

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	20 March 2024
Subject:	Slough Children First Governance Review – Update on progress
Chief Officer:	Stephen Brown – Chief Executive
Contact Officer:	Sarah Wilson – Assistant Director Legal and Governance
Ward(s):	All
Exempt:	NO
Appendices:	Appendix 1 – SBC update on progress against SCF Governance Review – January 2024

1. Summary and Recommendations

This report sets out a summary of the progress made on actions recommended following a governance review of Slough Children First (SCF).

Recommendations:

Committee is recommended to:

- (a) Review and comment on the progress made as set out in Appendix 1.
- (b) Agree that quarterly reporting to this committee will stop in 2024/25 and review of progress will be conducted within contract monitoring meetings.

Reason:

- 1.1 Improvements in company governance are an important part of the Council's recovery plans. Issues in governance arrangements were highlighted by the external auditors in May 2021 and in the DLUHC commissioned Governance Review. The latter led to the issue of statutory directions and the appointment of commissioners to oversee progress on improvements and recovery.
- 1.2 Quarterly reporting to the Audit and Corporate Governance Committee has allowed for a transparent focus on the governance in place for SCF. Significant improvements have been made and it is proposed that review of progress can be undertaken at contract monitoring meetings, with any risks and issues included in standard reporting to this committee.

2 Alternative options considered and not recommended

- 2.1 Whilst there is no legal requirement to undertake a formal governance review, the draft best value guidance states that a characteristic of a well-functioning authority is proper member oversight of companies and partnership bodies, in accordance with the Local Partnerships Local Authority Company Review Guidance.

- 2.2 By publicly reporting on progress on the governance review recommendations, elected members have an opportunity to comment and question whether the focus is right and the pace of change is appropriate. Members can also consider the learning from this review when reviewing risks arising from other Council companies. This is the fifth update on SCF.
- 2.3 It is proposed that the formal quarterly reporting ceases for the 2024/25 municipal year to allow the committee to focus on other areas of governance. This is due to significant improvements being made and regular contract monitoring meetings being in place. These meetings happen at an operational and strategic level and an update of progress against the governance review and the Local Partnerships guidance in general will become a regular agenda item at these meetings.

Commissioner Review

The Commissioners note the progress outlined in this report.

3 Background

- 3.1 SCF became wholly owned by the Council on 1 April 2021 as a result of a change in the Articles of Association. Prior to that it was an independent trust. SCF delivers statutory children's services under a statutory direction of the Secretary of State for Education. A governance review was undertaken in the summer of 2022 and reported to Cabinet. This review was conducted using the Local Partnerships framework. Local Partnerships is an entity jointly owned by the Local Government Association, HM Treasury and the Welsh Government. Its purpose is to help public organisations manage the challenges of meeting rising demand for services with shrinking budgets. As part of this work, Local Partnerships published a Local Authority Company Review Guidance toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities. This is the framework recommended in the draft best value guidance.
- 3.2 Good governance arrangements for council owned entities should seek to achieve the following:
- The entity should have sufficient freedoms to achieve its objectives.
 - The council should have 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.
 - The entity continues to be relevant and required (in its existing form) and, if not, appropriate steps are taken (for example, amending constitutional documents or changing form or terminating the vehicle).
- 3.3 SCF exists and is governed under statutory direction of the DfE and there is an appointed DfE commissioner. There is therefore a parallel governance process to review the services delivered against the Ofsted framework. The DfE conduct regular progress reviews with the last one taking place in November 2023 and reporting to the Council in January 2024. This review noted the fundamental difference under the current leadership compared to previous ones in terms of partnership working, strategic commitment to improving children's welfare and grip on practice improvement. The culture and relationship between the Council and SCF is described as one of commitment to their shared duties.

- 3.4 The existence of a separate company and the Council being under the intervention of two separate Government departments brings complexity. However it is important to focus on the distinct purpose of each stakeholder and ensure that these add value and constructive challenge to secure service improvements and achieve best value. Progress has been made with defining the role of the distinct member bodies, with this committee focusing on risks and seeking assurance on governance, Cabinet focused on business planning, service improvement and financial sustainability and the Corporate Improvement Scrutiny Committee considering a focused piece of work on practice improvement. For the latter, the Chair has invited the DfE commissioner to meet him and the committee has considered the recently published CfGS guidance on the role of scrutiny in authorities under intervention and with an appointed DfE commissioner. There are plans in place for a new task and finish group focused on engagement with community and faith groups, which the DfE commissioner is supportive of.
- 3.5 An update on recommended actions against the Governance Review is attached at Appendix 1. This is reporting against the original Governance Review which was appended to the Cabinet report in October 2022. The table below shows the split of RAG rated actions:

	Red	Amber	Green
September 2022	11	21	14
November 2022	8 ↓	21 =	16 ↑
February 2023	5 ↓	23 ↑	18 ↑
June 2023	2 ↓	16 ↓	27 ↑
September 2023	2 =	21 ↑	23 ↓
January 2024	2 =	16 ↓	28 ↑

