Governance Review

Slough Borough Council

for the Secretary of State

Reviewer

Jim Taylor

September 2021

Contents

1. Executive Summary

1.1 It has only just become apparent that Slough Borough Council has been failing its Best Value duty under the Local Government Act 1999. The roots of the failure go back to 2011 and an OFSTED judgement on their Children's Services. There have been concerted efforts from the council very recently, but this has not been sufficient. It is unable to resolve the difficulties on its own. The Secretary of State is advised to consider intervening to support the significant rapid change that is required in the Council. The improvement journey will require external validation of recommendations in this report and those contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) report.

1.2 In 2011 Slough Children's Services received an inadequate rating from OFSTED. In November 2013, following a further OFSTED inspection, from February 2014 the council was subject to intervention from the Department for Education. There were 'serious systematic failures' and 'longstanding and serious concerns about the leadership, management, and governance of Children's Services in Slough'. Slough Children's Services Trust was subsequently established. An OFSTED inspection of November 2015, published in February 2016, again found Children's Services to be inadequate. It was only in 2019 that the OFSTED inspection rating began to improve to 'requires improvement to be good'.

1.3 Such a failure in children's services, over this length of time, reflects on whole council leadership. For a failing children's services department to achieve success within a council, all council services must be marshalled together to help with the improvement. The fact that it took so long to demonstrate any significant improvement indicates that the council has been unable to improve a statutory service at the pace required.

1.4 During the period of 2015 to 2017 the council experienced changes in political and officer leadership that was high profile and damaging. This impacted on service continuity and the continuous improvement of the council. Relationships between officers and members was poor at that time.

1.5 In 2016, the Minimum Revenue Provision (MRP) of the council was changed in line with existing guidance on MRP at the time. MRP is complex, but essentially it is the amount set aside by a council to repay its debt. There is currently no clear understanding in the council as to why the MRP had changed. It is possible that the council wanted to reduce payments on debt to avoid making difficult decisions to cut to services. This was also the time when an investment strategy was pursued by the council to produce an income stream, again, to possibly avoid difficult decisions on cuts to services.

1.6 Many councils have 'reformed' most services during the period of austerity. Slough still operates ten children's centres for a population of 149 000, generally providing a universal offer, which has not proven to reduce demand in children's services. A weekly residual refuse collection remains in place and Slough had the lowest amount of household waste sent for recycling of all English unitary authorities in 2019/20. Added to this, there is also no integrated team for children with disabilities and no significant pooled budget arrangements for them.

1.7 The current position of the council outlined in this report bears the legacy of some of these longstanding problems. Nevertheless, from 2018 to present, opportunities have been missed to rigorously examine and modify recent expenditure and to significantly improve governance to mitigate the current situation now facing the council. This situation is material to the Best Value Duty and the requirement set out in the Local Government Act 1999 to "secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.'

1.8 At the time of this review, the Council's financial accounts for 2018-19 had not been completed and signed off by external auditors. The Council has yet to prepare financial accounts for 2019-20 and 2020-21. The auditors identified substantial weaknesses in the arrangements for preparing accounts and the financial information contained within them. This has resulted in Grant Thornton issuing four Section 24 statutory recommendations concerning the Council's arrangements for financial reporting and the management of its reserves. This was followed by two further Section 24 statutory recommendations in July 2021, due to inadequate arrangements in financial management and the capacity of the Council to manage its finances.

1.9 On 2nd July 2021, the new section 151 officer issued a section 114 notice for Slough Borough Council on the basis that it could not meet its immediate liabilities. Outstanding past liabilities of approximately £52.8m exceed the usable reserves available to Slough Council. If the use of capital receipts to offset MRP was known at that time, the Council would have had difficulty in setting a legal budget in the three financial years of 2019-20, 2020-21 and 2021-22.

1.10 Slough BC has the third highest level of borrowing per head for English unitary councils. In March 2017 the capital borrowing stood at £238m it is now £760m. Considering this significant increase in borrowing, a satisfactory answer was never sought by the senior team or senior members, as to how much the debt was costing the council's budget on an annual basis. It has not been clear how capital projects have been prioritised or where the decision making lay.

