

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet

DATE: 17th October 2022

SUBJECT: Slough Children First Limited (SCF) Annual Report and Governance Review

CHIEF OFFICER: Gavin Jones – Chief Executive
Steven Mair – Executive Director of Finance and Commercial

CONTACT OFFICER: Jane Senior, Associate Director People Strategy and Commissioning
Peter Robinson – Nominated Council Finance Representative
Sarah Wilson – Principal Lawyer

WARD(S): All

PORTFOLIO: Cllr Swindlehurst – Leader of the Council
Cllr Christine Hulme, Children's Services, Lifelong Learning & Skills

KEY DECISION: NO

EXEMPT: Public

DECISION SUBJECT TO CALL IN: YES

APPENDICES: Appendix 1 – SCF Annual Report
Appendix 2 – Governance Review

1 Summary and Recommendations

1.1 This report provides Slough Children First's (SCF) annual report, together with an update on a detailed governance review. SCF became wholly owned by the Council in April 2021. Prior to that it was a standalone trust. SCF delivers statutory children's services on behalf of the Council in accordance with a direction of the Secretary of State for Education. This is the first annual report since the change in governance arrangements.

Recommendations:

Cabinet is recommended to:

- Note SCF's Annual Report

- Note the governance review of SCF and in particular the recommended actions and recommend to the Audit and Corporate Governance Committee that it receives six monthly reports on progress against the governance review recommendations.
- Note that People Scrutiny Panel is receiving a report recommending that it set up a task and finish group to review the Mutual Ventures report, Annual Review process and draft business plan to make recommendations to cabinet on approval of the business plan as part of the budget setting process.

Reason:

To ensure that Cabinet is provided with an update on progress in SCF in the previous financial year to form part of the annual review of the arrangement and to demonstrate that the Council is properly fulfilling its ownership role of SCF by reviewing the governance arrangements in place in SCF.

DLUHC Commissioner’s Comments

The Commissioners note and support the recommendations in this report

DfE Commissioner’s Comments

Slough Children’s First was set up in April 2021 following Ministerial direction but with the agreement and support of the Council. With one exception nationally, Council owned companies for children’s services have been created through intervention from the DfE following sustained and systemic failure of the local authority in running those services. The most successful of the companies, Achieving for Children (Richmond, Kingston, Windsor and Maidenhead), Worcestershire Children First and Together for Children (Sunderland) deliver children’s services more broadly than just social care and have the full support of their Councils with a financially sustainable approach. Slough Children’s First has had a series of encouraging Ofsted reports but progress remains fragile particularly around workforce at all levels. There remain significant issues around total funding for the company and financial processes and management.

Appropriate governance arrangements between the Council and the Company are crucial if the aim of a “good” or better overall Ofsted rating is to be achieved. I finish as DfE Commissioner on 30th September 2022 and will be succeeded by Paul Moffat. It is for him, working with DfE colleagues, to make recommendations on the suitability of the company model to the Secretary of State for Education who remains the decision maker whilst the Council is in formal intervention.

SCF Chairman’s Comments

Slough Children First (SCF) continues to be fully committed to ever-improving quality of life and outcomes for the borough’s children, driven by our vision of every child in Slough being “safe, secure and successful”, a vision for achievement alongside the council and other key partners.

In Slough as elsewhere demand pressures on children’s services are increasing, with impact on budget projections and spend levels. Here these pressures are accentuated by SBC’s extreme financial pressures and make collaboration and mutual confidence between SBC and SCF all the more important.

We have welcomed the council's engagement, support and challenge in the areas covered in this report. We look forward to debates on the conclusions and recommendations arising from the Mutual Ventures (MV) review and its implications for the Business Plan's progress and consideration by the council. We commit too to providing information and advice to support discussions on future delivery options and associated opportunities and risks.

The development of the SCF 2022/29 Business Plan remains a protracted process but one which has generated good debates around what we are seeking to achieve for the borough's children, what strategies will get us there, and within what financial envelope. Children's spend is notoriously volatile and our challenge - especially as a low spending service – is to ensure maximum efficiency along with investment in prevention and early intervention strategies which are far better for children as well as offsetting cost pressures in the medium term,.

