

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	20 March 2024
<b>Subject:</b>	Update on Annual Governance Statement and Code for Corporate Governance
<b>Chief Officer:</b>	Stephen Brown – Chief Executive Adele Taylor – Executive Director Finance and Commercial Stephen Taylor – Monitoring Officer
<b>Contact Officer:</b>	Sarah Wilson – Assistant Director – Legal and Governance
<b>Ward(s):</b>	All
<b>Exempt:</b>	No
<b>Appendices:</b>	Appendix 1 – Draft Code for Corporate Governance

### 1. Summary and Recommendations

- 1.1 This report provides an update on progress against the Action Plan in the Annual Governance Statement 2022/23 (AGS), the process for preparing the Annual Governance Statement for 2023/24 and an update on preparation of a new Code for Corporate Governance.

#### Recommendations:

Committee is recommended to:

- (a) Review and comment on the progress made against the actions contained in the Annual Governance Statement 2022/23.
- (b) Note the process for preparing the Annual Governance Statement for 2023/24.
- (c) Note and comment on the draft Code for Corporate Governance at Appendix 1.

#### Reason:

Good corporate governance is an essential in any organisation, but in particular in public sector bodies. Significant governance failings attract huge attention and inevitably lead to expense being required to correct the failings. Local authorities are complex organisations and vitally important to taxpayers and service users. It is necessary to have in place effective systems, people and culture to meet the highest standards and ensure that governance is sound and seen to be sound.

The Council has a Policy Statement for Corporate Governance and published its 2022/23 Annual Governance Statement (AGS) last year having been considered by this committee at its July 2023 meeting. It has kept the action plan under review. As part of the constitutional review, the Council's Policy Statement for Corporate Governance has been

reviewed and a new draft Code for Corporate Governance appended for consideration by the Committee. Members are also updated about the process in place for preparing the AGS for 2023/24.

## **Commissioner Review**

The Commissioners note the report, which should be considered in the context of the Department for Education and Department for Levelling Up, Housing and Communities Commissioners latest reports and / or the associated ministerial responses.

## **2. Report**

### **Introductory paragraph**

2.1 Slough Borough Council is responsible for ensuring that its operations are conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To achieve this the Council should ensure its governance framework supports a culture of transparent decision making.

### **Options considered**

- 1. Conduct a formal review of the current Policy Statement on Corporate Governance and prepare the 2023/24 AGS**– this is the **recommended option**. The policy statement was last updated in 2021. This was the first time it has been prepared against the CIPFA/SOLACE Delivering Good Governance Framework (the Framework). It is proposed to update this to a formal Code of Corporate Governance, including clearer statements of commitment. The AGS is based on the same framework, containing an assessment on governance during the current financial year, as well as updating the Action Plan from the AGS 2022/23.
- 2. Not update the Policy Statement for Corporate Governance** – The current Policy Statement is based on the 2016 Framework, however many of the documents referred to have been updated and new structures are in place. Whilst documents and systems alone do not demonstrate good governance, undertaking a regular review allows officers and members to test the measures in place and learn from best practice and failings elsewhere. This is **not recommended**.

### **Background**

2.2 The Council's Policy Statement on Corporate Governance was approved following review by this Committee in September 2021. By having a publicly available statement, the Council is committing to regularly reviewing its procedures, analysing its performance and recommending improvements in an open and transparent manner. The AGS provides an annual review of governance against the standards set out in the policy statement.

2.3 The Framework emphasises that leaders and chief executives should keep their governance arrangements up to date and relevant. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach, but each authority is responsible for developing and shaping its own approach to governance, taking account of the environment in which it operates. The aim of the review should be to ensure that resources are directed in accordance with agreed policy and accounting to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communicates.