1.11 Slough BC's initial request to DLUHC for capitalisation of £17.7m will probably increase to over £200m by the final request. The council now faces an unprecedented challenge and will need to make revenue savings of £20m per year for three years, as opposed to an average amount currently saved of £7m per year. The council will also need to sell more than £400m of its assets to pay off debt and to repay any capitalisation granted. CIPFA state that there is no guarantee that the council will be able to balance the budget in the period of the Medium-Term Financial Strategy.

1.12 Currently the council structure has approximately 300 agency staff, many in critical areas such as social work and there are approximately 300 substantive vacancies. The council staffing structure is not mature enough nor adequate to deliver at pace on the significant challenge facing the council and it is acknowledged by the council that the structure will require a reset.

1.13 The Senior Management Team is in transition. There is one colleague on a short, fixed term contract; a critical postholder with a weeks' notice and a colleague leaving to shortly take up a post in another council. The post of Director of Children's services is vacant, presently covered by an interim. There are two substantive Executive Directors, one has no prior experience of the area he is managing. The other Executive Director is an experienced People Director and the new Monitoring Officer takes up post in October 2021. There are other interim posts at senior and critical service level.

1.14 Some internal council processes are inadequate across a range of functions. Following a recent restructure, council processes are being redevised, but progress on this is limited. The council has not yet made enough impact on the actions from external and internal reports to develop a mature robust governance system to help them rectify this serious situation. The council has not prepared an annual governance statement for 2020/21 which is a statutory requirement.

1.15 There has been recent encouraging progress in Children's Services through Slough Children First with the appointment of a new chair. However, significant challenges remain with two thirds of the social care workforce interim and with the dedicated schools grant (including the high needs block) a projected deficit of £28m by the end of 2024/25. Adult Social Care appears to be running well. Some corporate functions such as IT, democratic services and the revenue and benefits service are not effective.

1.16 It is important to note that Slough Borough Council has many hardworking, dedicated staff (including in IT, democratic services and revenue and benefits) delivering vital services for residents and the problems Slough faces should not be attributed to them.

1.17 The new section 151 officer and his team have inherited poor corporate financial governance but have made good progress since their recent arrival. Significant risks remain with the number of financial interim staff and a lack of clarity around delegated powers.

1.18 Even in the best performing local authority errors will occur and failures of policy or practice may happen, one instance solely would not automatically mean a failure to comply with the best value duty.

1.19 Issuing a section 114 notice and receiving statutory recommendations from external auditors at the same time are very rare in local government and are in themselves, signals of systemic failure. Neither can happen because of a single isolated event; they develop over years of inadequate corporate governance and action. Further information in this report indicates sustained and systematic failure across some functional processes, governance and certain services. When all the evidence available is considered, the overall judgement demonstrates a failure to comply with the Best Value Duty.

2. Introduction

2.1 The Secretary of State commissioned an assurance review to provide a comprehensive assessment of Slough Borough Council's financial position and the strength of its wider governance arrangements. He appointed Jim Taylor to lead the overall governance review and the Chartered Institute of Public Finance Accountancy (CIPFA) to undertake the financial element of the assurance review. This work ran concurrently.

2.2 The findings of the review would inform any amount of capitalisation to be agreed for 2021/2022 and any potential conditions to be attached.

2.3 The Secretary of State provided the following Terms of Reference in relation to the undertaking of the governance review, following consideration of themes which are aligned with the Best Value duty:

- Governance, *for example, a sense of strategic vision and direction, adequate structure and internal processes; key senior posts filled with permanent appointments;*
- Culture and leadership, *for example, positive and open relationships between councillors and officers, and openness to challenge;*
- Financial governance, *for example, the extent to which poor financial management has been caused by weak decision making, scrutiny of financial decisions and governance arrangements including for commercial investments;*
- Services, *for example, whether governance weaknesses have impacted upon the effectiveness and/or efficiency of service delivery;* and
- Capacity and/or capability to improve, *for example, acknowledging problems and engaging with sector support; evidence that attempts at improvement (possibly with sector support) have been effective.*

2.4 In addition, specific areas to examine were identified in relation to the Council's governance and its capability and capacity to improve at pace:

- Does the council have the right governance procedures in place and whether the council has the necessary capability and capacity to make the necessary transformation?
- Assess the council's progress against delivering on its internal governance plan to ensure that significant governance concerns raised are being addressed effectively and at pace.
- Determine whether the council has taken adequate steps to understand the extent to which issues stretch beyond financial management as well as weaknesses in governance and financial oversight have contributed to the council's financial issues.

