

## Review of governance arrangements for Slough Children First – Updated September 2022

Aim	Recommended evidence	Evidence found	RAG rating	Actions recommended	Responsible person/body
Governance aims					
<p>C1 There should be evidence that the council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities</p>	<p>The council has sufficient control to ensure that its investment is protected, appropriate returns on investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the council</p>	<p>Articles of Association set out aims of SCF and list of reserved matters (Article 6 sets out 9 objects of the Company including around safeguarding, high quality services, innovation and improvements, working collaboratively and demonstration of value for money).</p> <p>The reserved matters are set out in Article 29. This includes the requirement to approve annual business plan, a function that is reserved to Cabinet for all its connected entities. In addition it includes restrictions on borrowing from third parties above £250k, forming a separate legal entity or participating in any partnership of joint venture, giving a guarantee or indemnity outside of ordinary business, selling or disposing of part of the business, including assets, dealing with surpluses unless agreed in business plan or SDC, acquiring interests in land, obtaining charges over assets and commencing, defending or settling significant claims or litigation except during ordinary course of business.</p> <p>The Council has a service delivery contract with SCF, which sets out a mechanism for</p>	<p>Amber – due to risks around financial sustainability</p>	<p>Clarify role of scrutiny committees/panels.</p> <p>Clarity over role of Audit &amp; Corporate Governance Committee</p> <p>Clarify extent to which SCF is subject to internal controls of the Council ie. expenditure control panel.</p> <p>The Principal Lawyer to undertake a review of the Articles of Association to consider whether to recommend changes to the number of Council nominated NEDs</p>	<p>Monitoring Officer / Scrutiny Officer</p> <p>Principal Lawyer</p> <p>s.151 Officer</p>

	<p>“Teckal” companies demonstrate compliance with relevant exemption requirements under EU procurement law</p>	<p>negotiating the contract sum on an annual basis and a mechanism for negotiating any in-year changes. There are detailed provisions around the information to be provided to support this and to include in the annual business plan.</p> <p>Control test – company is wholly owned with a list of reserved matters that must be decided by the Council</p> <p>The Articles allow the Council to appoint up to 3 NEDs, subject to the independent NEDs being in the majority (Article 8.3).</p> <p>Function test – The company is wholly engaged in delivery of statutory services on behalf of SBC and the Council has right to decide if the SCF wishes to enter into arrangements to deliver services to third parties (Article 29 – entering into new third party contract to provide services to third parties over set value.</p> <p><b>4 August 2022</b> Work undertaken to simplify contractual arrangements. Company has utilised the contractual mechanism in relation to in-year contract sum negotiations and improvements made in relation to business case submission.</p>		<p>and independent NEDs and the quorum rules.</p>	
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		<p><b>September 2022 update</b></p> <p>The Council has nominated a new NED to align with the gaps identified in the skills audit. The individual was interviewed by SCF directors prior to appointment and will be provided an induction by SCF.</p> <p>The Council's Principal Lawyer has acted as the equivalent of a "shareholder representative" and has met with NEDs leading on governance and will be attending the SCF board meeting on 22 September 2022.</p> <p>More work is needed to ensure the elected member bodies have proper oversight of financial and service performance, however this has been delayed by the delay in approving a comprehensive business plan for SCF. Cabinet received a report on the Annual Business Plan in February 2022 and September 2022, but there has been no opportunity to take this through scrutiny. Risks arising from the operation of SCF have been reported to Audit and Corporate Governance Committee as part of an enhanced corporate risk register. The annual report is being presented to cabinet in October 2022, however in future years this needs to be presented earlier in the financial year, as it is a summary of the previous year's performance.</p>		
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<p>C2 There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives, and freedoms of the entity</p>	<p>There is a culture of challenge</p> <p>There is a clarity of purpose</p> <p>The entity has clear objectives</p>	<p>There is evidence of challenge in member meetings, including Cabinet when receiving reports such as the annual business plan, including a decision only to approve the plan on an interim basis.</p> <p>There is less evidence of clarity in relation to the Council’s purpose in governing the company – for instance performance data on children’s social care is presented to multiple forums, including scrutiny, but the Council’s effectiveness in governing SCF has not been subject to the same level of scrutiny.</p> <p>The business plan could have more of a focus on efficiency and effectiveness, including use of benchmarking data and external assurance outside of the Ofsted visits.</p> <p>The entity has objects set out in its Articles (see C1) and various aims and objectives set out in its business plan, however there could be more work to ensure these are more closely aligned with the Council’s corporate plan and strategic priorities.</p> <p>There is considerable confusion around the freedom of SCF and a lack of understanding around the contractual mechanisms around the</p>	<p>Amber – due to risks around deadlines not being met and documents not being in accordance with contractual requirements.</p>	<p>SCF need to ensure that whoever is undertaking company secretariat functions is ensuring that the board of directors fully understand the contractual mechanisms and the requirements for contract sum re-negotiation and business plan submissions.</p> <p>Clarify role of scrutiny committees/panels.</p> <p>Clarity over role of Audit &amp; Corporate Governance Committee</p> <p>SBC to review business plan to ensure it aligns with its own corporate plan and priorities.</p>	<p>SCF Director of Finance</p> <p>Monitoring Officer / Scrutiny Officer</p> <p>s.151 officer</p> <p>SBC Chief Executive</p>
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	<p>The entity has sufficient freedoms to achieve its objectives</p>	<p>contractual sum and business planning process.</p> <p><b>Update 4 August 2022</b> Steps taken to simplify contractual meeting arrangements, including re-drafting ToR for SCG and monitoring groups. Improvements made in relation to complying with contractual mechanisms.</p> <p><b>September 2022 update</b> The board of directors received training from external lawyers on 18 July 2022 on the contractual mechanisms. An in-year change request was submitted in July 2022 which provides some assurance in relation to understanding the contractual mechanisms, although council officers had to request additional information to ensure the request complied with the requirements of the contract. This has also been the case in relation to the annual business plan. SCF has a comprehensive handbook setting out the terms of reference for its board and committees. SCF has confirmed that an annual timetable is to be created to ensure deadlines are met regarding submission of required documents to the Council for approval.</p>		<p><b>September 2022 update</b> The induction programme for new directors to include training/briefing on contractual requirements. Annual timetable of deadlines for submission of documents to the Council for approval to be provided by SCF to the Council.</p> <p>Report on governance review to be taken to Cabinet in October 2022, alongside a review of financial sustainability of SCF as commissioned by the DfE.</p> <p>The annual business plan to be provided to the Council by 30 September each year to allow it to be</p>	<p>SCF Chair/SCF CE</p> <p>SBC Principal Lawyer</p> <p>SCF CE</p>
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				taken through scrutiny and cabinet prior to approval of the contract sum as part of the Council's budget setting.	
C3 There should be a clearly designated council shareholder role or function which is both understood and recognised by the council and the entity (and documented in terms of reference)	<ul style="list-style-type: none"> <li>The council has a designated "shareholder" role to represent its ownership of the entity</li> <li>The shareholder provides oversight of any decisions taken by the entity</li> <li>The shareholder provides a regular review of whether the entity provides the most effective</li> </ul>	<p>The company is limited by guarantee, not by shares. Some of the reserved functions are reserved to Cabinet.</p> <p>Decisions below this level should be decided by an officer who is not the DCS (as this officer is also chief executive of SCF). There is a conflict of interest protocol appended to the secondment agreement that makes clear that reserved functions cannot be exercised by this officer.</p> <p>Oversight is provided via the contractual mechanism, with a contract manager and finance lead, although this could be simplified. These individuals can be used to fulfil the "ownership" role as well with the decision made by the Council's Chief Executive, who is the lead officer under the contract.</p> <p>There is less evidence of a comprehensive review of whether the entity provides the most effective vehicle to deliver the outcomes required – there was some historic work undertaken by Mutual Ventures, however SBC</p>	Green	<p><b>September 2022 update</b> A formal review of the KPIs and other performance indicators to be undertaken.</p> <p>Engagement with DfE on an options appraisal to consider delivery models for children's services in Slough.</p> <p>Contract liaison group to continue and to report to contractual and other forums as appropriate.</p>	<p>SBC Contract Manager/ SCF CE</p> <p>s.151 officer/SBC CE</p> <p>SBC Contract Manager</p>

	<p>vehicle to deliver the outcomes it requires and whether there are suitable alternatives</p> <ul style="list-style-type: none"> <li>• The process for appointing a shareholder is set out in terms of reference</li> </ul>	<p>is under statutory intervention and the DfE view is that these functions should be delivered by a separate entity. SBC therefore does not have the right to terminate the arrangement or insource services without the explicit consent of the Secretary of State.</p> <p>The Articles restrict SCF's ability to join another entity and having additional members would require a change to the articles, which is a decision reserved to the Council as sole member. In addition DfE consent would be required.</p> <p><b>4 August 2022</b> Interim MO/Principal Lawyer acting as equivalent of "shareholder rep" at officer level. Clear reserved matters to cabinet.</p> <p><b>September 2022 update</b> There is an officer contract liaison group attended by the Principal Lawyer (as lead on governance), finance officer (as lead on finance) and contract manager (as lead on contract management), as well as attendance from officers leading on delivery of support services. These officers between them represent the Council at contract monitoring meetings, the strategic commissioning group and the partnership meeting chaired by the DfE commissioner and are responsible for reporting</p>			
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		<p>to elected members on the performance of SCF.</p> <p>A report was taken to cabinet in September 2022 seeking delegated authority for officers to engage with the DfE on an options appraisal, informed by the DfE commissioned review of the financial sustainability of SCF.</p> <p>At the strategic commissioning group, SCF chief executive and Director of Operations agreed to review the KPIs as a result of concerns that the contractual KPIs were not properly capturing the risks which are being presented to other forums.</p>			
<p>C4 There should be clarity regarding the role of shareholder, with reserved matters clearly documented and updated as required, reflecting any changes made as the entity has developed, in a shareholder's agreement (or</p>	<p>The council has sufficient control to ensure that its investment is protected, appropriate returns on investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the council</p>	<p>The company is limited by guarantee and only has a sole member, therefore a membership agreement is not required. The reserved matters are clearly set out in the Articles (see C1).</p> <p>The concerns around protection of investment and Teckal compliance are covered in C1 and not repeated here. Therefore the assessment is solely focused on clarity around the role of the shareholder in documentation – a need to ensure clarity of role in certain member meetings is picked up in C2.</p> <p><b>4 August 2022 update</b></p>	<p>Green</p>	<p><b>September 2022</b> A review of the articles of association be undertaken particularly in relation to number of independent NEDs and council nominated NEDs and quorum rules.</p>	<p>SBC Principal Lawyer/SBC Chair</p>



