the potential reduction from £6m to the return on investments as a significant risk. The disposal strategy should be	M	The asset disposal programme will take into account reductions in investment income streams.	S Mair/R West	Complete as not considered

	completed. This might take some time, which could delay the amount of revenue available to the council.		However the £6m return is a gross return and did not take into account costs of borrowing or operating costs. Therefore expect this to be minimal impact.		a significant risk.
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 completed in July 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	On Track

Response to Grant Thornton's recommendations

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
1	<p>Agreed savings are not supported by robust savings plans and as such are at risk of not delivering as anticipated.</p> <p>Medium</p>	<p>The Council should:</p> <ul style="list-style-type: none"> • Ensure that savings are supported by robust savings plans and business cases • 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>The Council has recently undertaken a number of actions that will address this and related issues</p> <p>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</p> <p>As part of this the Council has:</p> <ul style="list-style-type: none"> • Revised its revenue business case and process to ensure 	S Mair	<p>Complete for 2022/23, in development for 2023/24</p> <p>Agreed for council services not yet for SCF</p> <p>Agreed for council services not yet for SCF</p> <p>Design and implementation of the ZBB process will start from Autumn 2022 but not in place until 2024/25.</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="645 347 990 603">• Assessment of the effectiveness of the framework, it should be more than a description of what is in place <li data-bbox="645 611 990 866">• How the Council is defining outcomes in terms of sustainable economic, social, and environmental benefits <li data-bbox="645 874 990 1098">• An action plan, that brings together and addresses all the significant issues faced by the Council <li data-bbox="645 1106 990 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	Complete	Complete	Complete	Complete	Complete
4	<p>Effective governance arrangements are not in place to ensure those in charge with governance are able to make decisions in an open and transparent way</p> <p>High</p>	<p>Cabinet and scrutiny should be regularly updated on the performance of their key services and be able to challenge this performance and have the opportunity to make informed decisions in formal committee meetings.</p>	<p>On the back of the agreement of the Corporate Plan and Service plans there has also been the introduction of integrated financial performance and risk reporting from August 2022.</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. 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>	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>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 place to effectively manage statutory services that are delivered by third parties</p> <p>High</p>	<p>The Council should consider and ensure effective arrangements are in place in the following areas:</p> <ul style="list-style-type: none"> • Role of elected members, including Members of the Board, as possible shareholder committees or monitoring committees such as the Commercial Sub-Committee, as 	<p>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 Council's objectives, a</p>	S Mair	<p>On Track</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>well as the role of scrutiny committees</p> <ul style="list-style-type: none"> 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 interests of the body that has appointed the Director to the company (e.g., the Council) Elected members committee functions, this should include those charged with governance who would have oversight of the 	<p>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><u>The Council has established a Corporate Oversight Board for Slough Urban Renewal (SUR) to strengthen governance and management arrangements, including oversight of a phased reduction in SUR's activities. New directors have also been appointed to oversee the changes and planned exit from SUR. Good progress has been made on the disposal of a number of sites that are optioned to SUR, with completions expected in early 2023.</u></p>		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		<p>effectiveness of the SCST Board in line with Council's strategic objectives and statutory duties as well as scrutiny</p> <ul style="list-style-type: none"> <li data-bbox="645 496 1005 1011">• 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 effective and understood <li data-bbox="645 1011 1005 1412">• Those charged with Governance should receive updates and reports on a regular basis (quarterly as a minimum) to enable informed decision making. 	<p><u>Significant progress has been made to GRE5's financial planning and reporting, oversight and critical governance arrangements including the appointment of new directors, the establishment of a new corporate oversight group and strengthened risk management. The Council's loan to GRE5 has now been fully executed following a financial review in FY 21/22 which identified that the Council's loans had not been approved in line with its Investment Strategy and was not implemented appropriately. Whilst building work is underway on Nova House, a number of additional structural issues have been identified which have had an impact on the ACM works and the resolution of the legal claim. An updated project and finance plan will be produced in Autumn 2022.</u></p>		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<p><u>Several issues have been identified across the key 'active' companies (JEH and DISH) primarily in relation to governance, financial planning and reporting, risk management, operational effectiveness, financial and commercial performance. New directors and governance arrangements alongside strengthened performance and financial reporting arrangements have been introduced for JEH. In addition, a JEH strategic review has identified a number of long-term options which the Council will consider with the aim of developing an implementation plan before the end of FY 22/23.</u></p> <p><u>In 2022/23 work will continue to focus on addressing internal and external audit recommendations, exploring opportunities for asset disposals and the</u></p>		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			<u>release of asset value and developing exit strategies for all companies.</u>		
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 first recommendation is being dealt with as noted above and will be picked up by the new Commercial team once in post.	S Mair	On Track
		<ul style="list-style-type: none"> The Council should consider using its internal audit service to gain assurance that its contract procedures are being effectively applied across all Directorates 	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 independent of the Council’s current provider RSM to avoid any conflict of interest	S Mair	On Track Procure alternative internal audit of the procurement function – to be actioned by October 2022 once new team in place.
7	Complete	Complete	Complete	Complete	Complete
		Complete		Complete	
8	Complete	Complete	Complete	Complete	Complete
		Complete		Complete	