3. Context

3.1 Slough is predominantly an urban area situated in east Berkshire, 25 miles to the west of central London. Slough covers an area of 12.5 square miles and is, geographically, the third smallest English unitary authority.

3.2 Slough is home to over 149,000 people and is one of the most diverse places in the country, approximately 120 different languages are spoken in Slough's schools.

3.3 Levels of deprivation across Slough are mixed, with the highest deprivation in the North West of the borough and most notable levels of deprivation in terms of housing and access to services. Overall, qualifications within the borough are relatively low, while unemployment across the borough is well above both the regional and national average. Overall Council spending is low compared to similar unitary authorities.

3.4 Slough is well served by various transport routes, sitting at the junction of the M4, M40 and M25 motorways, situated on the Great Western Main Line and Slough to Windsor & Eton Line railways and close to Heathrow airport. The Elizabeth Line (Crossrail) will also soon allow faster journeys to central London.

3.5 In response to a direction from the Secretary of State for Education, the Council established Slough Children's Services Trust in October 2015 to deliver elements of children's services, principally, children's social care. Services for Education and Early Help for example, remained in the council. In April 2021, the Trust was replaced by a company limited by guarantee by the Council, Slough Children First.

3.6 The council's vision is for Slough is to continue growing as a place of opportunity and ambition and is this is captured in both The Five-Year Plan and the 2040 Vision. The Five-Year plan sets out priority outcomes for the borough to build on its strengths and tackle challenges, to maintain the town as a place where people choose to live, visit, work and stay.

3.7 Slough Borough Council (SBC) has been in dialogue with DLUHC since December 2020 to seek exceptional financial support. DLUHC had approved in principle a capitalisation directive of up to £15.2m to meet demands of the 2021-22 budget, subject to this independent review. The request did not include meeting any past liabilities.

3.8 On 2nd July 2021, the new chief financial officer (section 151 officer) issued a section 114 notice for Slough Borough Council on the basis that it could not meet its immediate liabilities. He identified potential liabilities of £174m up to the end of 2024/25

3.9 A section 114 notice is issued when the chief finance officer of a council determines that the expenditure of the authority (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

4. Governance

Sense of strategic vision and direction

4.1 As a result of the current financial situation in Slough, it is difficult to determine to what extent the 2040 vision will now be superseded by the impact of the s.114 notice. The vision is at risk and will require extensive review in the light of the acute financial challenge that Slough is facing.

4.2 In response to a Local Government Association (LGA) Corporate Peer Challenge of Slough council in February 2019, a Slough 2040 vision document has been produced and partnerships are universally reported to be strong.

4.3 The Slough 2040 Vision outlines the ambitions for the future of Slough. This vision was created by engaging with the local people of Slough, residents, elected councillors, and the organisations that serve the people of the town.

Is the council structure adequate?

4.4 The council structure is not mature nor adequate enough to deliver on the significant challenge facing the council and will require a fundamental, pragmatic, rapid reset. Senior Leadership has indicated that, due to the s.114 notice, the new staffing structure is not affordable within the budget now available, and the senior team are currently examining this.

4.5 In April 2019 the cabinet decided to undertake a council wide staff restructure. An external consultancy was commissioned to help guide the Chief Executive and the Executive Director of Transformation in an ‘Our Futures’ programme. The cost of this consultancy to date has been circa £2.6m. The restructure was launched during the Covid-19 pandemic and at that point all staff were unsure whether their role would be included in the new structure. It had been intended that the new structure would be operational post Covid-19 and would provide a springboard for rapid transformation of the council.

4.6 The strategic intent of the Our Futures transformation programme agreed by cabinet in April 2019 created a clear sense of purpose for the restructure and this vision is accepted as having the correct objectives to modernise the council.

4.7 The restructure commenced in 2020 during the Covid-19 pandemic and there is no evidence of any formal report taken to cabinet at that time to identify and redefine the risk associated with such a restructure during the pandemic.

4.8 The new structure was implemented between August and October of 2020. Some colleagues placed in the new structure are pleased that their completely new roles have been refreshing and given time would break down a ‘silo’ approach in the council. Many staff however, particularly those in critical areas of service delivery, feel under pressure and in a sense ‘let down’ by the organisation.