as set out in the company's governing articles of association)	"Teckal" companies demonstrate compliance with relevant exemption requirements under EU procurement law	The "shareholder rep" function where this can be exercised at an officer level is being exercised by the CE or the MO/Principal Lawyer, depending on decision. The Council's constitution sets out clearly which reserved matters need to go to Cabinet.			
C5 There should be evidence that the individual undertaking the shareholder role is provided with suitable training and support commensurate with the role	<p>There is a culture of challenge</p> <p>There is a clarity of purpose</p> <p>The entity has clear objectives</p> <p>The entity has sufficient freedoms to achieve its objectives</p>	<p>The member role is not undertaken by a single individual, nor would this be appropriate as decisions will be of varying sizes, with more significant decisions reserved to full cabinet.</p> <p>The Council has a contracts manager and a senior finance lead and the Principal Lawyer attends the SBC contract group and advises on company governance. These officers would advise the s.151 officer and SBC Chief Executive who would make decisions under reserved functions where these are not referred to Cabinet. If a matter was referred to cabinet, the report would be cleared by finance and legal to ensure appropriate compliance with governance.</p> <p>Concerns around clarity of purpose for other member meetings is picked up in C2. The assessment is based on Cabinet and the above officers understanding of the shareholder role.</p> <p><b>4 August 2022</b></p>	Green	<p><b>September 2022 update</b></p> <p>The Principal Lawyer to continue acting as equivalent of "shareholder rep" under delegation from chief executive, as opposed to the new Monitoring Officer.</p> <p>The Principal Lawyer has advised and delivered training on company governance to Council officers and was the lead internal lawyer on negotiating the changes to articles of association and service delivery contract and has a</p>	Principal Lawyer/SBC Chief Executive

		<p>The MO/Principal Lawyer has been in communication with the NED and other board members who are leading on governance. There is a closer relationship with the board on the role of the shareholder and the Council as commissioner of services.</p> <p><b>September 2022</b> The Principal Lawyer has met with two NEDs who are leading on governance and attended SCF board meeting on 22 September 2022.</p>		good understanding of these.	
C6 There should be evidence of formal periodic shareholder/ Chair/CEO meetings with effective supporting papers to inform subsequent company board meetings	<p>The shareholder has a mechanism to communicate its views to the entity</p> <p>Periodic and effective shareholder/Chair/ CEO meetings are documented</p>	<p>There are minuted meetings between the Council, SCF and the DfE called Transition Steering Group/Continuous Improvement Board, as well as contract meetings. However, the strategic contract meetings have not always happened in a timely manner, nor with the right attendees. The Council's Chief Executive should chair these meetings, however this has been difficult with changes in personnel.</p> <p>There are multiple meetings between personnel in the Council and SCF, including meetings involving the Chairman, the DfE commissioner and elected members, however the purpose of these meetings is not always clear and this leads to considerable duplication.</p>	Green	<p>Regular strategic contract meetings should be arranged, with the Council having internal agenda planning meetings in advance. These should be chaired by the Council's chief executive.</p> <p>The role of the TSG should be reviewed to avoid duplication between this and the contract management meetings.</p>	<p>SBC Chief Executive</p> <p>DfE commissioners / DCS / SBC Chief Executive</p>

		<p>There is a clear governance framework set out in the SDC and this should be followed, although a review should be undertaken to ensure close alignment between performance and finance and reduce the number of meetings.</p> <p><b>4 August 2022</b> The ToR for SCG and monitoring group have been simplified and the role of the improvement board (TSG) reviewed. The MO is working closely with the NED leading on governance and has supported the board with a skills audit and governance review and identified a NED with the skills to fill the identified gaps.</p> <p><b>September 2022</b> The role and ToR of the TSG (now called Continuous Improvement Board/Getting to Good Board) have been reviewed and will be more of a partnership board in future.</p> <p>The Principal Lawyer has met with the independent NEDs leading on governance and been in communication with the Chairman of the Board, as well as attended the SCF board meeting on 22 September 2022. The Principal Lawyer has led the governance review of SCF, involving officers and SCF personnel as appropriate.</p>		<p><b>September 2022</b> The SBC Chief Executive to continue to chair the strategic commissioning group, with the Principal Lawyer in attendance, as well as other appropriate officers. The elected members should not be invited to these meetings, as this should be an officer forum, but appropriate briefings should be provided and formal updates taken to cabinet as appropriate and as part of the annual business plan approval process process.</p>	<p>SCB Contract Manager</p>
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Council oversight, scrutiny and governance framework					
C7 There should be documented evidence of transparent member and officer scrutiny, oversight, and approval of business plans	<p>There is a clearly defined governance framework underpinned by clear governance principles</p> <p>The role of the shareholder is separate from the board</p> <p>The business plan is current and updated at least annually</p> <p>The business plan is challenged and monitored by the board</p>	<p>The Articles reserve approval of the annual business plan to the Council.</p> <p>The SDC clearly sets out the requirements and dates for submission of the business plan.</p> <p>A comprehensive review of the business plan took place, resulting in it being re-written and submitted to Cabinet late. A comprehensive report went to Cabinet, recommending approval on an interim basis, a requirement for scrutiny to review the plan and a requirement for an updated version to be submitted. This has been delayed due to concerns about the deliverability of savings and a high level longer term business plan has been re-drafted, which will go through the same approval process.</p> <p>There is a clear separation of function between Cabinet and the Board of Directors, albeit that the Lead Member for Children's Services was a council nominated director – the Council's Code of Conduct permits council appointed post holders to stay and vote in meetings and the letter of appointment set out the requirements of the role. The Lead Member for Children's Services correctly declared her interest in the meeting. This member has since resigned from the board and attends meetings as an observer. The Council needs</p>	Amber – the board needs to receive further support to enable it to effectively challenge and hold executive directors to account on deliverability of the business plan and management of demand in statutory services.	<p>SCF to provide copies of board minutes to demonstrate that the board of directors appropriately challenged the business plan, to understand how plans were submitted that were later identified as undeliverable.</p> <p><b>September 2022</b> If the lead member for children's services is to attend board meetings as a participating observer, a protocol should be draw up to SCF setting out conditions, including confidentiality requirements.</p> <p>Whilst there is some evidence of good</p>	<p>SCF Director of Finance</p> <p>SCF Chair</p> <p>SCF Chair, in consultation</p>

		<p>to consider its approach to nominating directors to the board.</p> <p><b>4 August 2022</b> The role of the equivalent of “shareholder rep” is clearly separated from the board and the Principal Lawyer is undertaking this function.</p> <p>The LM for Children’s Services is permitted to attend the board meetings as a participating observer, however there is no documented agreement setting out the purpose of this role and any confidentiality requirements. This risks confusion in terms of decision making.</p> <p><b>September 2022 update</b> SCF has confirmed that board challenge of the business plan took place at meetings on 5 October, 9 December 2021, 11 January, 15 March, 29 March, 5 April, 25 May, 8 July and 18 July 2022, as well as at committee meetings in February and July 2022.</p> <p>An extract of the minutes for 9 December 2021 has been provided as evidence. This demonstrates appropriate challenge on the clarity of the strategic programme of plans and the importance of partnerships and workforce issues. There was limited evidence of challenge on the deliverability of the financial savings and the risks associated with these. This appears contrary to the significant</p>		<p>challenge by the board on the business plan and the NEDs in particular appear to be growing in confidence in their ability to challenge assumptions and risks, there is still limited evidence of proper scrutiny of financial management, deliverability of projects and management of risks, including around workforce, projects and demand pressures.</p> <p>Consideration to be given to what support could be provided to the board from an independent Director of Children’s Services from another local authority or from</p>	<p>with DfE Commissioner.</p>
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		<p>concerns that were raised by council officers, elected members and both the DfE and DLUHC commissioners, which led to the plan being approved on an interim basis only.</p> <p>It is unclear how the challenge on partnerships and strategic programme of plans were captured in the updated plan, as these continued to be concerns of the Council and commissioned with the updated business plan.</p> <p>An extract of the minutes for 11 January 2022 has been provided as evidence. Good discussion about link with public health on universal services and 0-19 health visitor/school nursing provision. Limited assurance or response given in relation to request for update on early help provision. Good discussion on continuing health care. Reference to “very underdeveloped workforce” but no action in response. Discussion on retaining Innovate Teams and risk of non-delivery of savings, with assurance being given that biggest target is health funding and an opportunity to offset pressures elsewhere. Feedback of Council’s officers concerns focused on strategic priorities for next 3 years and that the Council was concerned the plan will not achieve what is says. Feedback refers to need for outcomes focused approach and clarity in terms of money. There was limited</p>		<p>external organisations such as the LGA or Institute of Directors. This should include how to scrutinise financial management and risks and hold executive officers to account for a statutory, demand led service and how to review and challenge performance data.</p>	
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		<p>discussion on deliverability and risks particularly in terms of financial savings.</p> <p>An extract of minutes from 15 March 2022 has been provided. Reference for need for plan to go to scrutiny in September (this was inaccurate as the expectation was for updated plan to go to scrutiny in Quarter 1 of 2022/23. Appropriate reference to the Council commissioning the service and need to plan and cost services around the commissioned model. Intention to have a workshop to discuss business plan in more detail.</p> <p>An extract of minutes from 25 May 2022 has been provided. Appropriate challenge in relation to assumptions that were made that have proved to be inaccurate and directors highlighted need for the business plan to be realistic and not to meet a budget target irrespective of risk.</p>			
C8 There should be evidence of a clear set of KPIs that fall out of the business planning process	The council regularly undertakes an objective assessment of how successfully each entity supports its policies and strategies	<p>Performance monitoring is undertaken during contract management meetings, which take place quarterly. The KPIs are set out in the SDC.</p> <p>The performance data should be reported in the annual business plan and be considered as part of the scrutiny process of the business plan. To date the Company has been submitting its performance data independently</p>	Amber – due to need for the KPIs to be formally reviewed.	<b>September 2022 update</b>	SCF CE/Director of Operations