## **The Code of Corporate Governance**

2.4 It is recommended that the Council updates its policy statement into a Code of Corporate Governance and that this contains positive commitments for officers and members against each of the principles and sub-principles in the Framework. To ensure ownership and input from a wide range of stakeholders, it is proposed to consult the following individuals and groups to inform the Code to be presented to Full Council:

- (a) The Leader and Cabinet via an informal meeting;
- (b) All elected members via a member briefing;
- (c) CLT officers;
- (d) Directorate management teams;
- (e) Staff networks;
- (f) Corporate governance officer group;
- (g) The DLUHC and DfE Commissioners
- (h) Key statutory partners

2.5 The Framework recommends that authorities test their governance structures and partnerships against the principles contained in the Framework by:

- (a) Reviewing existing governance arrangements;
- (b) Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness;
- (c) Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

2.6 The term “local code” essentially refers to the governance structures in place as there is an expectation that a formally set out local structure should exist, although in practice this may consist of several local codes or documents. Any local code should demonstrate that the governance structures comply with the principles and sub-principles in the Framework.

2.7 As emphasised in the Framework and CIPFA and Centre for Governance and Scrutiny (CfGS) guidance, good governance cannot be achieved or demonstrated by rules and procedures alone. Shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance. The current Policy Statement duplicates the wording of the CIPFA/SOLACE framework against each of the principles and sub-principles. It is proposed to change this to a series of first person statements at the beginning of each section and positive commitments for officers and members under the behaviours for each principle. This replicates the approach in the Code of Conduct for Members. This provides a strong demonstration by members and officers of their collective commitment to governance and can be utilised as a tool for the public to hold the Council to account.

2.8 Once feedback has been obtained as set out in paragraph 2.4, the draft Code will be reviewed by the Member Panel on the Constitution and recommended to Council for approval. It is proposed that this will be presented to the Annual Council meeting in May 2024.

## **Process for preparing AGS 2023/24**

2.9 The 2023/24 AGS is in draft and has been discussed at CLT, with an expectation that each Executive Director will conduct a review against the CIPFA / SOLACE framework. External reviews and reports are being reported alongside significant internal audit reports to inform the assessment. The timeline is based on a report being presented to this committee in July 2023.

### **Update on progress against the AGS 2022/23**

2.10 The AGS 2022/23 was prepared in accordance with proper practices and the Council has followed the CIPFA/SOLACE Delivering Good Governance framework. The AGS 2022/23 contained a list of issues identified for specific action and progress against these is set out below, together with a comment on whether the issue should remain an action for the AGS 2023/24.

### **Council Plan and compliance with DLUHC statutory direction**

2.11 The Council approved a new Corporate Plan at Full Council in September 2023. It has also published its improvement and recovery plans and progress against the directions. The Council's Corporate Improvement Scrutiny Committee has received several reports on specific directions.

2.12 Notwithstanding the progress, it is accepted that the pace of change for some areas has been slower than others. Council officers and Cabinet members are working closely with commissioners to update the approach to improvement and recovery and this is likely to include increased transformation capacity.

2.13 It is recommended that the AGS 2023/24 has actions focused on specific areas of recovery, as opposed to a single action on the Council Plan and statutory direction. This will allow the Council to show ownership of its recovery plans, some of which may be in areas not covered by the directions.

### **Children's Social Care**

2.14 The Council's Corporate Plan places a renewed focus on children and young people. The Council has also approved several refreshed strategies and plans and this is an important first step. The Council has set new contractual performance indicators and agreed an increased contract sum. The expectation is that this will ensure focus on enhanced partnership working, early help and support to families to better manage risks.

2.15 This committee has received regular reports on the progress made against the governance review of SCF and this has shown steady progress. It is recommended that the existing recovery board and internal governance boards are sufficient to drive progress and it is no longer required to include this area as a stand alone action in the AGS.

### **SEND Services**

2.16 Since approval of the AGS, the Council has been informed it is under formal statutory intervention of the Department for Education (DfE) due to a lack of progress against its Written Statement of Action. In September, Cabinet approved a SEND improvement action plan. A further update is due to be reported to Cabinet in March. There are some early indicators of improvements, but it is fair to say this is from a low base.