4.9 There has been a disconnect between the intent of the transformation project board and that of implementation of the transformation programme on the ground. Elements of the new structure, for example, investment in IT solutions, are unable to be completed due to the financial constraints now placed upon the council.

4.10 All staff were sent a letter outlining the ‘result’ of the restructure and 123 of these contained errors. In many cases the letters caused distress to staff, although the errors were eventually corrected. The databases containing staff information had been incomplete, both before and after the restructure process.

4.11 The new structure has approximately 300 agency staff, many in critical areas such as social work and environment and approximately 300 substantive vacancies. Some Associate Directors (ADs) have fewer Group Managers (GMs) than the new structure had indicated, and in many cases they are having to cover those managerial responsibilities.

4.12 When the new structure was implemented, there were problems such as technology solutions not being in place and posts had been deleted which were still needed for some 'old' ways of working. Senior leadership has explained that this was due to the s.114 notice and a lack of funding to complete the transition effectively. A phone system was not funded and there was no adequate digital solution in place. Slough had gone 'cashless' for residents, so no cashiers were in place following the restructure. Cheques were still being sent in by residents, which were therefore not cashed by the council. Reminder letters were automatically sent to those residents when the council had already received their cheque. This has now been addressed by temporary staff.

4.13 The new competent Associate Director responsible for IT has no significant experience in IT and had a 24 hour handover before the Head of IT left the organisation. The handover therefore, was ineffective. There is no Group Manager for IT.

4.14 The Wifi and in some cases, phone signal, do not work effectively in the new council HQ; children's social workers have been unable to work from the new building for many months.

4.15 One new Executive Director (ED) inherited 71 staff but only had the budget for 59. Staff no longer required were due to leave the council on April 1st, but some did not leave until August which put a strain on some directorate budgets.

4.16 In the Revenues and Benefits service, 31 out of 90 posts are vacant and there is currently no overtime allocated to clear the backlog of applications.

4.17 Some EDs and ADs are in completely new jobs and they have inherited savings targets, some of which were not realistic and (in some cases) inadequate business cases have had to be recently reworked. There is a lack of collective ability to understand the financial system, Agresso, but the s.151 officer and his team are to be praised for their help with this.

4.18 One ED found out that one of the teams within his responsibility was due to be deleted from the new structure the day it was issued.

4.19 The business case for the Our Futures programme, presented to Cabinet in 2019, identifies significant technology challenges facing the council: page 20 notes, 'Out of date, non-compliant servers, inflexible Citrix-based desktop architecture, complex remote access arrangements, end-of-life telephony system, mixed estate of mobile devices with significant dependence on end-of-life Blackberry tools. These are significant obstacles that need to be overcome to lay the foundations for transformation.'

4.20 The new target operating model relied on these IT systems to be in place and the council IT team were to implement these systems. The council IT team had been transferred back in-house from an outsourced contactor and then had all been put at risk under the restructure, whilst at the same time trying to provide IT support to keep the council connected during the covid-19 pandemic. 50% of the IT staff are interim. This risk, along with others below, were not adequately reported to members prior to the start of the restructure in 2020.

4.21 The Cabinet report of April 2019 recommending the restructure does not adequately cover the risks associated with such a significant venture. Those risks include; key staff leaving, new senior staff managing areas of which they have no prior knowledge, limited timescales to fill gaps in key post holders, HR, IT and Finance teams being included in phase 1 (in terms of business continuity and support to colleagues) a possible delay in rolling out the locality strategy, technology not in place to enable full digitisation in introducing the new operating model and the ongoing financial pressures.

'Key senior posts filled with permanent appointments?'

4.22 There are significant gaps in the Leadership structure which are not filled by permanent appointments. This is a risk to the rapid improvement needed in the council and the leadership does not have the capacity or capability to undertake this journey without support.

4.23 One Executive Director (ED) (People) is substantive. One ED (Customer and Communities) is new in post and has little experience of running the areas of services he is responsible for, and does not have a full complement of Group Managers (GMs). The substantive post of ED Director of Children's Services is vacant. One ED (Regeneration) has a new job and is leaving the organisation. One ED (Transformation) has been on a fixed term contract to the end of July 2021 and is now staying until the end of the calendar year. The new s.151 officer is on a weeks' notice but has indicated they may remain for two years. One AD post is vacant and is being covered by the Chief Executive and one existing ED.