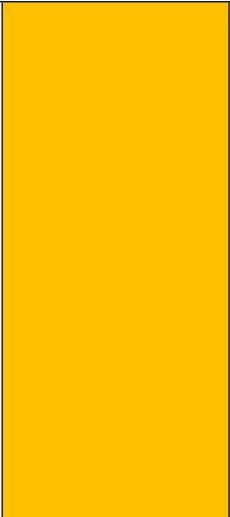
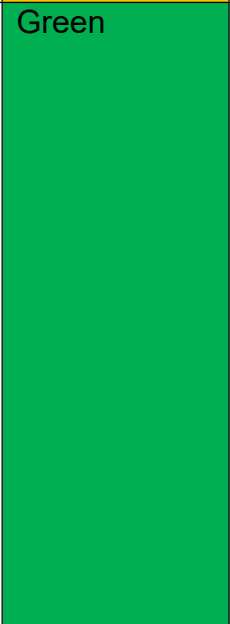
	<p>KPIs are relevant to “SMARTER” goals</p> <p>KPIs are reported and monitored within the context of the governance framework</p>	<p>of this process and a separate annual report going to scrutiny panel.</p> <p>Performance data is also presented to TSG, therefore it is presented and monitored at multiple meetings – there is an opportunity to simplify this process.</p> <p><b>4 August 2022 update</b> A contract review has been undertaken streamlining the finance and performance meetings. KPIs are in place and regularly monitored, however there is limited evidence of a link between the reported KPIs and the stated risks around safeguarding children, which may indicate that the KPIs need a review or that the business plan risks need to be backed up by better data.</p> <p><b>September 2022 update</b> At the strategic commissioning group in August, SCF CE and Director of Operations agreed to review the contractual KPIs to ensure they remain the right indicators to correctly flag risk and performance concerns.</p>			
C9 There should be evidence that senior company staff are performance	Board, committee, chair, and director performance is evaluated annually, including against agreed KPIs	<p>The Council has no evidence of this from SCF and should request this evidence on at least an annual basis.</p> <p>There has been considerable change in the board of directors and a need to ensure that</p>	Red – whilst the set up of the RNAC is positive, no evidence has been	<b>September 2022 update</b> The RNAC to be responsible for reviewing effectiveness of the	SCF chairman and chair of RNAC.



<p>managed against KPIs</p>		<p>there are appropriate induction, training and development programmes in place to support directors to undertake their functions.</p> <p>The assessment is based on a lack of evidence and can be reviewed if evidence is supplied by SCF.</p> <p><b>September 2022 update</b> SCF has confirmed that the Chair appraised the NEDs and CE and the CE manages and appraises the executive directors. Overview of the system is the responsibility of the Remuneration, Nominations and Appointments Sub-Committee (RNAC), reporting to the Board. The first meeting of this committee took place in July 2022.</p>	<p>provided of effective performance management.</p>	<p>board and sub committees and to provide assurance evidence to SBC.</p>	
<p>C10 There should be evidence of ongoing assessment of value-for-money and quality offered by the entity through an adequately resourced monitoring function</p>	<p>Regular reviews take account of value-for-money and performance quality</p>	<p>There are regular contract monitoring meetings and benchmarking evidence is presented. There is a need to align the performance monitoring with the finance monitoring as they are linked.</p> <p>Further assurance is required as to the steps SCF is taking to monitor its budget, as overspends have in the past been presented late and as a fait accompli. There is no evidence that the in-year contractual mechanism has been used to re-negotiate the deficits and therefore SCF is rolling these over</p>	<p>Red – whilst there appears to be some evidence of effective monitoring and external review, no documentary evidence has been provided of this or the changes that</p>	<p><b>September 2022 update</b> SBC to request sight of external reports and internal assessments of value for money and quality on a minimum of an annual basis, to be incorporated into the Annual Report submitted by SCF. The outcome of</p>	<p>SBC Principal Lawyer/ SBC Contracts Manager</p>

		<p>and drawing down on its loan. This does not demonstrate effective governance within SCF.</p> <p><b>4 August 2022</b> SBC has undertaken a contract review and agreed to streamline the performance and finance monitoring meetings. Budget monitoring data is provided, but this indicates substantial overspends and limited use of the contractual mechanism to re-negotiate contract sums.</p> <p>An updated business case has been presented, which forecasts significant overspends, which has resulted in Mutual Ventures being commissioned by the DfE to undertake a finance review.</p> <p><b>September 2022 update</b> SCF confirms that quality is monitored through the Quality and Practice Improvement Sub Committee (QPIC), Performance Board, Ofsted and Transition Steering Group. The Essex DfE Partners in Practice programme reviewed SCF's performance and Mutual Ventures are currently reviewing the business plan. PeopleToo also undertook a review in October 2021. Internal audit did a value for money audit and governance audit in May and June 2022. NEDs have taken part in the Practice Learning Week.</p>	<p>have resulted.</p>	<p>these should be included in reports to elected members.</p> <p>SCF to ensure it utilises the in-year change mechanism to deal with demand pressures and invest to save pressures and the information provided is in accordance with the contractual requirements and backed up by independent evidence where available.</p> <p>SCF to consider which of its committees should be responsible for assessing and monitoring value for money and performance and to provide minutes of meetings to SBC upon request, as well as provide the</p>	<p>SCF Chair/SCF CE</p> <p>SCF Chair</p>
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<p>C11 There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are managed as part of the council's overall risk management approach, with appropriate</p>	<p>The council regularly reviews risks relating to its entities and establishes whether they are effectively managed and scrutinised</p> <p>The council's overview and scrutiny committee (or equivalent) provides overview, pre-decision scrutiny and call-in</p>	<p>Further work is needed to ensure the risk management processes in SCF are fed back to and align with the Council's risk management processes. Significant risks should be presented to the Audit and Corporate Governance Committee as part of the Council's corporate risk register.</p> <p>The role of scrutiny needs to be clarified – in the past an annual report on performance has been presented, but there have been no reviews of business plans or the Council's role in governance of SCF. If any decision is taken to change the services or functions delivered, scrutiny should be involved in this process.</p> <p><b>4 August 2022</b></p>	<p>Amber – risks are being reported, however the processes in place should be reviewed to ensure this accords with the Council's new risk management strategy.</p>	<p><b>September 2022</b></p> <p>Consideration to be given to scrutiny's role in scrutinising the performance of SCF and other Council companies as part of the wider scrutiny review.</p> <p>There should be a formal review of KPIs and agenda'd discussions on risk at contract monitoring group meetings, reported</p>	<p>Monitoring Officer / Scrutiny Officer</p> <p>SBC Contract Manager/SCF Operations Director/SCF CE</p>

<p>escalation and reporting</p>	<p>decisions in relation to the entity</p>	<p>Training and work planning has been carried out for scrutiny members and an experienced officer is supporting members in a scrutiny officer role.</p> <p>Risk reporting should come through the contract monitoring meetings and feed into the Council's risk register. At present it is unclear where the risks sitting in SCF are being reported and we need to ensure that these are clearly being reported via the contract meetings.</p>		<p>up to strategic commissioning group where appropriate. This should be in addition to risks being included in the Council's corporate risk register and reported to Audit and Corporate Governance Committee.</p>	
<p>C12 There should be evidence of a consistent approach across the council when it comes to engaging with its entities</p>	<p>All council entities are managed in a consistent way with appropriate support, guidance and controls</p>	<p>SCF delivers statutory children's functions in accordance with a DfE direction. This is covered by a SDC and it is therefore quite different from some of the Council's other companies, which are set up for the purpose of trading or regeneration or owned for a specific narrow purpose.</p> <p>The involvement of the DfE also means that the Council does not have the freedoms that it has with its other Council companies. The Council has a governance side agreement with the DfE which requires it to consult and in prescribed circumstances get consent before certain decisions are taken. This includes decisions relating to:</p>	<p>Green</p> 	<p><b>4 August 2022</b> No update</p>	

		<ul style="list-style-type: none"> <li>• Removal or appointment of chairman of the board</li> <li>• Removal or appointment of the Chief Executive or changes to his or her terms of appointment</li> <li>• Changes to membership of the Company</li> <li>• Approval of company to participate in joint venture or partnership or to form any legal entity which it would be a member</li> <li>• Approval of voluntary winding up or dissolution of the Company or appointment of liquidator or administrative receiver</li> <li>• Terminate the SDC</li> <li>• Sub-contract or delegate any of the obligations under the SDC</li> <li>• Exercise step in rights</li> </ul> <p>During the intervention period, the Secretary of State can also give written notice requesting the Council exercises its rights under the Articles.</p>			
C13 The council should have clear and unfettered access to audited	The council's audit committee pays specific attention to accounts and audit reports	<p>The Council has open book accounting rights under the SDC.</p> <p>SCF shares its draft accounts with the Council for comment and its unable to change its auditors without consent of the Council.</p>	Green	The Council should ensure that its internal auditors programme in audits relating to the functions of SCF, as well as the	SBC s.151 officer

accounts for its entities	The council's internal auditors are able to gain clear and transparent access to financial information and oversight of internal controls	The SDC permits the Council's internal auditors to undertake audits of activities undertaken within SCF.		governance of the company.  <b>4 August 2022 update</b> Internal audit do include SCF in its audit plan. More focus needs to be given to agreeing the annual audit plan to ensure it is properly addressing risks.	SBC s.151 officer
<b>Business case for the entity</b>					
C14 A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models, should be available to review	There is a clear and comprehensive business case that recommended the creation of the entity  The business case took account of alternative delivery methods, with the case for the entity's creation having clear benefits over other methods	There is a business case, informed by an options appraisal by Mutual Ventures, which informed the decision to change SCF from a trust to a wholly owned entity.  The decision to set up a separate trust to deliver services was made by the DfE and the current direction requires prescribed statutory functions to be undertaken by SCF.  Doncaster City Council also had a trust established in similar circumstances and this changed to a wholly owned company. DCC is now out of statutory intervention and has taken a decision to terminate the arrangement and bring the services in-house due to the costs of running a separate entity. Examples of Council	Red – due to risks of insolvency and risks to safeguarding of children being flagged from current model	The Council should consider whether it wishes to commission an options appraisal for the future operating model, however whilst the services are under statutory intervention, this should be commissioned with the agreement of the DfE and the appointed commissioner.	SBC Chief Executive