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
9	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>
10	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>
11	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>	<i>Complete</i>
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 	The systems review is in progress as is the preparation of the year end analysis.	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>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		<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>

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	We also identified material assets which had been fully depreciated and were held at net nil valued in the fixed asset register and accounts. High	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	and video demonstrations saved in a central location to ensure resilience in the future.		
16	Complete	Complete	Complete	Complete	Complete
17	Complete	Complete	Complete	Complete	Complete

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 standards. To achieve this the Council should:		S Mair	Complete
		<ul style="list-style-type: none"> Ensure sufficient resources and specialist skills are 	Gaps in the Council's own team skills and capacity have been	S Mair	The restructure of the Finance and Commercial services

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		available to support the accounts production	<p>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>		<p>Department began formal consultation on 28 June and ran 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 relation to interim support will be reviewed, although this expected to reduce significantly during 2023/24 and</p>

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
					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>Complete for 2018/19 accounts</p> <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 	<p>As above. In addition, the CIPFA Code and other technical guidance documents have been acquired and made available to the whole finance team. The Council also has access to technical advisors from CIPFA via its subscription to CIPFAs Finance Advisory network.</p>	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 	Weekly meetings have been arranged with the core team to ensure timely production of accounts		Weekly meetings will continue until the accounts have been prepared.
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 service areas to support the timely production of 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 	S Mair	<p>Complete for 2018/19 accounts</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>

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			<p>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. • A whole team approach has been instigated through the 		

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			<p>involvement of the whole finance service to bring greater resilience and resource to this key requirement.</p> <ul style="list-style-type: none"> • 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 working papers and clear mapping to the ledger. 		

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
20	Levels of usable reserves	<p>The Council should take urgent action to address its low levels of unearmarked and earmarked reserves through:</p>		S Mair	On-going
		<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 should be built up over the coming 5 years. This will lead to an increase in the savings target to finance the</p>		An additional £1m per annum is planned to continuously increase reserves

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			<p>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		Complete
		<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> <p>Embedding this improved process will take some considerable time</p>		Continue to work with Departments and embed the newly designed process On-going

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>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> <p>On-Going</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 Council's objectives, a review of the work undertaken by the companies, developing	S Mair	<p>On Track</p> <p>Reports to Audit and Corporate Governance Committee, as required</p>

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			<p>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"> <li data-bbox="616 981 1108 1093">• Report progress against the action plan to full Council at every meeting <li data-bbox="616 1276 1108 1420">• Support the S151 officer's root and branch review of all aspects of the Council's finances 	<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> <p>This work continues to expand as the magnitude of issues are</p>	S Mair	<p>Complete as evidenced by this FAP</p> <p>This is a continuous schedule of work</p> <p>This is a continuous schedule of work</p>