4.24 A new full time Monitoring Officer (MO) appointment was ratified by full council in July 2021 and the new MO will start in October 2021. The current MO has been available one day per week from the shared legal service, although the role was a full time MO which is insufficient resource, considering the challenges. In the last six months a Principal Lawyer has been assigned to Sough and is effectively acting as a Deputy MO (this is not formalised) and has made a difference in terms of challenge, on improving reports and processes within the council.

4.25 The Director of Public Health of three local authorities in East Berkshire is new, the interim Public Health Consultant for Slough has recently left and another interim is being sought. The posts of Group Managers for IT, Revenue and Benefits, HR, Democratic Services are vacant. Other key posts such as treasury management, capital programme, adults (contract management and QA) are also vacant.

4.26 Children's services responsibilities are being realigned as there are gaps in Group Manager posts. There are also vacancies for Scrutiny officers, democratic services officers and a new role of elected member business partner. In addition, service heads for finance and legal have left.

4.27 The new scheme of officer delegation has no permanent statutory post holders identified in the following areas; electoral registration offer, scrutiny officer, virtual school head, data protection officer, local registrar and the chief internal auditor, although the roles are being covered on a temporary basis.

Internal processes

4.28 Many internal council processes are inadequate across a range of functions. Too much reliance for internal audit was given to one senior staff member and there has not been adequate corporate ownership of internal audit or the process. In many cases the senior team has not been aware that these identified issues continue to exist in the organisation, some for multiple years. For example, the tracking system for progress on internal audit management actions.

4.29 Many internal council processes are being realigned and redevised, but this is in its early stages alongside the implementation of the new council structure. Financial governance and processes are inadequate, for example, the compilation and sign off of annual accounts, but this has started to be addressed by the s.151 officer.

4.30 Human Resources (HR) and finance data had been incomplete prior to the restructure and remains outdated which had caused delay in finalising the restructure staffing allocations.

4.31 There have been several internal boards without decision making authorisation, which had been making significant decisions. For example, the Asset Board. This is now being addressed.

4.32 One senior member of staff had not been aware that 'Lead Members and Directors' meetings were the pre meeting for cabinet and then onwards to council if necessary. There was confusion as to why the same reports were being tabled at multiple meetings.

4,33 The council procurement function has been undertaken by an external contractor since 2019. This was intended to be a temporary six-month arrangement to fill a gap in internal procurement resources due to turnover of the internal team. However, the arrangement has continued due to the restructuring activity when transition in-house was to happen. The temporary arrangement has cost the council £1.07m. There has not been a review of procurement for a number of years, which presents a risk to the organisation.

4.34 The Council has lacked strategic oversight of procurement and as a result has not been able to drive through improvements required. There is currently no comprehensive guidance around procurement and contract management, and as a result the organisation does not have the skills required to carry out effective procurements.

4.35 The lack of a contract management function has been identified as a significant risk to the council and is the cause of the lack of forward planning in procurement and contract management. This has resulted in rushed procurement, missed exit opportunities and poor value for money.

4.36 The Audit and Corporate Governance Committee meeting of 29th July 2021 examined the council's strategic risk register. There are blanks against risk owners. The register does not adequately outline the risks and is not fit for purpose. For example, potential omissions are COVID-19 pandemic, the Our Futures transformation project, governance, financial governance, wholly owned companies and workforce. The risk register is currently being reviewed.

4.37 At the same meeting of 29th July, the committee examined the progress of the implementation of management actions as a result of the internal audit process. Internal audit is undertaken via an external contract which, since 2018 has cost the council £1.46m.

4.38 In a sample of ten loans taken out since April 2020, two loans had no proper authorisation.

4.39 There has been no reporting of day-to-day treasury activity to any recognised forum such as Cabinet and the Treasury Management Board has not met since June 2020.

4.40 From a report of individuals who have access to the payroll module of Agresso, in a sample of 20 staff, two were no longer employed by the Council.

4.41 From an audit sample of 10 expense claims made since April 2020, two claims had no receipt evidence to substantiate the claim. Despite this, the claims had been approved by the budget holder.