		<p>owned companies that are delivering high quality children’s services include Achieving for Children, Worcester Children’s First and Together for Children (Sunderland).</p> <p><b>September 2022 update</b> A review of the business plan has been commissioned by the DfE and this recommends consideration of alternative delivery models which secure the services of a local authority partner. A report to cabinet in September recommended that officers engage with DfE on an options appraisal for alternative delivery models.</p>		<p><b>September 2022 update</b> Council officers to engage with DfE officials and the DfE commissioner on commissioning an options appraisal to consider alternative delivery models.</p>	SBC Chief Executive
<p>C15 Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support council policy and strategy, including periodically reviewing the business case</p>	<p>The objectives of the entity are clearly articulated, defined and documented</p> <p>The objectives are regularly reviewed</p> <p>The objectives continue to reflect council policy and strategy</p> <p>The business case and objectives are regularly reviewed to ensure they are still valid</p>	<p>The Articles clearly set out the overarching objects of SCF. These were reviewed and amended in April 2021.</p> <p>The annual business plan sets out the strategic vision and aims of SCF. These have been reviewed by the board of directors and Council officers, before being approved as part of the business plan approval process.</p> <p>The business plan is updated every year, giving an opportunity for this to be aligned with the Council’s corporate plan and strategic priorities.</p> <p>SCF’s chief executive is also the Council’s DCS and a member of the Council’s Corporate Leadership Team. This provides an</p>	<p>Amber – the business planning process must adhere to the contractual timescales and objectives must align to the Articles, contract and Council priorities.</p>	<p><b>September 2022 update</b> Future year’s business plans should have clear objectives linked to the Articles of Association and service delivery contract as well as to the Council’s priorities. These priorities must include value for money, as well as quality of practice.</p>	SCF CE/SCF Chair

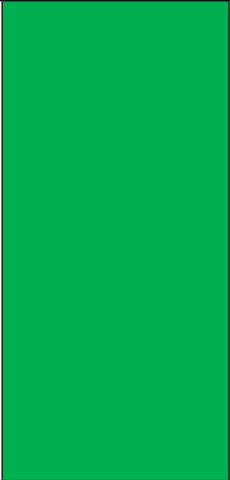
<p>to ensure it is still valid</p>		<p>opportunity for him to represent the interests of SCF and the services it is running in any discussion about the Council's priorities and plans.</p> <p><b>September 2022 update</b>  There has been a lot of work on the longer term business case to get it to a position whereby it could be recommended to elected members, however there are still concerns about the length of time that investment will be needed, before the service can be delivered within budget. A review has been commissioned by Mutual Ventures, which raises issues about the golden thread going through the plans and the multiplicity of objectives and aims.</p>			
<b>Agreements with the entity</b>					
<p>C16  Agreements should be documented between the council and the entity for any support or services provided by either party to the other party</p>	<p>The council and entity have clear and documented agreements for any services or support provided by either party to the other party</p> <p>There is a clear process for escalation if the support or services agreements are not</p>	<p>There is a service delivery contract in relation to services SCF delivers on behalf of the Council. There is also a support services agreement in relation to services delivered by the Council to SCF. There are contract monitoring and performance mechanisms in both agreements.</p> <p>The escalation processes are clearly set out in a schedule of the SDC.</p>	<p>Green</p>	<p>Ensure that relevant individuals understand the contractual and governance mechanisms and that these are adhered to and non-compliance is reported.</p> <p><b>4 August 2022</b>  Meeting held between SBC and</p>	<p>SBC Contract Manager</p> <p>SBC Contract Manager</p>



	performed to either party's satisfaction			SCF re. Governance and contract matters. Simplifying contract meetings. Strategic commissioning group meetings need to be properly agenda'ed and prioritised by senior leaders in both organisations.	
C17 All agreements should be clear, up-to-date, and regularly monitored and reviewed, with any changes to agreements documented so that a clear audit trail exists	<p>Agreements for support or services between the parties are up-to-date and regularly monitored and reviewed</p> <p>Changes to agreements are documented with a clear audit trail</p>	Any changes to agreements would be undertaken by way of a formal variation of contract. Depending on the extent of the change, consent or consultation with the DfE would be required and approval of cabinet should be sought.	Green	<p><b>4 August 2022</b></p> <p>No update.</p>	
Avoiding and managing conflicts of interest					
C18 There should be evidence that a culture exists whereby actual or potential conflicts of	All parties have been trained and demonstrate a commitment to avoiding and monitoring actual or potential conflicts	<p>The DCS/SCF CE has been provided with a copy of the secondment agreement, with the conflict of interest protocol, despite the fact he is an agency worker.</p> <p>All non-executive directors nominated by the Council were provided with a letter of</p>	Amber – due to need for wider SCF training to be undertaken and need for assurance	Evidence of induction and training for directors and senior managers in SCF to be provided.	SCF Chief Executive / Chairman

<p>interests are identified, declared, and acted upon, including evidence of appropriate training across the organisation</p>		<p>appointment setting out the need to declare interests and manage conflicts of interest. The letter confirms the provision of training and availability of advice.</p> <p>When the Lead Member for Children’s Services was a director, she appropriately declared her interest at the meeting of cabinet that discussed the business plan. She was permitted to stay and vote by way of a general dispensation in the Code of Conduct for Members.</p> <p>All reports relating to reserved matters are either presented in the name of the s.151 officer or Council Chief Executive or in the joint names of these officers and the DCS/SCF Chief Executive. The fact that the DCS is also the chief executive of SCF is made clear in these reports.</p> <p>Directors of the company have had access to specialist advice where required on their duties and responsibilities.</p> <p>All Council staff are bound by a code of conduct for employees.</p> <p><b>September 2022 update</b> SCF confirm that induction training was provided to directors at the board meeting in July 2021. NEDs have participated in training</p>	<p>checks on the documentary evidence.</p>	<p><b>September 2022 update</b> Training to be provided by SCF on conflicts of interest on a company wide basis.</p>	<p>SCF Chief Executive / Chair</p>
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		<p>on Liquid Logic system. Two legal briefings have been given and there have been two board development days in the first year of the new arrangement. The independent NEDs are also experienced as company directors and have participated in training provided by organisations to whom they are affiliated and are familiar with the Nolan Principles. Conflict of interest declarations are sought at every committee meeting and board meeting and the register is updated as necessary. No new conflicts have been identified during 2021-22 and 22-23.</p> <p>Internal audit conducted a review of governance and considered the arrangements for managing conflicts of interests and were satisfied that sufficient systems were in place.</p> <p>SCF has confirmed that all staff including board directors are required to complete an annual declaration of interests and associations with SCF.</p>			
C19 The council should have clear and up-to-date policies and processes to consistently manage actual conflicts or	<p>There is a clear conflict of interest policy which is managed actively</p> <p>There is a clear process for investigating and</p>	<p>These procedures are covered by the Council's codes of conduct and staff disciplinary procedures.</p> <p>The terms of appointment for directors sets out the requirements of the role, including in relation to management of conflicts of interest.</p>	Green	<p><b>September 2022 update</b></p> <p>The Council will deliver training on management of conflicts of interest for its officers or elected members</p>	SBC Monitoring Officer / Principal Lawyer

<p>potential conflicts of interest, including a clear process for investigations and procedures for appropriate disciplinary actions in the event of breaches</p>	<p>dealing with breaches of the conflicts of interest policy</p> <p>Internal and external auditors review the management of conflicts of interest and escalate any concerns to the Monitoring Officer</p>	<p>There is a conflict of interest protocol specifically for the joint post holder of DCS / SCF CE, which makes it clear that he or she must not exercise any of the reserved functions and flags the potential for conflicts of interest and how these should be managed.</p>		<p>who are to be nominated or appointed to an outside body.</p>	
<p>C20 The roles, responsibilities and reporting lines of officers and members who are involved in council oversight of the entities, the provision of services between the entities or the running of the entities should be clearly defined and documented</p>	<p>Officers and members make themselves available to scrutiny and other council governance forums</p>	<p>The SDC sets out requirements for Company personnel to provide information and make themselves available to attend scrutiny and other council governance forums.</p> <p>The provision of services and the role of individual officers in terms of managing the contract are clearly set out in the SDC.</p> <p><b>4 August 2022</b> There has been confusion in the past with SCF officers deputising for the SBC ED and attending and receiving papers for SBC CLT meetings. This has now stopped and consideration is given to what information is shared with SCF personnel</p> <p><b>September 2022 update</b></p>	<p>Green</p>	<p>.</p>	

		<p>Decision making to nominate individuals as NEDs is delegated to the chief executive, unless this is an elected member, in which case this is a decision for full council.</p> <p>Reserved matters decisions that are not reserved to cabinet sit with the relevant executive director or chief executive in accordance with the Council's scheme of delegation and can be further delegated to relevant officers. The Executive Director of People – Children is prevented from making decisions that are reserved matters or “client-side” due to his role as chief executive of SCF.</p> <p>There is a clear separation of functions between officers exercising and advising on “client-side” functions and those sitting on the Company board, either in an executive or non-executive role.</p>			
Council appointments to the board					
C21 There should be evidence that appointments to the board are subject to a documented formal, rigorous, and transparent procedure based on merit and published	<p>Board members have completed declaration of interest forms</p> <p>Appointments to the board are relevant to the post or office of the council</p> <p>Council appointed directors cease to</p>	<p>A skills audit took place for the board before non-executive directors were appointed. There was a transparent recruitment process for the chairman of the board and the independent NEDs. The Council nominated NEDs were nominated once a skills analysis had been undertaken of the independent NEDs.</p> <p>Council nominated directors would cease to be directors if their role changed and are made based on the role or post, rather than the individual.</p>	Amber – due to need for further review.	<p>Declarations of interest to be provided by SCF to the Council as evidence of compliance</p> <p>A review of the board to be undertaken to identify which council officers or</p>	<p>SCF Director of Finance</p> <p>Principal Lawyer/SBC Chief Executive</p>