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		<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>identified and is reported as above</p> <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></p> <p>The Council's permanent structure has been agreed and consulted upon and recruitment has begun.</p>
23	Complete	Complete	Complete	Complete	Complete

PROGRESS RESPONSE AND ASSESSMENT AGAINST DIRECTIONS (FINANCE ONLY)

APPENDIX 5

Item	Directions Action	Action Taken by Council	Officer Responsible	Status / Next Steps
1	<p>A suitable officer structure and scheme of delegation for the Authority which provides sufficient resources to deliver the Authority’s functions in an effective way, including the Improvement Plan and its monitoring and reporting, prioritising permanent recruitment and/or longer-term contract status of interim positions.</p>	<p>The consultation phase of the Finance and Commercial services restructure completed on 27 July. The recruitment phase has now begun and will take place during September and October with an expectation of new appointments being in place by 31 December 2022.</p> <p>Finance and Commercial business plan drafted in February 2022 ahead of requirements for service plans and Improvement plan. Departmental contribution to improvement plan in place and operating as required. Finance action plan updated monthly during 2022.</p> <p>Longer term contract status of key finance interims resolved and senior team in place since April 2022.</p> <p>Commercial team being brought back in-house as part of restructure with interim arrangements in place in the meantime.</p>	<p>Steven Mair</p>	<p>Ongoing</p> <p>G</p>
3	<p>Following the review by the Authority of their companies within six months consider the roles and case for continuing with each subsidiary company of the Authority (except Slough Children First).</p>	<p>The Council has 10 companies excluding Slough Children First which is not covered by this Direction. Four of these are actively trading and six were dormant. Of the six dormant companies all have now been closed down which has significantly simplified the Council’s corporate structure.</p> <p>The Council will seek to exit GRE5 when works to Nova House are completed – this is expected to be in FY 2024/25 although the exit route has not yet been defined, although a number of options are likely to be available if the works are completed.</p>	<p>Steven Mair</p>	<p>Ongoing</p> <p>A</p> <p>(The amber rating reflects the progress on the corporate elements of this matter)</p>

External options analysis has been undertaken for SUR and JEH. The DISH company is a lower risk and will be reviewed in the first quarter of 2023/24

Major progress has been seen in the following areas:

The Council has established a Corporate Oversight Board for **SUR** to strengthen governance and management arrangements, including oversight of a phased reduction in SUR's activities. New directors have also been appointed to oversee the changes and planned exit from SUR. Financial and performance reporting is regularised and now takes place on a quarterly basis

A way forward has been agreed for SUR and good progress is being made to progress with a number of key site disposals and a phased exit from the JV. This will result in a reduction in ongoing operating costs in FY 22/23 and 23/24 and a significantly reduced capital programme compared to original plans. Site disposals will generate cash receipts in FY22/23 (NWQ) and FY 23/24 (Montem) – other site disposals may take place in FY23/24. JV exit is scheduled for completion by early FY 24/25.

Good progress has been made on the only ongoing SUR development project; the Old Library Site (OLS). Following the successful approval of First Homes Funding from Homes England in FY 22/23, apartment sales have accelerated and the Council's loan facility to the OLS is reducing significantly. Less than 10 apartments remain unsold which significantly reduces the risk of loan default and has a positive impact on the Council's cash position.