2.17 The Corporate Improvement Scrutiny Committee received an update on SEND in February 2024 to inform its work programme. The Council needs to remain vigilant to any risk of over-spending in the Dedicated Schools Grant and this is being closely monitored by the DfE under the Safety Valve Programme.

**2.18 It is recommended that SEND services remain as an action in the 2023/24 AGS.**

## **Financial management / sustainability**

2.19 Officers have changed the reporting format for budget and financial reporting to members. In December 2023, Cabinet received a draft budget. Financial sustainability is still a significant risk and DLUHC has provided the Council with the ability to increase its council tax above the referendum limit applying to most other councils. The Council is still heavily reliant on a capitalisation directive and there were significant overspends in the 2023/24 budget.

2.20 The Corporate Improvement Scrutiny Committee has received reports and held briefing sessions to ensure a more robust review of the budget proposals. It remains important for the scrutiny work programme to focus on financial sustainability throughout the year and when reviewing service provision.

2.21 Permanent appointments have been made in the finance team to assist the Council to produce a medium-term financial model, however there is still reliance on interims in some areas and challenges in recruiting and retaining staff with the capacity and capability to take on the significant challenges arising from historic issues. Capacity and capability were key issues highlighted by Grant Thornton in a review of issues leading to delay and disclaimer of opinion for the 2018/19 accounts.

2.22 Financial sustainability remains one of the Council's most significant risks and the governance issues relating to this are multi-faceted and cross over into other actions. For example, budget pressures have related to housing and adult social care pressures and issues with accounting for capital receipts relating to record keeping and understanding of accounting requirements within the HRA.

**2.23 It is recommended that an overarching action around strengthening the Council's financial management, reporting and long-term sustainability is carried over into the 2023/24 AGS.**

## **Asset Disposal Project**

2.24 An update on the asset disposal programme was presented to Cabinet in September 2023. This included approval of a refreshed strategy. The Council has also commenced work on an estates strategy, although it is some way off having a comprehensive strategy. Issues have arisen in relation to accounting treatments and records for assets held in the HRA.

2.25 The Council needs to have a comprehensive strategy and programme in relation to the use of its physical assets to ensure they support service delivery and represent best value. When making decisions on operational assets, there will be a need to have an effective community engagement approach and to consider the role that physical assets play in supporting the voluntary and community sector to support local residents. The CISC has received an informal briefing on asset disposals to allow it to consider whether it wants to add an aspect of this to its 2024/25 work programme.

**2.26 It is recommended that an action on use of land assets or estates strategy appears on the 2023/24 AGS.**

## **Closing of statement of accounts**

2.27 There is still a considerable amount of work to be undertaken both by officers and external auditors in relation to closure of previous years' statement of accounts. The latest position is subject to national guidance being issued around catch up arrangements for outstanding external audits across the country. External audit, the finance team and the DLUHC commissioners meet on a monthly basis to discuss financial governance and an

update on the progress of how the national guidance will affect external audit work of the statement of accounts.

- 2018/19 Accounts awaiting final sign-off from the auditors, Grant Thornton.
- 2019/20 Accounts prepared and sent to external audit.
- 2020/21 Accounts partially prepared but yet to be fully completed, in light of 2019/20 waiting audit.
- 2021/22 to be completed (work has started).
- 2022/23 to be completed (work has started).

2.28 In addition to the local issues with closure of accounts, there is a national issue with delays. This may result in the unprecedented step of multiple years of accounts being signed off with limited audit to enable focus on more recent years.

2.29 The Committee received a report from Grant Thornton at its January 2024 meeting. This highlighted some of the contributing factors to the issues in auditing the 2018/19 accounts. There is concern that if historic accounts are not audited in depth, local taxpayers and residents will have no assurance as to how funds have been utilised and accounted for, that the current arrangements are in good order and can be relied upon to achieve better outcomes.

2.30 Consultation on the national process for catching up on Statement of Accounts has been issued. A briefing paper and recommendation on the timeline for completing all outstanding accounts will be considered by this committee in March.