<p>objective criteria which also promote diversity</p>	<p>be members if they leave their qualifying roles</p> <p>The process for the appointment and renewal of directors is set out in the articles of association</p> <p>If there is a remuneration committee, relevant matters are referred appropriately</p> <p>Appointments are based on a review of the skills, qualifications, diversity, and other attributes required for the role</p> <p>Where a board member is eligible for renewal and reappointment, this is subject to considering their performance to date</p>	<p>The process for appointment and renewal of directors is clearly set out in the articles.</p> <p><b>September 2022 update</b> SCF confirm that board directors are required to complete annual declarations of interests and associations with the SCF.</p> <p>SCF is currently carrying out its annual appraisals/evaluation of the Board and individual directors. The CE will be subject to an annual appraisal at the end of his first year in post (Dec/Jan). The DfE is conducting an annual appraisal of the Chair of the Board. The Council can request access to the RNAC for an overview of their priorities and work plan.</p>		<p>members should be nominated to the board or whether the Council should nominate independent persons (consideration to be given to remuneration as there is currently a restriction on remunerating council nominated members).</p> <p>Evidence to be submitted by SCF of the annual evaluation process of the board and individual directors.</p> <p><b>4 August 2022</b> The Board has undertaken a comprehensive skills audit and the identified skills gap has been used to fill one of the Council nominated NED</p>	<p>SCF Chairman</p>
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	<p>and skills, and the needs of the board</p>			<p>roles. A new RNA Committee is considering the nomination and making contact with the candidate to ensure a good fit.</p> <p><b>September 2022 update</b>  Further information is required to provide assurance there is an effective system of evaluation and performance management of the whole board and individual executive directors. It is concerning that no evidence has been provided of performance management of executive directors and the chief executive and the information provided by SCF suggests an annual appraisal will be completed at the</p>	<p>SCF Chairman</p>
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				end of the first year, when the post holder is an interim and only intended to be in post for 12 months.	
<b>Articles of Association</b>					
E1 The entity's articles of association should be clear, up-to-date, and reflective of how the entity is run	<p>The entity has articles of association, documenting its constitution</p> <p>The articles address the entity's purpose, conduct of meetings, and role and appointment of directors</p> <p>If the entity is a Teckal company, the articles demonstrate that the council exercises control</p>	<p>SCF has articles of association which were amended in April 2021.</p> <p>The articles address all matters referred to.</p> <p>The articles demonstrate that the Council exercises control both in terms of reserved matters and in terms of the ability to nominate independent directors.</p>	<b>Green</b>	<b>4 August 2022</b> No update.	
<b>Business planning</b>					
E2 There should be evidence of an up-to-date business plan that is reflective	There is an up-to-date business plan, setting out the organisation's objectives and how	The business plan is in the process of being reviewed, particularly in relation to resourcing requirements.	<b>Red due to delays in submission of previous business plan</b>	Business plan to be updated and approved by the Council.	SCF Chief Executive / SBC Chief Executive



<p>of the current circumstances and environment in which the entity operates</p>	<p>these will be resourced and achieved</p> <p>Requirements to meet the legal criteria in relation to any Teckal companies are reflected in the business plan</p>	<p>The business plan makes clear that SCF's sole focus is delivery of children's services within Slough, which meets the function test.</p> <p><b>4 August 2022</b> The business plan approval process has been convoluted and led to multiple versions of the document having to be submitted. The plan is showing a significant overspend and forecasting large overspends each year. The early versions of the plan did not properly flag risks and contain sufficient detail as to how projects to deliver savings were to be managed. The 2022/23 plan is still only approved by SBC on an interim basis and there has been no opportunity for scrutiny to be involved in reviewing the plan.</p> <p><b>September 2022 update</b> DfE has commissioned an independent review of the business plan. The business plan covers a longer period than set out in the service delivery contract and does not make provision for repayment of the Council's loan at the end of the current contract term.</p>	<p>and concerns about content.</p>	<p>In future years, annual business plans must be submitted within the deadlines set out in the SDC and must have been subject to appropriate scrutiny by the board.</p>	<p>SCF CE / Chair</p>
<p>E3 There should be evidence that the board meets regularly to consider, review and record</p>	<p>The board meets regularly, and all decisions are recorded and documented</p>	<p>The board of directors have been meeting and holding extraordinary meetings where required, however evidence of minutes have not been requested or supplied to the Council.</p> <p><b>September 2022 update</b></p>	<p>Amber – further information and evidence required to deliver assurance.</p>	<p>Samples of minutes and dates of meetings to be provided to the Council for assurance.</p>	<p>SCF Director of Finance / SCF CE / Chairman</p>

<p>discussions and conclusions</p>	<p>Decisions are taken at the appropriate place, including deferral and recommendations of decisions on matters that are reserved for the shareholder</p>	<p>SCF has confirmed that Board and sub committee meetings are held regularly as set in its annual meetings timetable. In addition to these scheduled meetings, Extraordinary Board meetings also take place as necessary. Dates of 2021 Board meetings – 28/01, 01/03, 25/03, 20/05, 25/06, 29/07, 03/09. 05/10, 09/12 Dates of 2022 Board meetings – 11/01, 15/03, 29/03, 05/04, 25/05, 08/07, 18/07, 22/09</p> <p>There are four sub committees – Workforce Strategy Group (WSG) 2021 – 08/03, 15/04, 13/05, 17/06, 15/07, 19/08, 16/09, 11/11 2022 – 22/02, 22/05, 14/07, 15/09, 15/12  Audit and Risk Sub Committee (ARC) 2021 – 13/01, 11/03, 13/05, 15/07, 16/09, 18/11 2022 – 16/02, 26/04, 05/07, 18/10, 13/12  Quality and Practice Improvement Sub Committee (QPIC) 2021 – 21/03, 29/06, 29/09, 16/12 2022 – 22/02, 22/05, 08/08, 18/11  Remuneration, Nomination and Appointments Sub Committee (RNAC) 2022 – 08/06, 18/08, further dates to be arranged.</p> <p>Minutes were taken and have been agreed by the relevant chair and attendees for all of the above meetings.</p>		<p><b>September 2022 update</b>  Whilst dates of meetings have been given, no documentary evidence has been supplied of agendas or extracts of minutes to demonstrate the quality of the discussion and conclusions. Further evidence is required to provide assurance on this.</p> <p>The Principal Lawyer to attend meeting on 22 September 2022 to discuss governance review and levels of assurance required moving forward. This is likely to include attendance by Council officers as observers on an annual basis.</p>	<p>SCF CE / Chairman</p> <p>SBC Principal Lawyer</p>
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<p>E4 There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information</p>	<p>The board has delegated detailed scrutiny to committees or directors with appropriate skills, including financial management</p> <p>The board challenges performance and key financial and operational reporting</p>	<p>The business plan and performance data demonstrates that SCF is delivering the services with appropriate delegation.</p> <p><b>September 2022 update</b>  SCF has confirmed that challenge to financial and operational information is a significant part of sub committee meetings, with the Risk Register documenting areas for particular attention at Audit and Risk Sub Committee (ARC). Matters of significance at committees are included in the board agenda and dealt with at board. - There has been careful consideration given to the allocation of NEDs sitting on the sub committees, so that there is challenge at sub committees and at Board by those directors not on those sub committees. The Board has committed to set of SCF values (delivering together, honest, and respectful, child focused, improving constantly and looking ahead) which complement those of the Council, in support of the vision to enable all children, young people and their families to be safe, secure, and successful.</p> <p>High level list of members for each sub committee supplied.  Operational scheme of delegation supplied  Financial scheme of delegation supplied.</p>	<p>Amber – due to need for further review of number of committee and make up of board.</p>	<p>Evidence of board challenge to be provided to the Council.</p> <p>Internal scheme of delegation to be provided to the Council.</p> <p><b>September 2022 update</b>  Remove Councillor Hulme from list of members of committees and if the lead member is to attend board meetings, draft a protocol setting out her role and management of any issues such as access to confidential information.</p> <p>Review the articles of association to consider whether the split of</p>	<p>SCF Director of Finance / Chairman</p> <p>SCF Chief Executive</p> <p>SCF Chair  SCF Chief Executive</p> <p>SBC Principal Lawyer / SCF Chair</p>
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<p>E5 There should be evidence of the desired culture and behaviours</p>	<p>The board promotes the success of the company</p> <p>The board provides entrepreneurial leadership</p> <p>Prudent and effective controls are demonstrated where risk is assessed and managed</p> <p>The board sets strategic aims and ensures sufficient resources (financial and human) are available to meet objectives</p> <p>The board reviews management performance, including that of the CEO/MD and leadership team</p>	<p>Evidence is not available to assess this.</p> <p><b>September 2022 update</b>  SCF has confirmed:  The Chair and NEDs were appointed by the DfE in accordance with a stated set of values, culture, and behaviours.  The Board has committed to set of SCF values (delivering together, honest, and respectful, child focused, improving constantly and looking ahead) which complement those of the Council, in support of the vision to enable all children, young people and their families to be safe, secure, and successful.  SCF Comms promotes the success of SCF.  The ARC is managing and assesses risk with the effective controls.  The Board sets strategic aims and ensures sufficient resources (financial and human) are available to meet objectives and this is detailed in the business plan).  The Board reviews management performance, including that of the CEO/MD and leadership team via the newly established Remuneration, Nomination and Appointments Sub Committee.  The Board ensures obligations to shareholders and others are met via contracts for services.</p>	<p>Amber – further work is required to provide assurance on this, although significant change and progress has been made during the last year.</p>	<p>Evidence to be provided by SCF.</p> <p><b>September 2022 update</b>  The SCF Board to consider its current set of values and behaviour as part of its annual review and put in place any required actions in response.  In accordance with good governance instituted recommendations, SCF will undertake a survey of key stakeholders on this.  Working with the Council, SCF Chairman to review the make up of the board in relation to number of independent NEDs and council nominated NEDs to ensure appropriate</p>	<p>SCF Chairman / SCF Chief Executive</p> <p>SCF Chair / SCF CE</p>
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	<p>The board sets corporate values and standards</p> <p>The board ensures obligations to shareholders and others are met</p>			skills, experience and knowledge.	
E6 The company structures should be regularly scrutinised in order to ensure they remain fit for purpose	<p>The company structures are regularly reviewed</p> <p>Financial and performance benchmarking exercises are carried out</p>	<p>SCF has recently reviewed its structure to take account of the additional services that transferred to it in July 2021.</p> <p>Benchmarking data is regularly presented in performance reports. There is some evidence of financial benchmarking data, although this could be improved.</p> <p><b>September 2022 update</b> SCF has confirmed that a high level benchmarking exercise was undertaken by PeopleToo and relevant statistics were included in the business case.</p> <p>Mutual Ventures have been commissioned by the DfE to undertake a review of the current business plan and the results of that will be presented to Cabinet. This review has recommended that there is an additional director responsible for strategy and transformation to ensure that projects are effectively monitored and delivered and</p>	Amber – further work is required to review the senior leadership team to ensure that it is able to provide effective corporate leadership and deliver on its business plan priorities.	<p>SCF to include its organisational structure in its annual business plan</p> <p>Consideration given to financial benchmarking data to be included in reporting</p> <p><b>September 2022 update</b> The organisational structure is included in the latest version of the business plan. The senior leadership team structure and management teams beneath to be reviewed in light of</p>	<p>SCF Chief Executive</p> <p>SCF Chief Executive</p> <p>SCF Chief Executive</p>