The review of SBC/SCF governance arrangements as we embarked upon year two of the new arrangements has been timely, and again an opportunity for collaboration on improvement. Rather than spending time contesting conclusions within the detail of the review, as I write we are putting together a prioritised governance improvement plan to complement initiatives already underway. We will share this plan with the council and are ready to provide six monthly progress reports to Audit and Corporate Governance Committee should Cabinet determine this way forward as recommended in the report.

Finally, we are ready to support the work of the People Scrutiny Panel should it agree to the establishment of a task and finish group reviewing the Mutual Ventures report, Annual Review process and draft business plan, again in the spirit of collaboration and shared ambitions for Slough's children.

2 Report

Introductory Paragraph

- 2.1 SCF became wholly owned by the Council on 1 April 2021, with new Articles of Association setting out its governance arrangements. The Articles of Association set out a list of reserved matters, which must be approved by the Council, as the sole owner of the Company. The Company was previously Slough Children's Services Trust, incorporated on 12 March 2015 and was responsible for the Council's statutory children's social care functions from 1 October 2015.
- 2.1 SCF delivers statutory children's social care functions under a direction of the Secretary of State for Education and in accordance with a service delivery contract (SDC) between SCF and the Council. Improvement activity to support this across children's services are a critical part of the Council's improvement journey and the Council and SCF need to work together to ensure that the services can be delivered in a cost-effective way, contributing to the delivery of required financial savings to enable the Council to become financially sustainable within the medium term.
- 2.2 As well as being the responsible local authority for children's services within Slough, the Council is the commissioner of services under the SDC, the sole owner of SCF and the primary funder. The risks that sit with SCF will inevitably impact on the Council and the Council is expected to demonstrate that it is properly monitoring and governing its wholly owned companies. Whilst not specifically in relation to SCF, the Council's external auditors raised concerns and a statutory recommendation in 2021

about the governance of the Council's companies and this has also been a focus in the governance review commissioned by DLUHC. The Council's Principal Lawyer has undertaken a governance review with the support of SCF and the findings are reported below.

- 2.3 Schedule 3 of the SDC sets out the annual review process that should be undertaken, of which the submission of an Annual Report is the first stage. The Council should note the progress made and consider this when agreeing the forthcoming business plan and negotiating a new contractual payment for the next financial year. It is proposed that a report on the business plan will be considered later in the year following a review by the People Scrutiny Panel and discussions between the Council and the Department for Education (DfE).
- 2.4 Due to concerns about the ongoing financial sustainability of SCF, it submitted a high level investment business plan for 2022-2029. This requires significant investment in SCF in the short term to implement a range of preventative initiatives which would deliver savings on statutory services in future years. Due to the level of investment required and the length of time it would take to deliver any savings, as well as concerns about previous initiatives not delivering the anticipated savings, the DfE commissioned Mutual Ventures to undertake a review of the investment plan and to assess its viability.

Slough Corporate Plan

- A borough for children and young people to thrive

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

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

Whilst the services are delivered by SCF in accordance with a statutory direction from the DfE, the Council is legally the commissioner of services and the sole owner of SCF. The funding for children's social care services delivered via SCF form a significant part of the Council's general fund. The Council has a duty to secure best value and to ensure that its companies remain fit for purpose in terms of delivering against the original strategic aims and that they are demonstrating delivery of value for money.

Options considered:

The SDC requires SCF to submit an annual report to the Council as part of a contractual annual review process. Whilst this is not a reserved matter that requires Cabinet approval, this is a first step in agreeing the annual business plan. As such this report has been presented to Cabinet for formal noting.

There is no legal requirement to undertake a formal governance review, however based on the concerns raised by the Council's external auditors and in the DLUHC commissioned governance review, officers have undertaken this review and have presented it to Cabinet for formal noting. The Mutual Ventures independent review should be considered as part of this wider governance review, as it will consider the viability of SCF's business plan for delivery of services in the future.