		<p>Significant progress has been made to GRE5's financial planning and reporting, oversight and critical governance arrangements including the appointment of new directors, the establishment of a new corporate oversight group and strengthened risk management. The Council's loan to GRE5 has now been fully executed following a financial review in FY 21/22 which identified that the Council's loans had not been approved in line with its Investment Strategy and was not implemented appropriately. Whilst building work is underway on Nova House, a number of additional structural issues have been identified which have had an impact on the ACM works and the resolution of the legal claim. An updated project and finance plan will be produced in Autumn 2022.</p> <p>A JEH options appraisal has recommended a phased exit including the transfer of some assets to the Council. The report identified a series of additional workstreams which are inquired to inform the development of the detailed exit plan. The exit plan is scheduled for agreement by 31/3/23.</p> <p>New Directors have been appointed for JEH in FY22/23 and monthly Board meetings have been reinstated from January 22. Board reporting including financial, performance and risk reporting has been redesigned to improve management and board effectiveness. A new SLA between the Council and JEH has been produced and approved in FY 22/23 and further improvements will continue to be made.</p> <p>DISH was established in 1988 and has a lease with the Council for 54 properties; with the majority of tenants</p>		
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		<p>classed as long term tenants. DISH is considered to be a lower risk compared to other companies and an options review and exit strategy is scheduled to be complete by 30/6/23.</p> <p>In October to December 2021, all Directors were replaced for JEH and GRE5. New Director role profiles were developed and standardised for both companies based upon an assessment of the specific requirements for each company. Internal appointments were made for JEH however due to the complexity and specific requirements of GRE5, external appointments were made. As an LLP, SUR has “representatives” and does not have “directors”. All SUR representatives were reviewed and replaced in Autumn 2022 following a consideration of the specific requirements to implement the exit strategy and associated disposals programme.</p> <p>All new directors were provided with induction training, including detailed briefing sessions on company matters, governance and other related matters. Formal contracts and terms of reference are in place for the appointments and each Director will be subject to an annual appraisal. Future training requirements will be monitored as the directors continue in role and the future direction and exit strategy evolves.</p> <p>In FY 2022/23 and 2023/24 work will continue to focus on addressing internal and external audit recommendations, exploring further opportunities for asset disposals and finalising exit plans for all companies.</p>		
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4	In the first three months undertake an assessment of the functional capability of all service areas identifying the gaps in capacity and capability	<p>Functional Capability Assessments for Finance and Commercial were completed by the target date and submitted to Commissioners at the end of Feb 2022. These were supported by a detailed Business Plan for the Department.</p> <p>Since the approval of the Corporate Plan in May 2022 these documents have now been replaced by the new Corporate and Service Planning process. All Finance and Commercial service plans have been submitted in line with the COO's required timetable.</p>	Steven Mair	Complete G
5	...and within the first six months prepare and agree action plans to the satisfaction of the Commissioners.	The Finance Action Plan has been in place since late 2021. The latest template has been reported to Cabinet since May 2022 and has been subject to various refinements at the request of Commissioners.	Steven Mair	Complete G
6	An outline action plan to achieve financial sustainability and to close the long-term budget gap identified by the Authority across the period of its Medium-Term Financial Strategy (MTFS)	<p>A comprehensive action plan was submitted as part of the capitalisation direction submission including options to close the long-term budget gap over the period of the MTFS up to 2028/29. This recognised the need for significant culture change and discipline if the plans were to be achieved.</p> <p>This is underpinned in the first instance by the budget for 2022-23 completed, submitted and approved by Council on 10 March 2022 underpinned by a comprehensive capitalisation direction bid to DLUHC. This set out the plans for achieving financial sustainability which are reflected in the outline Finance action plan submitted to Council each meeting (except budget ones). It was always envisaged that this would take at least 4 years to begin an adequate turnaround given the extent of the financial problems uncovered.</p>	Steven Mair	Ongoing A