		<p>savings targets linked to these are appropriate and regularly reviewed.</p> <p>The Innovate teams remain in place due to workforce issues regarding recruitment and retention, which means that whilst the structure may be appropriate the meanwhile structure does not reflect this, which is adding cost. This issue has been raised with the DfE, as it reflects a national issue.</p>		the Mutual Ventures report.	
E7 There should be evidence that the board has clear policies and procedures for its members to ensure that actual or potential conflicts of interests are identified, declared, and acted upon	The board regularly monitors conflicts of interest, including with suppliers and users	<p>No evidence available.</p> <p><b>September 2022 update</b> SCF has codes of conduct for staff, terms of appointment for independent NEDs, declaration and registers of interests and policies for managing conflicts of interests in general. Conflict of interests are also a standing item on all Board and sub committee agendas.</p>	Amber due to documentary evidence not being supplied.	<p>SCF to provide details of its codes of conduct for staff, terms of appointment for independent NEDs, declaration and registers of interests and policies for managing conflicts of interests in general.</p> <p><b>September 2022 update</b> Written assurance given, but no documentary evidence. SCF to supply a copy of the terms of appointment for</p>	<p>SCF Chief Executive</p> <p>SCF Chairman / SCF CE</p>

				independent NEDs, its code of conduct for staff which applied to executive directors and an extract of minutes to demonstrate the effectiveness of its current systems.	
<b>Role and behaviours of company directors</b>					
E8 There should be evidence that directors have sufficient skills and experience to run the entity	<p>Directors' skills align well to the organisation's purpose and objectives</p> <p>Directors are trained so that they are competent in undertaking their roles and responsibilities</p>	<p>Skills audit undertaken before refresh of the board in 2021.</p> <p>Evidence of training is not available.</p> <p>Evidence of evaluation of board and individual directors not available.</p> <p><b>September 2022 update</b> A copy of the skills audit of the current board has been provided and the gaps identified in that have been used to inform the council nomination to the board. The independent NEDs have a mix of skills and are experienced in company governance. No further documentary evidence has been supplied in relation to whole board effectiveness or effectiveness of individual directors, including executive directors.</p>	Amber – further work needed to evaluate effectiveness of the board as a whole and individually	<p>Evidence of induction and training to be supplied</p> <p>Evidence of process for evaluating effectiveness of board to be supplied</p> <p><b>September 2022 update</b> SCF to undertake a review of the Board effectiveness and to evaluate the effectiveness of individual directors, including executive directors.</p>	<p>SCF Chairman</p> <p>SCF Chairman</p> <p>SCF Chairman</p>



		Information has been given on the induction and briefings given to the new board, although documentary evidence has not been supplied.			
E9 There should be evidence that directors' behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan Principles as well as Cabinet Office's Code of Conduct for Board Members of Public Bodies	<p>Directors:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> act within their powers</li> <li><input type="checkbox"/> promote the success of the company</li> <li><input type="checkbox"/> exercise independent judgement</li> <li><input type="checkbox"/> exercise reasonable care skill and diligence <input type="checkbox"/></li> <li><input type="checkbox"/> avoid conflicts of interest</li> <li><input type="checkbox"/> do not accept benefits from third parties</li> <li><input type="checkbox"/> declare an interest in proposed transactions or arrangements with the company</li> </ul> <p>Directors act in accordance with the seven Nolan Principles:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> selflessness</li> </ul>	<p>Terms of appointment for Council nominated NEDs address these matters.</p> <p>Evidence to be supplied for independent NEDs and executive directors.</p> <p><b>September 2022 update</b> SCF confirms that independent NEDs have been recruited by the DfE. All members of SCF are experienced board members holding senior positions at board or councils in other organisations and are familiar with the Nolan principles. References were sought prior to appointment.</p>	Amber – due to need for further information to be supplied for executive directors.	<p>Evidence to be supplied</p> <p><b>September 2022 update</b> No documentary evidence supplied, although the Council was involved in recruitment processes for the SCF Chair, independent NEDs and council nominated NEDs. Further information required in relation to the two remaining executive directors. Evidence could include reference to objectives in an appraisal, training undertaken, extracts of board minutes demonstrating behaviours as examples.</p>	<p>SCF Chairman</p> <p>SCF Chairman / SCF CE</p>

	<input type="checkbox"/> integrity <input type="checkbox"/> objectivity <input type="checkbox"/> accountability <input type="checkbox"/> openness <input type="checkbox"/> honesty <input type="checkbox"/> leadership				
E10 The scope of directors' authorities should be documented and clear to all parties	<p>Directors' authorities are demonstrated in a scheme of delegation</p> <p>The scheme of delegation includes reference to matters that are reserved for board decision and cannot be delegated</p>	<p>No evidence of internal scheme of delegation available</p> <p><b>September 2022 update</b>  Scheme of delegation supplied for decision-making in relation to children. The SCST Board handbook supplied, which sets out board and committee terms of reference for all but one of the committee. SCF has supplied documents as evidence of a finance scheme of delegation, however one is a presentation relating to spend in relation to casework and the other document is the company's financial regulations and refers to SCST. It has not been reviewed since the change in articles of association and new board structure. Neither document is a clear financial scheme of delegation at officer level and no documentary evidence has been supplied in relation to a scheme of delegation for HR or procurement decisions.</p>	Red due to lack of evidence of compliance being supplied.	<p>Internal scheme of delegation to be supplied, including terms of reference for committees</p> <p><b>September 2022 update</b>  The ToR of each committee/sub-committee should be reviewed urgently by the board and on an ongoing basis at least every two years. Documentary evidence to be supplied that there is an effective scheme of delegation in place covering all operational functions to include,</p>	<p>SCF Chief Executive</p> <p>SCF Chairman</p>

				but not limited to, finance, HR and procurement.	
Company board composition					
E11 There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively	<p>There are between five and ten directors on the board</p> <p>At least half of the directors are independent non-executives</p> <p>Appointments to the board are subject to a formal, rigorous, and transparent selection procedure based on merit and published objective criteria</p>	<p>Skills audit undertaken prior to appointment of NEDs. Recruitment process to appoint chairman and independent NEDs.</p> <p>Over half the directors are independent or council nominated NEDs, including the chairman.</p> <p><b>4 August 2022</b> Skills audit undertaken and nomination made to fill identified skills gap.</p>	Green	Council to review who to nominate as council nominated directors	SBC Chief Executive
E12 There should be evidence that board membership is reviewed regularly for composition and fitness for purpose	Board composition and individual director performance is reviewed periodically to evaluate board composition, the effectiveness of individual	<p>Skills audit undertaken prior to appointment of NEDs. Refresh of board undertaken in 2021.</p> <p>No evidence of evaluation process.</p> <p><b>4 August 2022</b> Skills audit undertaken, NEDs are recent appointments. Documentary evidence supplied for skills audit of each director, but not for evaluation process.</p>	Amber due to lack of documentary evidence.	Evidence to be supplied of evaluation process	SCF Chairman

	contribution, and how effectively board members work together to achieve the objectives of the entity				
The board and risk management					
E13 There should be evidence that the board understands the organisation's risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite	<p>The board demonstrates ultimate responsibility for risk management within the entity and ensures that appropriate risk management arrangements that are in place</p> <p>The board regularly reviews risks and how they are being managed</p> <p>The board is aware of its appetite for risk and determines the risk profile for the entity</p>	<p>There is evidence of risk management in relation to delivery of services, however there is less evidence of risk management in terms of financial performance, nor how these risks are managed and flagged, including use of contractual mechanisms to negotiate the annual contract sum.</p> <p><b>September 2022 update</b> SCF confirms that review of risk management is a key component of the ARC meetings. A recent development in the process was to highlight business critical risks for urgent action and discussion at the council's Strategic Commissioning Group. Matters of significance are included in the board agenda. A particular example is given in relation to the risk of delay in progressing the early help proposal and the serious threat to the success of the business plan. The document to support this is an agenda item to ARC titled "Corporate Risk Register – Update and Refresh for the Audit and Risk Committee". The risks are highlighted as:</p>	Red – whilst it is clear that a considerable amount of work has been done, risk management procedures and processes do not appear to be effectively managing and reporting risk both internally and to SBC as commissioner of the services and sole owner of SCF.	<p>Risk management procedures to be supplied</p> <p>Sample of minutes to be supplied to demonstrate consideration of risk, in particular financial risk</p> <p><b>September 2022 update</b> Risk management strategy to be formally reviewed and agreed at the board and a copy of strategy and the minutes of discussion to be supplied to the Council.</p>	<p>SCF Chief Executive</p> <p>SCF Chief Executive</p> <p>SCF Chairman / SCF Chief Executive</p>