4.42 In reviewing the timeliness of decisions for temporary homelessness accommodation, seventy percent were found to be outside the 56-day period. Staff in the team have left following the restructure. Monthly housing services meetings which monitor progress have not taken place since August 2020.

4.43 In a report from January 2021, 32% of the mandatory 'Introduction to Health and Safety' module had not been undertaken by staff and three directorates had not updated their Health and Safety plans in the last six months. Compliance was similar in April 2020.

4.44 In a review of the Asset Management Property records procedure, the processes for managing the Council's property records had been documented. The management action agreed as part of the 2016/17, 2017/18, 2018/19 and 2019/20 audits of the asset register remained incomplete. No clear reasoning was established explaining why the action had not been implemented.

4.45 Management actions which were rolled over from previous years include: Council Tax System and Payroll (2 years), Debt management (3 years) and Creditors (5 years).

4.46 The Council do not have a specific Section 106 (S106) policy linking to its Local Development Framework (2006-2026). There are no terms of reference for the S106 group. 50 out of 54 section 106 agreements have not been invoiced, some dating back to 2011. This equates to £6.75m of the £7m owed to the council. There is no evidence of S106 being reported to the planning committee or senior management team since November 2019.

4.47 The conclusion on Page 25 of Slough Borough Council Internal Audit Progress Report 29/7/21 states, 'Taking account of the issues identified in the remainder of the report and in line with our (internal audit) definitions set out in Appendix B, in our opinion (internal audit) Slough Borough Council has demonstrated little progress in implementing agreed management actions in Quarter 3 (2021).

4.48 'We (internal audit) identified through our fieldwork that the high priority action was fully implemented and from the ten medium management actions sampled, only five of these had been implemented, with one in progress and a further four actions which had not been fully implemented. It should however be noted that per the Council's action tracking software all 11 actions had been shown 'closed' and therefore deemed implemented.'

4.49 In addition, we (internal audit) conducted a deep dive into the Council's action tracking software, which identified a number of issues including:

- 38 actions assigned to staff no longer employed at the Council
- Staff not updating actions to show how the gaps identified had been addressed.
- The Committee is not fully sighted on all High and Medium priority outstanding actions, as only those outstanding for the current and previous two financial years are included within the update report. Advisory reports and associated actions are also not currently reported to the Committee. It should be noted that some of these actions have been agreed following significant weaknesses being identified and should therefore be included in future reporting

4.50 'In summary, we (internal audit) are advising the Committee that they cannot place reliance on the accuracy of the management action reporting provided by Officers.'

4.51 Six draft internal audit reports have been completed in the 2021/22 year to date. In four of the reports viewed, there are concerns, some of which are significant.

4.52 The internal auditor reported that 'Management actions have not been monitored accurately enough by senior leaders resulting in actions not completed or not even being addressed.' The Senior

Management Team does consider a quarterly report to monitor internal audit management actions, but this process is not fit for purpose and does not reflect what is actually happening on the ground.

4.53 The council has demonstrated it is able to consult; on experimental bus lanes and five air quality zones for example. However, there has been no public consultation on the 2021/22 budget and no clear budget setting process, which is generally routine for all councils.

4.54 The annual review of the Council Tax Support Scheme had not been brought to full council prior to March 2021 as is required by s.67 of the Local Government Finance Act 1992.

4.55 External Auditors refer to the restructure as having an impact on the internal finance team and noticed a disengagement on the closing of accounts with some finance staff leaving. Working finance papers were agreed for Spring 2020 and they subsequently were produced in September 2020.

4.56 The scrutiny function is under resourced and there is no permanent statutory scrutiny officer. All seven meetings of Scrutiny Committees were cancelled in June and July of 2021.The interim Head of Democratic services left the organisation in July 2021. Elected Members indicate they require additional scrutiny resource to carry out their function effectively. Members state that scrutiny reports are complex and hard to interpret, and it is difficult for lay people to challenge. It is acknowledged that some reports have not been given enough scrutiny. Slough Children First refer to an inadequate focus on their activity within the scrutiny function. Members also state that there is has been an 'erosion of trust' with officer reports, considering 'what has happened'. There is no scrutiny forward plan. The Audit and Corporate Governance Committee on July 29th outlined that confidence is weak. In the last few months an internal 'reset' board has been instigated to address the issues.