		<p>The longer-term closure of the budget gap consists of the following outline plans all of which are well progressed:</p> <ul style="list-style-type: none">➤ agreement of a capitalisation direction with DLUHC, initially £307m for the period to 31/3/23. Also modelled through to 2027/28 and beyond - Agreed➤ sale of between £400m and up to £600m of assets, as agreed by Council in September 2021. Report from AY received – work also being actioned outside of this through finance, companies work, accounts completion. See report for revised estimates➤ annual recurrent additional revenue savings of £20m per annum up to and including 2027/28. This has been completed in design for 2022/23 and is largely complete for 2023/24 and is now updated and reduced as shown in the body of the report. See report for revised estimates➤ completion of annual accounts up to 31/3/22 by the 31/3/23 and regularly thereafter. Good progress being made with 2018/19 now complete. This is seen as the basis for the following years.➤ a complete restructure of the finance service producing a fit for purpose structure and resources set aside to finance the gaps in the corporate core of the Council. Done – currently out to internal advert		
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		<p>➤ a wide range of financial management improvements as reported separately in each financial action plan..</p>		
7	<p>In the first three months prepare and agree an Improvement Plan to the satisfaction of the Commissioners (which may include or draw upon improvement or action plans prepared before the date of these Directions), with, resource allocated accordingly, and as a minimum, the following components...</p> <p>...An action plan to achieve improvements in relation to the proper functioning of democratic services, to include rapid training for council officers, a revised term of reference for the Audit and Corporate Governance Committee, and the agreement of an Annual Governance Statement for 2020-21."</p>	<p>Training programme identified for Members is developed and being rolled out.</p> <p>Revised Terms of Reference for Audit and Corporate Governance Committee approved at a special meeting on 19 January 2022. Training given to new Committee members in July 2022.</p> <p>Annual Governance Statement for 2020-21 has been drafted and discussed with CLT in May 2022. Feedback has been received and an updated version drafted to reflect comments from CLT. Once the 2020/21 accounts are completed this will then be included in those statements and shared with Commissioners and Members.</p> <p>Addenda to the 2018-19, 2019-20 and 2020/21 annual governance statements have also been drafted to reflect the position at the time they will be approved by Committee. The 2018/19 statement is included in the revised set of statements currently being audited.</p>	Steven Mair	<p>Ongoing</p> <p>G</p>
8	<p>...An action plan to achieve improvements in relation to the proper functioning of the scrutiny function, to include a review of the</p>	<p>Strategic Risk Register reviewed and updated in November 2021. Refinement has taken place during 2022 in response to the CIPFA Report and an internal audit report. The latter is scheduled to be followed up in</p>	Steven Mair	<p>Ongoing</p> <p>G</p>

	<p>Authority's strategic risk register to make it fit for purpose.</p>	<p>September 2022 and is expected to show significant progress.</p> <p>Revised structure of strategic risk register first reported to Audit and Corporate Governance Committee on 9 March 2022.</p> <p>New Risk Strategy developed and approved by CLT, Cabinet and Audit and Corporate Governance Committee during June and July 2022.</p> <p>Risk strategy paper presented alongside Risk Management strategy outlines the future developments expected during 2022/23 including improvements to risk culture, risk reporting, assurance programme, software solution and linkages with Departmental Risk Registers. Engagement with CLT on detailed risks began in July 2022 and has defined to the tone from the top which is crucial to the development and importance of the Corporate Risk Register.</p>		
9	<p>...An action plan to achieve improvements in relation to the proper functioning of internal audit, which addresses outstanding management actions and includes the commissioning of an independent review of the internal audit contract and a fully costed plan for establishing an internal audit function that reflects best practice.</p>	<p>Internal audit action plan submitted alongside functional capability assessment.</p> <p>Options report discussed and agreed by December 2021 Audit and Corporate Governance and approved at 1 March 2022 meeting. Report approved by Cabinet on 9 March 2022 to extend current IA contract for one year and new contract sealed in April 2022.</p> <p>Plans included within Finance and Commercial Services Restructure timeline to be completed by October 2022. Job descriptions completed and have been evaluated by</p>	Steven Mair	<p>Ongoing</p> <p>G</p>