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

For the above reasons, no other options were considered appropriate at this time.

Annual Review

- 2.5 The SDC sets out the contractual arrangements between the Council and SCF and includes the process for annual review at Schedule 3.
- 2.6 Schedule 3 sets out a key component of the Council's strategic oversight and review of the SDC. The aims and objectives of the annual review are to:
- Consider the quality of practice and the outcomes for children, young people and families in the borough of Slough;
 - Facilitate the Council's quality assurance of the operation of the contractual arrangement;
 - Enable the Council to review the discharge of its statutory functions as delivered by SCF;
 - Consider whether changes are required;
 - Consider relevant factors in relation to the setting of future years' contract sums.
- 2.7 The annual review process requires SCF to prepare an annual report prior to 30 June in every contract year. This should be formally considered by the Strategic Commissioning Group. The draft of the annual report should include, as a minimum, the following:
- A summary of SCF's performance in the previous financial year.
 - A summary of the Council's performance under the SDC and any support services agreement.
 - The cost of performing the services in the preceding contract year in comparison with its budget.
 - A summary of any agreed changes.
 - A summary of the demand analysis in the preceding financial year, including any increases in demand against assumptions.
 - The expected demand for services in the two contract years immediately following the annual review.
 - The effects of any changes in children's social care legislation or guidance on the delivery of services and any actual or anticipated changes in law.
 - The strategic priorities and outcomes likely to be relevant to the commissioning in the following contract year.
 - A summary of any social, demographic or other relevant factors.
 - The results of any audits or surveys including a summary of the outcomes of any surveys of service users and relevant stakeholders and third parties in relation to the services carried out during the previous contract year.
 - The outcomes of any rectification plans

- A high-level review of central Government funding, including details of any anticipated funding directed to the services in the previous financial year and future years;
- Matters relating to the risk register.
- The outcome of any regulatory inspections.
- The proposed changes to the agreement to be considered as part of the annual review, including changes to the service specification, KPIs and financial mechanism for the following contract year.

2.8 The draft annual report was received by the Council in the form of a powerpoint presentation and a number of appendices. It contained most of the information referred to above, although not in the order set out in the SDC. The report was considered at the contractual Strategic Commissioning Group on 21 September 2022.

2.9 At the meeting, the SCG discussed the performance against KPIs, noting some deterioration, but that SCF is still compliant with the contractual obligations. Further work is to be done to review the KPIs to ensure they are correctly capturing risk. On finances, it was noted that one in-year change had been agreed and that there was a risk arising from a lack of certainty around public health grant funding and health funding.

2.10 The annual review process requires the following matters to be agreed:

- the content of the Annual Report;
- the contribution rates determined by the LGPS Fund Actuary;
- any matters arising in relation to the financial mechanism, including whether the contract sum for the forthcoming contract year remains appropriate;
- the proportionate share of any Surplus that will be allocated to each Party pursuant to the financial mechanism;
- the results of any audits carried out by the Council during the preceding contract year;
- any significant complaints made against SCF in respect of the preceding contract year;
- any serious incidents (including serious case reviews) involving SCF in the preceding contract year;
- a review of the Key Performance Indicators and the Services Specification;
- a review of the Dependencies and the Support Services;
- a review of the governance arrangements under the SDC to assess whether they continue to be appropriate and fit for purpose; and
- such other matters that the Parties may agree from time to time

2.11 The strategic commissioning group agreed the following:

- The Annual Report be noted and referred to Cabinet for formal noting.
- The Annual Report would benefit from re-ordering to follow the list set out above and should be presented in a narrative report.
- The contract sum for the next year to be considered as part of approving the business plan.
- There is no surplus and SCF is currently projecting a deficit over and above the in-year amendment to the contract sum. Details of the deficit for 2021/22 and the projected deficit for 2022/23 are contained in the financial implications section.