4.57 Officers mention that every report is brought forward with the best of intentions and that there is no wilful disregard for process. There is a practice of tabling 'part 2' reports or tabling reports at confidential meetings; Nova House, DISH structure and James Elliman Homes and the Hotel development for example. This does not help promote transparency of decision making. The s.151 officer and the new Principal Lawyer have recently started to tighten up these processes and procedures.

4.58 The annual contracts report is a long list of titles without information such as value, capital or revenue and lacks a description of purpose or evaluation of value for money. There is no cabinet approval in place to award some contracts.

4.59 Some cabinet reports, often when the project is led by consultants, have not had comprehensive internal legal advice. During the review there was confusion by officers on three separate items to be tabled at cabinet regarding inclusion of legal advice; decision making process about a grant/contract and the length of time for a contract arrangement.

4.60 There is a backlog of adult services client charges which are unclaimed. The situation is a recognised problem and now Adult Services and Finance are identifying and recovering unclaimed funds which are estimated to be in the region of £2m-£m per annum.

4.61 Following the s. 114 notice, the s.151 officer has established an effective internal Spending Control Board gateway process.

4.62 A 'Brilliant basics' programme has been developed to enhance professional courtesy across the organisation and is in the early stages of adoption.

4.63 A competency-based performance framework has been introduced to support staff in their work.

4. Governance recommendations

1. Re focus the ‘Our Futures’ programme on bottom-up service reform and widen the project board membership to include service leads in key service areas.

2. Undertake a pragmatic, rapid risk assessment of the functional capability of each service area identifying the gaps in capacity and capability. This process needs to be owned by the organisation. Junior managers and front-line colleagues should be involved in contributing to the way forward.

3. Prioritise the service areas to be addressed and determine a rigorous plan and allocate resource accordingly. Examples of service areas to be prioritised would be finance, revenue and benefits, IT and democratic services, including scrutiny.

4. Encourage distributed leadership and a permission culture to enable staff at all levels to take rapid decisions to improve services. This will be difficult at the moment due to the Expenditure Panel process.

5. With regard to recommendations 1 to 4, prioritise permanent recruitment and/or longer-term contract status of all relevant interim positions. In particular, the s.151 officer, DPH and the Director of Children’s Services. Confirming interim positions at junior manager and front-line level is as important. The CIPFA report refers to appointing a permanent deputy section 151 officer.

6. Identify permanent statutory post holders within the new scheme of delegation.

7. The new Monitoring Officer (MO) is due to (correctly) report directly to the CEO. The new Monitoring Officer should also manage democratic services.

8. Retain the support for 12 months of the Principal Lawyer from HB Law to work with the new MO and confirm this post as the Deputy Monitoring Officer.

9 Enhance the council data and insight functions to enable better evidence-based decision making

10 To enhance the ‘Brilliant Basics’ programme, conduct rapid training for council officers on effective governance to include report writing, compiling effective business cases, sign off processes prior to submission of reports, evidence-based decision making and the importance of internal audit. Ensure that officers accept advice from the Principal Lawyer and team (and the new MO) in incorporating all advice and risks into reports prior to submission.

11 Establish a ‘management action’ tracking system for internal audit actions which is fit for purpose. Emphasise to all staff the importance of internal audit and that identified actions can be used for continuous improvement within service areas.

12 Address each unique management action from internal audit reports and use them as indicators of possible service failure. Prioritise, target and remediate each action as a matter of urgency. Include actions identified in the six draft audits completed in year to date.

13 Conduct an independent review of the internal audit contract and establish an ‘in house’ function which will enable the internal audit team to work alongside colleagues, whilst retaining their independence, as is practice in many councils.

14 Independently review the procurement and contract management function and develop an ‘in house’ team.

15 Continue to understand and identify risk more generally and review the council strategic risk register to make it fit for purpose

16 Improve proper decision making at appropriate governance levels and relevant meetings. For example, the annual review of the Council Tax Reduction scheme at full council and the comprehensive list of annual contracts to Cabinet.

17 Prioritise and resource the scrutiny function to enable meetings to operate effectively. Reschedule the cancelled scrutiny committee meetings from June and July 2021 as a matter of urgency and re-establish the calendar of scrutiny meetings alongside a forward plan. Review the terms of reference for the Audit and Corporate Governance Committee as outlined in the LGA governance review in 2020.