		Southeast Employers Organisation and discussed with Trade Unions as part of the Finance and Commercial Services restructure. Recruitment to an in-house team beginning in September 2022.		
10	...An action plan to achieve improvements in relation to the proper functioning of the procurement and contract management function, which includes an independent review.	<p>Action plan completed.</p> <p>Procurement and contract management action plan submitted alongside functional capability assessment. A Commercial improvement plan has been developed to implement and monitor service developments.</p> <p>New contract register has been developed and is being actively used to plan procurement activity and identify opportunities for savings.</p> <p>Commercial Services permanent restructure is tied in with the Finance and Commercial Services Department plans for completion by October 2022. Job descriptions have been drafted and submitted as part of the evaluation process noted in 8 above.</p> <p>Independent review carried out by an LGA Procurement specialist in February 2022.</p> <p>An interim solution has been procured to enable access to specialist advice and expertise. Approach shared with the Lead Finance Commissioner and tendered in April 2022.</p> <p>Plans on track to deliver the proper functioning of the procurement and contract management function.</p>	Steven Mair	Ongoing G

Capitalisation Direction Changes

Appendix 6

Capitalisation Direction - Original Basis

Heading	Pre- 2019/20 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 to 2047/48	Total
Roll forward of budget pressures	-	-	-	-	1,000	84,055	78,490	67,130	61,735	62,563	47,103	-	402,076
Forecast Outturn Position	-	2,950	6,942	1,000	-	-	-	-	-	-	-	-	10,892
Emerging Pressures, Contingencies, and Provisions	-	22,000	-	23,188	31,755	(585)	300	3,000	9,000	(1,000)	4,000	-	91,658
Additional Growth for new years of MTFS	-	-	-	1,065	1,065	3,000	11,100	11,100	11,100	11,100	11,100	-	60,630
Original Capitalisation Direction	-	-	-	12,200	3,000	(3,000)	-	-	-	-	-	-	12,200
Opening MTFS Gap - March 2021	-	-	-	-	17,958	9,298	-	-	-	-	-	-	27,256
Increase Reserve Levels	-	-	-	20,000	1,000	-	-	-	-	-	-	-	21,000
Companies	-	500	300	17,500	2,300	(1,800)	-	(500)	-	-	-	-	18,300
Additional Capitalisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Incorrect capitalisation of staff costs	28,838	9,360	5,104	2,086	2,450	-	-	-	-	-	-	-	47,838
Minimum Revenue Provision (MRP)	32,871	5,348	13,586	18,226	28,985	2,022	(1,414)	(5,498)	(8,843)	(9,507)	703	-	76,479
Fund Redundancy Costs for 2 years	-	-	-	-	7,500	-	(7,500)	-	-	-	-	-	-
MRP on the capitalisation funding	-	-	-	-	-	300	954	1,303	4,371	(1,253)	114	109,476	115,265
Council Tax	-	-	-	-	-	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	-	(10,800)
Capitalisation Funding	-	-	-	-	5,000	7,000	7,000	7,000	7,000	7,000	1,167	-	41,167
Savings Target	-	-	-	-	(17,958)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(14,167)	-	(132,125)
TOTAL CD REQUEST	61,709	40,158	25,932	95,265	84,055	78,490	67,130	61,735	62,563	47,103	48,220	109,476	781,836