**2.31 For this reason, it is recommended that this action remains on the 2023/24 AGS.**

### **Housing Management**

2.32 Cabinet received a report on the housing service improvement plan proposals in September 2023. It was agreed that 6 monthly updates would be received against progress. On implementation of the housing software system, a phased plan has been put in place with costs identified to complete all work in the first quarter of 2024. In relation to strategies, a new tenant and resident engagement strategy was approved in December 2023 and the HRA 30 year business plan was approved as part of annual budget setting.

2.33 Whilst there are still significant concerns around housing management, there are plans in place to re-commission repairs, maintenance and investment services, a new tenant and leaseholder board and a reduction in the number of complaints being referred to the LGSCO. For this reason it is not proposed to roll over this action to next year.

### **Company governance arrangements**

2.34 The Council has four controlled companies: Slough Children First Ltd (SCF), James Elliman Homes Ltd (JEH), Development Initiative for Housing Slough Ltd (DISH) and Ground Rent Estates 5 Ltd (GRE5). Reports have been presented to Cabinet on SCF and GRE5 and these companies have had reviews of the board composition and skills, with replacements being made to fit the needs of the entity at a particular point in time.

2.35 Less formal reporting and progress has been made in relation to JEH and DISH, although a new director appointment has been made and reports are planned for Cabinet in March. This is despite statutory recommendations from the Council's external auditors in 2021. Further work is needed on ensuring the governance arrangements in place are suitable and effective and where appropriate, to identify appropriate exit strategies.

2.36 The draft best value guidance states that a characteristic of a well-functioning authority is to ensure proper member oversight (as shareholder) of companies and partnership bodies, in accordance with the Local Partnerships Local Authority Company Review Guidance and that their existence is regularly and independently reviewed. The Local Partnerships framework has been utilised for the governance review of SCF, as the Council's most significant company, and update reports have been brought to this committee on a quarterly basis. In addition, Local Partnerships were commissioned to undertake a review of JEH.

### **2.37 Company governance should remain a feature of the action plan in the AGS 2023/24.**

#### **Supporting new and inexperienced members**

2.38 A report was presented to the Standards Committee in October 2023 updating members on the member induction and development programme and member survey.

2.39 Details of third party training and development opportunities are publicised through the weekly member bulletin. This includes training offered by the Local Government Association and other bodies, plus training provided by council officers. The CfGS ran a scrutiny induction programme over several sessions, funded by the LGA, which included work programming support for the scrutiny committee, finance scrutiny training, and sessions for cabinet members and officers. Council officers co-presented throughout. Since then the CfGS have conducted a follow up review of progress.

2.40 Officers encouraged members to give feedback on induction and support, including via a member survey in November 2023. This has been used to inform the next update of the member development programme. Opportunities are being sought for members to learn from peers at other local authorities. For example, the Chairs of Audit and Corporate Governance Committee and Chair of Corporate Improvement Scrutiny Committee both have experienced politicians from other authorities as peer mentors and these mentors have attended and viewed the chairing skills in meetings.

2.41 It is recommended that this action is not rolled over to next year.

#### **Organisation and culture**

2.42 Full Council approved a new chief officer structure and a new director tier in September 2023. The new structure is being implemented with the majority of director posts now appointed to, although there have since been resignations leading to further roles to recruit to.

2.43 Governance learning sessions are run on a weekly basis for senior leaders, alongside governance being covered in the corporate induction. Newly appointed directors and heads of service will attend these, alongside other induction programme activity.

2.44 Regular staff engagement sessions, including in person roadshows, have been rolled out alongside enhanced internal communications. Staff networks, representing staff with specific protected characteristics, are being utilised to inform policy and the proposed new equality objectives include two focused on a diverse workforce. A performance appraisal system is in place.

2.45 Concerns have been raised by the DLUHC commissioners about the lack of progress on a future operating model and culture change. This links to the need to increase the pace of transformation work in some areas.

## **2.46 It is recommended that this area remains a focus on the AGS 2023/24.**

### **Resident engagement**

2.47 The Council's Corporate Plan was approved in September and included a resident focused approach, which commits to ensuring residents are consulted on key decisions, improving response times and customer service and making it easier for residents to access advice and information.