- Audits – SCF had presented information on its auditing of social care cases, but no information on its internal and external audits. It had been subject to two internal audits on value for money and governance. Neither report had been presented or referred to in the annual report and it was agreed that a further discussion take place to ensure the internal audit plan was appropriately focused and the findings were provided to the Council following appropriate consideration at board level. Both audit reports were presented after the meeting and were finalised in the 2022/23 period. The internal audit undertaken on governance was limited in nature and has largely been superseded by the wider governance review. The value for money audit was also limited and has largely been superseded by the more detailed analysis being undertaken by Mutual Ventures.
- Complaints – SCF was subject to 3 complaints which were upheld by the LGSCO in 2021/22, which all related to one family. The details of these have been included in a report to Audit and Corporate Governance Committee. A report on complaints data was also presented.
- Serious incidents – the Council has been notified of one serious incident. The SCG discussed any lessons learned and changes to practice. In future years the Annual Report should include details of any lessons learned and recommended changes to practice and risk procedures because of serious incidents.
- Key performance indicators and service specification – at the SCG meeting in August 2022, SCF agreed to review the KPIs to ensure they were appropriately capturing risk. There was discussion about including a KPI on caseloads. This will be discussed further and agreed at part of the contract monitoring process. There are no proposals to amend the service specification.
- Dependencies and support services – a number of concerns have been raised about support services, including ICT and accommodation arrangements. There are separate meetings and processes in place for these issues to be discussed and reported up to the SCG if a resolution cannot be reached. There are pressures being put on SCF due to delays and issues in Council services, including delays in the customer contact centre and the SEND service.
- Governance arrangements – this is subject to a separate review and was not discussed in detail. However, the SDC provides terms of reference for the strategic commissioning group setting out the membership of the group as including the lead member for children’s services. As the lead member for children’s services does not have a decision-making role in this meeting, it would be preferable for this member to be removed from the standing membership and be separately briefed by officers where necessary. It is not usual for elected members to attend contractual meetings in relation to the Council’s other contractual arrangements. This will be considered as part of the contract management processes.

Governance review

2.12 Following concerns being raised about the Council’s governance of its companies and issues with the business planning process earlier this year, the Principal Lawyer commenced a desktop governance review in May 2022. This was formally reported to the Council’s corporate leadership team (CLT) on 18 May 2022 with a recommendation that CLT officers note and agree to the contract management arrangements being simplified as set out above, note and comment on the governance review and consider next steps, request SCF to provide evidence and information to support the governance review, including flagging any information that should be kept confidential and consider the nomination of further council nominated non-executive directors.

- 2.13 A meeting took place with SCF officers on 9 June 2022 where it was agreed that SCF would support with the review and a request for information was sent on 16 June 2022 to SCF's chief executive and chairman. Documentation and information in support of the review was sent by SCF on 6 September 2022.
- 2.14 It should be noted that there has been a lot of work undertaken by SCF officers and directors, as well as by Council officers to improve both the relationship and the processes in place. In addition, SCF is continuing to improve its delivery of social care services, as evidenced by its regulatory inspections and this is testament to the hard work and commitment of SCF staff and leaders. The governance review is not intended to detract from this work. However, it is accepted by SCF and the Council that good governance is critical to delivering high quality services and more work is required to demonstrate effective governance.
- 2.15 The review is appended at Appendix 2. The findings have been shared with SCF officers and the board and the Principal Lawyer attended a board meeting to discuss these on 22 September 2022. The findings have also been shared with the DLUHC commissioners and the DfE commissioner. There are several areas of concern, which can be summarised as follows:
- Induction processes for new directors and development programme - this is not as comprehensive as it should be and could limit the effectiveness of the board to hold executive officers to account. All directors should be able to and demonstrate that they are scrutinising and monitoring financial and performance management. The submission of the first business plan for 22/23 indicated that the scrutiny of financial projections and deliverability of savings proposals was not as robust as it could be;
 - Clarity on role of Lead Member for Children's Services - the lead member for children's services is continuing to attend board meetings, but there doesn't appear to be any clarity or documentation on her role and on one document she was named as the lead on behalf of the board. As the lead member for children's services is no longer a director of SCF, her attendance at the board is as a participating observer and there should be a protocol setting out her role, including procedures in relation to confidential information and the need to withdraw from meetings when there is a conflict of interest;
 - Effectiveness of board - very little assurance data was supplied for this, including in relation to appraisal of the Chair, which is the responsibility of DfE. A formal request has been sent to the DfE for information on this process. No documentary evidence was supplied to demonstrate effective performance management information or processes for any of the executive directors, including the SCF chief executive;
 - Assessing and monitoring value for money – there was a lack of clarity on where the responsibility sits for this and how independent reviews are informing this. There is an option to set up another board committee focused on finance and business operations, which would separate out quality assurance from financial management. Whilst this model may work and it is a matter for the SCF board to determine its committee structure, there is a potential that financial management will not be considered in terms of service performance. There is a recommendation that financial implications are included on all board reports;
 - Risk management procedures – a formal review of KPIs is recommended and risks should be formally reported via the contract meetings, as at present the performance data doesn't flag the concerns, but information is presented in other forums that indicated that there are significant risks. Whilst there is a risk management policy and procedures, a review of the board papers indicates that