	<p>The board's approach to risk is proportionate and appropriate to its model</p>	<ol style="list-style-type: none"> <li>1. SCF - going concern status</li> <li>2. Independence and effectiveness of the board</li> <li>3. Strong, stable and skilled leadership</li> <li>4. Inability to recruit and maintain a stable, skilled and experienced workforce</li> <li>5. Failing to continuously improve and transform services and 'getting to good'</li> </ol> <p>Mitigations are set out in relation to the first one, namely submission of a refreshed business plan and improvement delivery plan. There are limited mitigations presented in relation to the independence and effectiveness of the board. In relation to strong, stable and skilled leadership reference is made to permanent recruitment to leadership and management roles in SCF and SBC, but no further detail given. A workforce strategy is referenced but with limited detail. A governance review and review of back office provision and steps to improve quality of service with cost savings through efficiency gains, but again with limited further information.</p> <p>The corporate risk register and risk management policy has been supplied. The former is a detailed document and demonstrates an effective model and process is in place. However, there are some concerns about mitigations. For example:</p>		<p>The lead member for children's services to be removed as risk owner and her role in attending board meetings to be clarified and a protocol to be drawn up if the lead member continues to attend board meetings.</p> <p>SCF to consider commissioning support from SBC or an external provider on reviewing its risk management procedures and delivering training on risk management.</p>	<p>SCF Chairman</p> <p>SCF Chief Executive</p>
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		<p>(a) SCF being a “going concern”, reference is made to the DLUHC commissioners owning SBC’s responsibilities in supporting SCF to deliver services to children, young children and their families, which is an inaccurate statement as the DLUHC commissioners are not responsible for managing the SCF contract or agreeing the Contract Sum. No reference is made to the DfE or the DfE commissioner’s role.</p> <p>(b) Independence and effectiveness of the SCF board - the only mitigations referred to relate to the governance review, which is being led by the Council, the same comment about the DLUHC commissioners role, which is inaccurate and the need to secure support and funding for the business plan.</p> <p>(c) Under strong, stable and skilled leadership, reference it made to SBC being run by temporary executives and commissioners, when this should presumably focus on SCF’s leadership team. Reference is correctly made to the interim nature and turnover of SCF CEOs and to the fact that the SDC was signed without board involvement. The mitigations do not appear to address the</p>		
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		<p>concerns and the risk owners include reference to the lead member for children's services and SBC – SCF risks must have risk owners who are SCF staff or directors, even if the solution involves liaison with SBC.</p> <p>The sample of minutes include extracts from 3 meetings of ARG: 18 November 2021 – effective challenge on the need to include risks related to the CIPFA/governance reports for SBC. 16 February 2022 – some challenge on alternative options for high cost placements and suggestions on utilising care leavers as mentors. 26 April 2022 – effective challenge on why the “going concern” risk had not appeared in risk reporting at earlier stage. The explanation does not address the issue. There is some challenge on the historic financial issues, although limited discussion on mitigations. On the discussion about independence and effectiveness of the Board, there is reference to the Director of Finance spending 80% of his time serving the Council. This is presumably a reference to the amount of time spent responding to council queries or addressing concerns in the quality or information provided by the Council, as the individual is not an officer of the Council.</p>		
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		<p>Under strong and stable leadership, there is reference to the need to commence the recruitment process for a new CEO and a recognition that this was shared with the Council due to the joint role and an action for this to be raised with SBC CE.</p> <p>Under failing to continuously improve and transform services, it was recognised that the lead member for children's services should not have been listed as risk owner.</p>			
<b>Board members' skills and development</b>					
E14 There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience	<p>The board regularly undertakes skills audits</p> <p>The entity has a board which includes a range of skills and backgrounds including commercial, financial, business development, technical, legal and HR experience</p>	<p>A skills audit was undertaken in April 2021. The independent NEDs bring a range of skills, including the chairman who has a background in children's services.</p> <p><b>4 August 2022</b> Detailed skills audit undertaken in 2022 and supplied to SBC</p> <p><b>September 2022 update</b> In response to the skills audit, the Council has nominated an individual as director to meet some of the skills gaps and he has been interviewed by board members.</p>	Green	<p>Details of last skills audit to be supplied</p> <p><b>September 2022 update</b> A review of the Articles of Association to be carried out to consider whether the board composition, particularly in terms of the number of independent and council nominated directors is appropriate.</p>	<p>SCF Chairman</p> <p>SCF Chairman/ SBC Principal Lawyer</p>



<p>E15 There should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles</p>	<p>Regular training and updates cover legal roles and responsibilities, company directors' roles and companies generally</p> <p>Directors' training includes responsibilities under the Companies Act 2006, Insolvency Act 1986, Bribery Act 2010, Modern Slavery Act 2015, Data Protection Act 2018 and Health and Safety at Work etc. Act 1974</p>	<p>Evidence is not available of training, although it is clear that directors understand their duties under the Companies Act based on requests for specialist advice.</p> <p>SCF relies on the Council in relation to health and safety practices in the offices and buys certain services from the council in relation to IT and HR.</p> <p><b>September 2022 update</b>  Induction was provided to Directors at the first SCF meeting in July 2021. The board of directors received training from external lawyers on 18 July 2022 on the contractual mechanisms. SCF has commented: Whilst recognising the benefits of formal training, the directors have kept up to date with relevant knowledge through personal efforts and information available free of charge as there is no budget available for formal training. Training records in the last year to be requested from Board Directors and to be provided. (This will be a useful exercise to identify any gaps to be made up).</p>	<p>Amber – lack of evidence of training provided, although independent NEDs do appear to be experienced company directors.</p>	<p>Training records to be supplied</p> <p><b>September 2022 update</b>  Whilst a narrative has been given, no evidence of training on company director duties has been given. The lack of a budget is not an acceptable reason as if there are experienced company directors on the board, they could presumably deliver the training to the rest of the board. Training records should be collated and sent to the Council and a board development programme to include training and briefings on company director duties should be put in place.</p>	<p>SCF Chief Executive</p> <p>SCF Chairman</p>
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The role of executive directors and non-executive directors					
E16 There is evidence that the role of executive directors is clearly defined and documented	<p>Executive directors' roles are clearly defined and documented</p> <p>Directors' roles are focused on running the entity's business activities and implementing the board's plans and policies</p>	<p>Executive directors have role profiles.</p> <p>The SCF Chief Executive's responsibilities are set out in the secondment agreement.</p> <p><b>September 2022 update</b> SCF has confirmed that role profiles exist for executive directors, but has not supplied copies.</p> <p>The SCF Chief Executive's responsibilities are set out in the secondment agreement which was produced by the Council.</p>	Amber due to lack of evidence supplied.	<p>Role profiles for all executive directors to be supplied</p> <p><b>September 2022 update</b> Role profiles to be supplied for all executive directors and if there is a plan to increase the number of executive directors following the Mutual Ventures report, the role profile should be provided in draft to the Council in advance of recruitment.</p>	<p>SCF Chief Executive</p> <p>SCF Chief Executive</p>
E17 Non-executive directors are in place to bring an independent judgement to bear on issues	<p>Non-executive directors:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> challenge, and contribute to the development of the company's strategy</li> </ul>	<p>NEDs were involved in reviewing and approving for submission the business plan, they have also been involved in reviewing financial performance and flagging concerns.</p> <p><b>September 2022 update</b></p>	Amber due to the NEDs and the board in general having access to the right	<p>Further evidence to be supplied by SCF</p> <p><b>September 2022 update</b> Despite good evidence being</p>	<p>SCF Chairman</p> <p>SCF Chairman</p>

<p>of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct</p>	<p> <input type="checkbox"/> scrutinise performance of management in meeting agreed goals and monitor reporting of performance  <input type="checkbox"/> satisfy themselves on the accuracy of financial information and that financial controls and risk management are robust and defensible  <input type="checkbox"/> determine executive directors' remuneration and prime role in appointing/removing senior management </p>	<p>SCF has confirmed that board challenge of the business plan took place at meetings on 5 October, 9 December 2021, 11 January, 15 March, 29 March, 5 April, 25 May, 8 July and 18 July 2022, as well as at committee meetings in February and July 2022.</p> <p>An extract of the minutes for 9 December 2021 has been provided as evidence. This demonstrates appropriate challenge on the clarity of the strategic programme of plans and the importance of partnerships and workforce issues. There was limited evidence of challenge on the deliverability of the financial savings and the risks associated with these. This appears contrary to the significant concerns that were raised by council officers, elected members and both the DfE and DLUHC commissioners, which led to the plan being approved on an interim basis only.</p> <p>It is unclear how the challenge on partnerships and strategic programme of plans were captured in the updated plan, as these continued to be concerns of the Council and commissioned with the updated business plan.</p> <p>An extract of the minutes for 11 January 2022 has been provided as evidence. Good discussion about link with public health on universal services and 0-19 health visitor/school nursing provision. Limited</p>	<p>information at the right time.</p>	<p>supplied to demonstrate the value that NEDs are adding, this is reliant on the right information being provided at the right time and that requires a culture and governance arrangements that are receptive to constructive challenge and the need for assurance. This needs to be kept under review over the next 12 months and considered as part of the review of board effectiveness.</p>	
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		<p>assurance or response given in relation to request for update on early help provision. Good discussion on continuing health care. Reference to “very underdeveloped workforce” but no action in response. Discussion on retaining Innovate Teams and risk of non-delivery of savings, with assurance being given that biggest target is health funding and an opportunity to offset pressures elsewhere. Feedback of Council’s officers concerns focused on strategic priorities for next 3 years and that the Council was concerned the plan will not achieve what it says. Feedback refers to need for outcomes focused approach and clarity in terms of money. There was limited discussion on deliverability and risks particularly in terms of financial savings.</p> <p>An extract of minutes from 15 March 2022 has been provided. Reference for need for plan to go to scrutiny in September (this was inaccurate as the expectation was for updated plan to go to scrutiny in Quarter 1 of 2022/23. Appropriate reference to the Council commissioning the service and need to plan and cost services around the commissioned model. Intention to have a workshop to discuss business plan in more detail.</p> <p>An extract of minutes from 25 May 2022 has been provided. Appropriate challenge in relation to assumptions that were made that</p>		
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		have proved to be inaccurate and directors highlighted need for the business plan to be realistic and not to meet a budget target irrespective of risk.			
E18 There is documented evidence that the board values the role of non executive directors, and their views are influential in the board's decisions	The board values its non-executive directors, so that they are able to demonstrate: <ul style="list-style-type: none"> <li><input type="checkbox"/> sound judgement and an enquiring mind</li> <li><input type="checkbox"/> knowledge of the business, its operating environment, and issues it faces</li> <li><input type="checkbox"/> integrity, probity, and high ethical standards</li> <li><input type="checkbox"/> objectivity as the basis for questioning and challenging accepted thinking of executives</li> <li><input type="checkbox"/> strong interpersonal skills</li> </ul>	Evidence is not available to allow assessment. <p><b>September 2022 update</b> SCF has confirmed that there are annual appraisal systems in place and the DfE is appraising the chair, including receiving feedback from relevant stakeholders. The NEDs are chairing the current board committees, which is good practice. A comprehensive skills audit has been undertaken to ensure there is clarity on any skills gaps and presumably to inform a training and development programme. A sample of minutes has shown effective challenge by the NEDs, however this has included queries as to why risks have not been flagged at board level at an earlier date. This could be an indication that the culture that exists does not always appreciate the important role that NEDs play and the need for the board to receive assurance and to constructively challenge the information it receives.</p>	Amber – further work to embed the role of the NEDs into the governance processes.	Sample of minutes of meetings to be provided for assurance purposes <p><b>September 2022 update</b> The review of the effectiveness of the board should consider the culture of SCF in terms of valuing the role of NEDs and of the right information being provided at the right time.</p>	SCF Chairman  SCF Chairman
The role of the board chair					
E19 There is evidence that the chair	The chair is primarily responsible for:	The role of the chairman is complicated by the fact he is appointed by the DfE and reports directly to the DfE and appointed	Red due to no documentary	Evidence to be supplied	SCF Chairman /