2.48 As evidence of improved engagement, the Council consulted on its corporate plan. A new tenant and resident engagement strategy for housing services was approved in 2023. The Council's adult social care directorate have presented a number of strategies to Cabinet for approval, following a co-design approach. Finally, Cabinet approved a Children and Young People's Participation Strategy in November 2023.

2.49 The Council utilises complaints data as a useful source of learning. This includes the corporate leadership team receiving quarterly updates on complaints data and the Audit and Corporate Governance Committee receiving an annual report, which includes statutory and corporate complaints data, themes and learning as well as information about ombudsman complaints. The complaints process was subject to a scrutiny task and finish group review, which reported in early 2023. This resulted in changes being made to the process to make it more effective and accessible to residents and service users.

2.50 The Corporate Improvement Scrutiny Committee is undertaking a task and finish group on resident engagement and its outcomes have yet to be reported. However CISC members have regularly raised concerns about the views and impact on residents not being highlighted in reports. The DLUHC commissioners have noted that whilst the LGA undertook a resident satisfaction survey, there is limited evidence of a proactive and systematic resident engagement approach.

## **2.51 It is recommended that resident engagement remains an action for improvement in the AGS 2023/24.**

### **Performance and risk management**

2.52 The Council's risk management strategy has been reviewed and this committee will have an opportunity to comment on it before it is referred to Cabinet for approval. The Council is also procuring a system which will make it easier to capture and analyse risk across the organisation. However there is still a lack of consistency in how risk is identified, assessed and mitigated.

2.53 The Council has reviewed its performance reporting and is now presenting quarterly public updates to Cabinet. It was agreed that this should be reported to Full Council twice a year and scrutiny and audit committee members will have access to performance data to assist with their work programming.

2.54 Further work is being undertaken to ensure the performance measures are appropriate and members are likely to see this evolve over time. This includes ensuring that measures are appropriately outcome focused and frequently interrogated at an officer and member level.

## **2.55 It is recommended that an action on the internal control system, including internal audit and risk management, is included in the AGS 2023/24.**

### **3. Implications of the Recommendation**

#### *3.1 Financial implications*

3.1.1 There are no direct financial implications resulting from this report. However, a failure to respond to actions in the AGS is likely to result in a failure of financial governance and a risk that the Council makes decisions that are not in its financial interests.

#### *3.2 Legal implications*

3.2.1 There is a legal requirement to prepare an AGS, however there is no requirement to provide a quarterly update on progress against the action plan.

3.2.2 The Council has a best value duty under the Local Government Act 1999 and this includes making arrangements to secure continuous improvement in the way in which its functions are exercised. The draft best value guidance states that authorities should be transparent in their AGS about how they are delivering improvements over time against any recommendations, including those made by external parties. A characteristic of a well-functioning authority is one whose AGS is prepared in accordance with the CIPFA / SOLACE Good Governance Framework, is the culmination of a meaningful review designed to stress test both the governance framework and the health of the control environment.

#### *3.3 Risk management implications*

3.3.1 The AGS is a statutory document. Failure to respond to the action plan could increase the risk of financial exposure as a result of poor decision-making and lack of action to make improvements. The quarterly review allows members to question officers on progress and to consider whether focus and resource should be allocated differently. The Committee is permitted to report to other member bodies if it is concerned about lack of progress.

3.3.2 Several of the matters highlighted in the action plan also appear on the Council's corporate risk register. Members should review this document to establish whether appropriate mitigations are in place.

#### *3.4 Environmental implications*

3.4.1 There are no environmental implications as a result of this report.

#### *3.5 Equality implications*

3.5.1 Improvement in the control environment will ensure that decisions are informed by evidence. This should include information on impact on residents and service users with protected characteristics. One of the actions relates to resident engagement and progress includes engagement on equality objectives and updates on engagement activities and strategies with key groups, including older persons, carers, people with learning disabilities, children and young people and housing tenants.

### **4. Background Papers**

None