mitigations that are being reported to and by the board are not always accurate or mitigating the risk. This is particularly relevant in relation to financial risks;

- Delivery model - the Council should have evidence that it has reviewed the suitability of the model on a periodic basis. This is addressed by the recommendation from Cabinet in September 2022 for officers to liaise with DfE on an options appraisal.
- Business plan approval and compliance with contractual mechanisms - the latter has been improved recently and there has been training from the external lawyers who represented SCF in the contract negotiations. However, this is still an area of concern. The contract sets out a very clear annual timetable of submitting an annual report, having an annual review, submission of an annual business plan to inform setting of Contract Sum and processes for in-year changes to Contract Sum, both for invest to save and demand pressures. This is not working as anticipated and SCF need to establish a governance timescale that ensures that documents are presented, reviewed and submitted to the Council in accordance with the annual process and containing the information set out in the SDC.
- Culture and values - there is a need for more focus on governance processes and an acceptance that good governance is intrinsically linked to high quality performance. The independent non-executive directors were appointed in 2021 and have made significant progress in setting up a board structure and new committees which has improved the processes. SCF need to consider whether the right information is being supplied at the right time to the board and its committees to ensure good governance.
- Internal schemes of delegation - the financial procedure rules appear not to have been reviewed since the company's articles changed and apart from decision-making on social care matters, no internal scheme of delegation has been supplied.

2.16 The Principal Lawyer attended the board meeting on 22 September 2022. The board were thankful for the detailed review and accepted that more work is required to ensure effective governance processes are in place. Board members had had limited time to review the detail of the review, but were keen to support the high level outcomes. It was agreed that the review contained recommendations to the Board and the Council and it was a matter for the Board to determine whether recommendations to SCF were appropriate.

2.17 It is proposed that the recommendations form an action plan that is reported to the Audit and Corporate Governance Committee on a 6 monthly basis as a minimum to monitor progress.

Mutual Ventures review

2.18 SCF has developed a further high level 7 year business plan 2022-29, along with a prevention and early help (continuum of care) business case, targeted early help (abridged) business case, an edge of care (investing for outcomes) business case, a workforce (enhanced retention offer) and a draft programme plan. The business plan has been discussed at a number of meetings commencing in Spring 2022. Due to concerns about the level of investment requested and the length of time required to deliver savings, the DfE commissioned Mutual Ventures to undertake a review of the plan.

2.19 Mutual Ventures have spoken to various stakeholders to inform its review, including the current and new DfE commissioners, the DLUHC commissioners, council officers responsible for finance, commissioning and governance, SCF board members

(executive and non-executive directors). Mutual Ventures is in the process of finalising its report and it is recommended that the final report is considered by the People Scrutiny Panel as part of its review of the longer term business plan in order to make recommendations to Cabinet.