Capitalisation Direction - Revised Projection August 2022

Heading	Pre- 2019/20 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 to 2047/48	Total
Roll forward of budget pressures	-	-	-	-	-	58,578	37,036	26,089	20,163	13,584	8,613		164,063
Forecast Outturn Position	-	2,950	6,942	-	-	-	-	-	-	-	-		9,892
Emerging Pressures, Contingencies, and Provisions	6,301	18,291	-	19,288	21,324	8,042	8,572	(166)	6,742	(4,399)	335		84,330
Additional Growth for new years of MTFS	-	-	-	1,065	-	-	7,712	11,100	11,100	11,100	11,100		53,177
Original Capitalisation Direction	-	-	-	12,200	-	-	-	-	-	-	-		12,200
Opening MTFS Gap - March 2021	-	-	-	-	17,958	-	-	-	-	-	-		17,958
Increase Reserve Levels	-	-	-	20,000	1,000	-	-	-	-	-	-		21,000
Companies	-	500	300	15,632	8,046	(1,254)	(730)	(925)	(1,013)	4,580	(5,000)		20,136
Additional Capitalisation	-	-	-	-	-	-	-	-	-	-	-		-
Incorrect capitalisation of staff costs	25,294	10,241	5,104	2,086	2,450	-	-	-	-	-	-		45,175
Minimum Revenue Provision (MRP)	32,871	5,348	9,448	10,645	18,258	(2,930)	(2,901)	265	(7,209)	49	749		64,593
Fund Redundancy Costs for 2 years	-	-	-	-	7,500	-	(7,500)	-	-	-	-		-
MRP on the capitalisation funding	-	-	-	-	-	-	-	-	-	-	-		-
Council Tax	-	-	-	-	-	(2,400)	(2,100)	(2,200)	(2,200)	(2,300)	(2,400)		(13,600)
Capitalisation Funding	-	-	-	-	-	-	-	-	-	-	-		-
Savings Target	-	-	-	-	(17,958)	(23,000)	(14,000)	(14,000)	(14,000)	(14,000)	(13,397)		(110,355)
TOTAL CD REQUEST	64,466	37,330	21,794	80,916	58,578	37,036	26,089	20,163	13,584	8,613	-	-	368,569

Capitalisation Direction - Change

Heading	Pre- 2019/20 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 to 2047/48	Total
Roll forward of budget pressures	-	-	-	-	-	-	-	-	-	-	-	-	-
Forecast Outturn Position	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)		(8,000)
Emerging Pressures, Contingencies, and Provisions	6,301	(3,709)	-	(3,900)	(10,431)	(1,804)	6,468	3,302	1,045	(2,355)	(6,020)		(11,103)
Additional Growth for new years of MTFS	-	-	-	-	(1,065)	(4,065)	(7,453)	(7,453)	(7,453)	(7,453)	(7,453)		(42,395)
Original Capitalisation Direction	-	-	-	-	(3,000)	-	-	-	-	-	-		(3,000)
Opening MTFS Gap - March 2021	-	-	-	-	-	(9,298)	(9,298)	(9,298)	(9,298)	(9,298)	(9,298)		(55,788)
Increase Reserve Levels	-	-	-	-	-	-	-	-	-	-	-		-
Companies	-	-	-	(1,868)	5,746	6,292	5,562	5,137	4,124	8,704	3,704		37,401
Additional Capitalisation	-	-	-	-	-	-	-	-	-	-	-		-
Incorrect capitalisation of staff costs	(3,544)	881	-	-	-	-	-	-	-	-	-		(2,663)
Minimum Revenue Provision (MRP)	-	-	(4,138)	(7,581)	(10,727)	(15,679)	(17,166)	(11,403)	(9,769)	(213)	(167)		(76,843)
Fund Redundancy Costs for 2 years	-	-	-	-	-	-	-	-	-	-	-		-
MRP on the capitalisation funding	-	-	-	-	-	(300)	(1,254)	(2,557)	(6,928)	(5,675)	(5,789)	(109,476)	(131,979)
Council Tax	-	-	-	-	-	(600)	(900)	(1,300)	(1,700)	(2,200)	(2,800)		(9,500)
Capitalisation Funding	-	-	-	-	(5,000)	(12,000)	(19,000)	(26,000)	(33,000)	(40,000)	(41,167)		(176,167)
Savings Target	-	-	-	-	-	(3,000)	3,000	9,000	15,000	21,000	21,770		66,770
TOTAL CD REQUEST	2,757	(2,828)	(4,138)	(14,349)	(25,477)	(41,454)	(41,041)	(41,572)	(48,979)	(38,490)	(48,220)	(109,476)	(413,267)