<p>provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> the workings of the board</li> <li><input type="checkbox"/> its balance of membership subject to board and shareholders' approval</li> <li><input type="checkbox"/> ensuring that all relevant issues are on the agenda</li> <li><input type="checkbox"/> ensuring that all directors, executive and non-executive alike, are enabled and encouraged to play their full part in its activities</li> </ul> <p>The chair is able to stand sufficiently back from the day-to-day running of the business to ensure their board is in full control of the company's affairs</p> <p>The chair is responsible for:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> formulating the board's strategy</li> </ul>	<p>commissioner. It would be usual for the chairman of the board to have regular meetings with the Council as sole member.</p> <p>The chairman has attended member level meetings and meetings with Council officers and demonstrates an independence of mind and he was involved in formulating the business plan. It is less clear how he has influenced the direction of the company in terms of its strategic vision and aims, nor how he has ensured the board has the skills and ability to do its role.</p> <p><b>September 2022 update</b> SCF has confirmed that SBC will need to make this request of the DfE in collaboration with the Chair.</p> <p>A request has been made to the DfE for evidence of the appraisal system in place and the extent to which the Council was consulted in advance of this.</p>	<p>assurance information being supplied.</p>	<p><b>September 2022 update</b> The Council to formally request information and evidence to demonstrate the appraisal process in place to assess the effectiveness of the Chair.</p>	<p>DfE Commissioner to supply details of meetings held to demonstrate that the chairman is fulfilling the role to the satisfaction of the DfE.</p> <p>SBC Principal Lawyer</p>
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	<input type="checkbox"/> promoting the efficient and effective use of staff and other resources <input type="checkbox"/> delivering high standards in terms of integrity and propriety				
<b>Financial management</b>					
E20 There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial	The business plan and business planning process are critical parts of the governance culture and environment	<p>Previous business plans have lacked detail in terms of financial performance and projections. In addition business plans have been presented with savings targets that have not been achieved and were arguably undeliverable at the point of submission. This raises serious questions in terms of the culture and governance within SCF.</p> <p><b>September 2022 update</b>  SCF has confirmed that there is a submitted business plan approved by the SCF Board and the Board accepts there is more to do to finalise this to the standard required and seek consequential approval. It also confirms that there are systems in place to update the business plan and that this will be in place to manage and monitor assumptions underlying the plan and the performance and financial consequences.</p> <p>It is of concern that the board approved the 2022/23 business plan, when other</p>	<p>Red – lack of assurance given and this should be subject to further review in relation to submission of annual business plan for 2023/24.</p>	<p>Evidence to be supplied and evaluation of performance of the board in terms of monitoring and management of financial performance.</p> <p><b>September 2022 update</b>  Whilst there is evidence of challenge on the business plan by NEDs, the business plan process has been convoluted and the historic issues with overspend have been replicated in</p>	<p>SCF Chairman</p> <p>SCF Chairman/ SBC s.151 officer</p>

performance reports		stakeholders had concerns about its deliverability which has resulted in it only being approved on an interim basis and significant overspends being reported.		the first year of trading, with the in-year change mechanisms not being utilised until July 2022. More evidence is required to demonstrate that the business plan is effective and focused on the right priorities. This will be informed by the Mutual Ventures report.	
E21 The financial transactions and values attributable to the company within the council's medium term financial plan should agree with the projections in the business plan	The business plan provides the basis for monitoring financial performance and feeds into the medium-term financial planning of the council in situations where it expects to receive dividends, loan repayments, capital financial support in	<p>SCF is constrained by the Council's lack of a comprehensive MTFS and historic poor financial governance.</p> <p>There is evidence of SCF passively accepting savings targets without properly engaging with the process and assessing the deliverability of such targets. This has resulted in a culture of overspends, as opposed to use of the contractual mechanisms to have sensible, robust conversations about the need to re-negotiate the contract sum either in-year or annually.</p>	Red due to lack of evidence that effective systems are in place.	<p>To be addressed in future business plans</p> <p><b>September 2022 update</b> The board should be able to effectively scrutinise and challenge financial information and agreed and monitor budgets. A training and development</p>	<p>SCF Chairman and SCF Chief Executive</p> <p>SCF Chairman / SCF Director of Finance</p>



	terms of working capital or longer-term finance	<p>This does not result from a lack of a documented process – this is clearly set out in the SDC, but is not followed. This demonstrates a serious failure of financial governance.</p> <p><b>4 August 2022</b> Updated business plan forecasts cashflow insolvency by end of 22/23, including utilising the £5mil loan. Future years forecast losses and any invest to save plan is not expecting to deliver a return for over 5 years.</p> <p><b>September 2022 update</b> SCF appreciates the seriousness and complexity of this alignment and welcomes the ongoing support and challenge that SBC is providing on this crucial issue. There is a desire to bring in NEDs with financial expertise to assist with this.</p>		<p>plan should be supplied to the Council to demonstrate that appropriate support is being given to the board to undertake its functions. Whilst SCF can review whether further financial expertise is required on the Board, the reliance on one individual to address this issue fails to recognise the role of NEDs and the board as a collective.</p>	
E22 Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cash flow	Board reports feature clear articulation of the current financial position of the company in terms of its trading position (income and expenditure), liquidity (cash flow)	<p>Evidence not available to assess</p> <p><b>September 2022 update</b> SCF has supplied documentary evidence as follows: Presentation relating to the risks of insolvency and factors contributing towards this. Report to 24 May 2022 board meeting on budget pressures. The report is detailed, however it does flag issues with the overly</p>	Red due to insufficient assurance and evidence of overspend occurring without contractual mechanisms being used to	<p><b>September 2022 update</b> There is insufficient information supplied to demonstrate the board is receiving appropriate financial information on a regular basis and managing the risks</p>	SCF Director of Finance

<p>statement and balance sheet</p>	<p>and solvency (balance sheet)</p>	<p>optimistic assumptions that were being made to inform the earlier business plan and the lack of risk management in place to address these. The report presents the pressures as something that could not be foreseen, but the issues around caseloads, workforce, court costs, inflationary pressures and demand should have been considered and assumptions tested appropriately. Clearly the bid for transformation funding had been assumed and the reduction in DfE funding may not have been anticipated, but this does call into question the assumptions that are being built in for funding that has not been agreed. Board meeting reports supplied from 15 March 2022 meeting. Only the reports have been provided, so it is not possible to ascertain what discussion took place. However it is of note that the report are relatively short and do not have a financial implications section. This includes a report on the agreed pay inflationary increase, the business plan and the finance update (although the latter is clearly wholly focused on finance). On the finance update reference is made to three fact finding cases requiring QC support, however no detail is provided on the actual cost. Use of a QC on particularly complex cases is not an uncommon occurrence and it would be expected that there would be a contingency arrangement within the legal</p>	<p>address these.</p>	<p>appropriately. An action plan to address this should be provided.</p> <p>SCF Board should consider whether reports should have a financial implications section as standard.</p>	<p>SCF Chairman</p>
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		budget to cover a certain number of complex cases each year.			
E23 There should be evidence of an annual audit letter from the council's external auditors, confirming the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company	<p>The council's external auditor has provided an annual audit letter annually</p> <p>The annual audit letter confirms the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company</p>	<p>The Council's external auditors issued statutory recommendations in 2021 and had concerns about company governance and financial systems in place to ensure separation of functions and accounting. This was not specifically in relation to SCF.</p> <p>SCF has separate external auditors and its accounts are independently auditors from the Council's accounts.</p>	Amber due to the Council's external auditors needing to be satisfied that concerns on company governance have been properly addressed.	<p><b>September 2022 update</b></p> <p>Assurance processes in place regarding treatment of financial instruments and consolidation.</p>	SBC s.151 Officer
E24 Documented financial policies and procedures should be available	The company has an independent financial status from the council, including separate bank accounts and designated signatories.	<p>SCF has a separate bank account and independent status from the Council.</p> <p>Financial policies to be supplied to allow assessment.</p> <p>Borrowing and overdraft limits are set out in the Articles.</p>	Red due to policies not having recently been reviewed and no financial scheme of delegation.	<p>Financial policies to be supplied.</p> <p><b>September 2022 update</b></p> <p>Financial policies to be reviewed, updated and approved by board.</p>	<p>SCF Director of Finance</p> <p>SCF Director of Finance</p>

	<p>The financial transactions of the company are recorded on the company's own, separate ledger system and the council is able to demonstrate how the results of the company are consolidated into its own group accounts.</p> <p>The company has a set of documented financial policies and procedures which describe areas such as borrowing and overdraft limits and levels which are reserved for council approval</p>	<p><b>September 2022 update</b> The financial regulations have been supplied. As these refer to the SCST and former directors, it is apparent they have not been reviewed since the change in articles of association and new board structure.</p>		<p>It is not appropriate to wait for the set up of a new finance committee, unless this is happening imminently.</p>	
E25 There should be evidence of an effective annual internal audit programme	<p>The company operates a system of internal controls that are consistent with financial</p>	<p>Evidence not available to assess</p> <p><b>September 2022 update</b> SCF has confirmed it is subject to internal audit by the Council's internal auditors, RSM. This has included recent audits in relation to</p>	Green	<p><b>September 2022</b> SBC to consider the effectiveness of the internal audit programme for SCF and the quality of</p>	<p>SBC s.151 officer</p>

	<p>policies and procedures</p> <p>The company's internal controls are subject to periodic testing by internal auditors</p>	<p>governance and value for money. These reports have been referenced in the Council's most recent Audit and Corporate Governance Committee.</p>		<p>internal audits undertaken in 2022/23.</p>	
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