3. Implications of the Recommendation

3.1 Financial implications

- 3.1.1 The contract sum for services provided by SCF in 2022/23 agreed by Cabinet in February 2022 and approved by Council in March 2022 was £31.436m. Cabinet also approved a working capital loan of £5m in March 2021 that is due to be repaid at the end of the contract.
- 3.1.2 In September 2022 Cabinet agreed an increase in this contract sum of £0.343 to £31.779m,
- 3.1.3 SCF incurred a deficit of £1.332m in 2021/22 and are forecasting a deficit for 2022/23 of £3.890m, an accumulated deficit of £5.222m at 31 March 2023. Assuming savings planned are delivered and the current forecasts are realistic. The current projections would mean SCF would be insolvent by the year end if no additional funding is agreed with the Council or DfE.
- 3.1.4 The current draft SCF business plan is predicting a deficit of £3.4m for 2023/24, with no contribution to Council savings targets. £1.2m of this relates to an assumed reduction in DfE grant to £0.9m support for the company.
- 3.1.5 As it stands the Council cannot provide the level of support set out by SCF in future years and significant work will need to be undertaken in order to agree a contract sum for 2023/24.

3.2 Legal implications

- 3.2.1 The Secretary of State for Education has powers to issue a direction in relation to specified social services functions relating to children under s.497A of the Education Act 1996. Various directions have been issued in relation to statutory functions in Slough since 2014. The sixth statutory direction was issued in April 2021. This requires that the Council secures that prescribed children's services functions are performed by SCF and the Council jointly and other prescribed children's services functions are performed by SCF on behalf of the Council. The Council was also directed to enter into a new service agreement to implement the discharge of these functions and continue to comply with any instructions of the Secretary of State, his representatives and the Children's Services Commissioner in relation to
 - i. ensuring that the Council's children's social care functions are performed to the required standard;
 - ii. the terms of the Service Agreement that require the Secretary of State's consent or approval;
 - iii. the operation of the Direction.
- 3.2.2 The intention behind amending the Articles of Association and a new Governance Side Agreement was to change the ownership of the Company and clarify the roles

and responsibilities of the Council and the DfE, on the basis this will give the Council greater control over the strategic direction of the Company, whilst ensuring operational independence for day to day functions. The reserved matters set out in the Articles allow the Council to make certain high level decisions as opposed to leaving these matters to the Company's board of directors, however these matters are also subject to consultation and consent rights of the DfE.

3.3 Risk management implication

3.3.1 Risks

Risk	Assessment of Risk	Mitigation	Residual Risk
Children and Families at risk.	<p>Very High</p> <p>The Company has raised a serious issue that children and families will be at significant risk due to a rise in demand pressures, should solutions and mitigations not be found.</p>	<p>A Type-one in year change request has been agreed to address some of the risks raised.</p> <p>Recruit to the existing vacancies to deal with the demand and effectively assess and intervene to mitigate risk of harm to children. There has been success in terms of recruitment of foreign qualified social workers. Concerns have been raised with the DfE about the system in place in relation to agency teams of social workers, which is impacting on the ability to recruit to permanent roles.</p> <p>The DfE has commissioned a review by Mutual Ventures to consider the deliverability of the longer term business plan.</p>	High
Insolvency risk is hard to properly assess without a finalised business plan.	<p>Very High</p> <p>The Company has raised an issue in respect of its solvency.</p>	<p>The draft business plan 2022-29 is currently being reviewed by Mutual Ventures who have been appointed for this purpose. Future necessary action will be determined following the conclusion of this review.</p>	High

3.4 Environmental implications

None

3.5 Equality implications

SCF provides social care services to protect some of the most vulnerable children and supports families from a diverse background. If SCF fails to adequately deliver its services this will impact on children and working age adults with children to a greater extent than the wider population. In addition, it will negatively impact on children and parents with disabilities who are more likely to need the support of SCF. Certain ethnic groups and gender are disproportionately represented within the community supported by SCF and will therefore be disproportionately impacted by any change in the delivery of services.

3.6 Procurement implications

The services have been commissioned from SCF in accordance with a direction of the Secretary of State for Education. SCF is solely involved in delivery of children's social care services for SBC and is wholly owned by SBC, which means there is no need to competitively tender for services.

3.7 Workforce implications

None

4. Background Papers

None.