- 3.6 The two areas RAG rated red relate to external and internal audit. Several areas have moved from Amber to Green, whilst others remain Amber but progress has been made. The update relates to progress up to the end of January 2024 and more recent meetings have shown further progress in specific areas.
- 3.7 There are now regular contract monitoring meetings in place and these are agenda'ed and minuted. In the most recent contract monitoring meetings, there was good evidence of SCF officers having a better understanding of the contractual requirements and some high quality reports showing performance against the new contractual indicators. This is a significant improvement as in the past the meetings have sometimes been overly led by Council officers. It is critical that a continued focus and resource is provided to report appropriately to these meetings to avoid governance progress slipping back and that future reporting provides outcomes based evidence to demonstrate impact. This is important not least because the DfE has confirmed that the structure of a separate company should be recognised as the ongoing structure for improvement throughout the duration of the intervention.
- 3.8 Whilst there is still progress to be made in specific areas, the system of regular meetings and the existence of a formal framework to test progress against has resulted in a recommendation that ongoing review moves to business as usual as opposed to requiring stand alone reporting. This is testament to the work of SCF executive leadership team, the Council and independent NEDs and the Chair of the

Board. The SBC Assistant Director of Legal and Governance, who acts as the member representative (equivalent of a shareholder representative), has regular meetings with individual board members and there is a clear focus on ensuring systems are in place and governance is given appropriate priority, with an understanding that this is directly linked to service improvement and should not be seen as an unnecessary bureaucracy. Plans are in place for the board to work more closely with CLT and Cabinet members to continue the shared focus on improvement in children's services and a wider focus on children's welfare and outcomes.

4. Implications of the Recommendation

4.1 *Financial implications*

The agreed contract sum for SCF in 2023/24 was £36.067m, but was increased to £40.513m in September 2023. The forecast outturn for SCF is that it will balance its budget. The contract sum for 2024/25 was agreed at Council as part of the wider budget setting and is £39.044m. There are further planned reductions in the medium-term financial plan.

4.2 *Legal implications*

4.2.1 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 seventh statutory direction was issued in August 2023. The effect of the direction is that prescribed children's services functions must be performed by SCF and the Council jointly and other prescribed children's services functions are performed by SCF on behalf of the Council.

4.2.3 The governance arrangements for SCF are complex, with the services being under the statutory intervention of the DfE and an appointed DfE Commissioner overseeing this. The revised direction make clear the interplay between the DfE and DLUHC interventions, requiring the DfE Commissioner to work in partnership with the DLUHC Commissioners to contribute to the work to rebuild the finance and governance capacity of the Council and secure compliance with the best value duty and to report to the DfE on progress and recommendations on any future operating model taking into account the work of the DLUHC Commissioners. The DLUHC Commissioners have a role in supporting the Council to achieve financial sustainability and to ensure the Council's governance of its companies is adequate. As a separate legal entity, SCF is managed by a board of directors comprising executive and non-executive directors. The board collectively and individually have legal responsibilities. The Council as sole owner of SCF also has a role in ensuring it is well run and that services delivered are effective and efficient. Finally services for children and young people are delivered by a range of partnerships and both SCF and the Council are part of a wider partnership, including statutory partnership boards such as the health and wellbeing board and children's safeguarding partnership.

4.2.4 Local authorities have a best value duty under the Local Government Act 1999. The draft best value guidance states that local authorities have a complex set of legal responsibilities and inherent levels of risk which need to be managed, but all should strive for excellence to be able to demonstrate continuous improvement.

4.3 *Risk management implications*

4.3.1 The risks of failure of a company delivering statutory children's services are high and must be carefully managed. If appropriate funding is not provided, SCF will not be able to deliver effective services and this will put children and families at risk of harm. Good governance is intrinsically linked to high performance, a positive organisational culture and effective risk management. It is important to ensure that this is given an appropriate focus both within SCF and by the Council.

4.4 *Environmental implications*

4.4.1 None

4.5 *Equality implications*

4.5.1 SCF provides social care services to protect some of Slough's most vulnerable children and to support 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.

4.6 *Corporate parenting implications*

4.6.1 The Council, and by implication SCF, has duties under the Children and Social Work Act 2017 in relation to children who are looked after and care experienced young people. This duty requires the Council to have regard to the need to:

- (a) act in the best interests, and promote the physical and mental health and well-being, of those children and young people;
- (b) to encourage those children and young people to express their views, wishes and feelings;
- (c) to take into account the views, wishes and feelings of those children and young people;
- (d) to help those children and young people gain access to, and make the best use of, services provided by the local authority and its relevant partners;
- (e) to promote high aspirations, and seek to secure the best outcomes, for those children and young people;
- (f) for those children and young people to be safe, and for stability in their home lives, relationships and education or work;
- (g) to prepare those children and young people for adulthood and independent living.

One of the reasons for requiring the contractual KPIs to be reviewed and updated is to ensure there is a focus on children and young people participating in decisions which affect this. This is not limited to operational and individual case work decisions, but to decisions at a strategic level. This will allow strategic leaders and in particular elected members on different council bodies to understand the impact of their decisions on this group.

5. Background Papers None.