5. Culture and Leadership

Positive and open relationships between councillors and officers.

5.1 Generally, relationships between officers and members are now good, although that has not always been the case. Members and officers now seem determined to sort out the problems for the benefit of Slough residents, but it is only very recently that senior members have grasped the seriousness and urgency of this situation and established it is not just solely a result of financial accounting assumptions.

5.2 Some members feel let down by the information given to them by officers as expressed in the Audit and Corporate Governance Committee and the full council meetings in July 2021. Some members now have limited confidence in officer reports due to the current situation. Officer/member relationships were described by one councillor as 'robust and direct but good'. Some members have requested more quality training with a new member training programme being developed since the LGA Governance review which is positive.

Openness to challenge

5.3 The council invited the LGA to undertake a LGA Corporate Peer Challenge in February 2019 and subsequently an LGA Governance review in February 2020. The council accepted their findings in full and seem willing to learn. The council developed a series of actions to address the recommendations of both reviews. There is also a workstream in the Our Futures transformation programme on 'Governance and Grip'. The council therefore is open to challenge. The LGA indicate they have offered further support in the last 18 months, but this has not been taken up by the council. The LGA indicate there has been a good take up of LGA training from elected members.

5.4 Nevertheless, the council has not yet made enough progress on the actions flowing from these reports particularly governance, in order to develop a mature robust governance system to help the council through the next three years of intense work required to rectify the serious situation.

5.5 The recent council position statement on the progress of actions from the LGA Governance review describes emerging work across all key themes. This work has yet to be embedded and is embryonic in part. There is much work to do and the governance systems and controls remain underdeveloped. The current 'Governance and grip' workstream of the 'Our Futures' programme is one of six workstreams and the priority has become lost, not enough significant progress has been made.

5.6 The improvement journey ahead for the council will be unprecedented and stability in political leadership will be essential without the distraction of an annual election cycle which is currently in place.

5.7 This report will give an indication as to the culture and leadership in the council.

5. Culture and Leadership recommendations

18. Building on the newly established 'Reset board', develop a standalone, prioritised, separate governance project board.

19. Prepare an annual governance statement for 2020/21, the current 2019/20 statement does not have an action plan.

20. Continue to rebuild trust between officers and members.

6. Financial Governance

'The extent to which poor financial management has been caused by weak decision making, scrutiny of financial decisions and governance arrangements including commercial investments'

6.1 Financial governance is poor, despite recent best efforts of the s.151 officer and his interim team. Deficiencies exist within procurement, business case development, governance of council owned commercial companies and the closure of financial accounts from multiple years. It has not been clear how capital projects have been prioritised or where the decision-making sits with these capital decisions. The rate of return on some investments is at risk. 'Part 2' reports have been presented at confidential meetings which does not help with transparency. The council is not currently equipped to undertake effective pre-decision scrutiny and the scrutiny function and is under resourced. There are instances where the correct financial approvals have not been sought by officers.

6.2 On 9th May 2021, Grant Thornton issued their final audit findings report on the 2018/19 statement of accounts and made four section 24 recommendations and 17 further recommendations, which the section s.151 has responded to.

6.3 The current Medium Term Financial Strategy does not represent the financial issues now identified and will require review. The savings programme for 2021/22 is £15.576m. All savings were not allocated to departmental budgets by 1 April 2021 and were not all implemented likewise. An initial view, with further work to be done, indicated to the s.151 officer that up to 50% of the proposals were at risk to varying degrees.

6.4 The budget approved by the Council in March 2021 relied on total savings of £15.6 million in order to balance. Many of the savings included within the budget were without any clear business cases setting out how they would be delivered. There has been no evidence of a suitable risk assessment being carried out on the planned savings, and a contingency of only £375,000 (2.5%) was set aside for potential non-delivery. This seems unrealistic given that 40% of the previous year's savings had not been delivered.

6.5 The Dedicated Schools Grant is in deficit and this has risen from £5m in 2017-18 to a forecast deficit position of £19m at the end of 2020-21. The Council's current estimates suggest this could grow to £43m by 2024/25. The Council has not taken sufficient action to address the deficit on the DSG, rather the deficit has been allowed to grow. Recently, the s.151 officer has started to address the deficit and has made good progress in this regard. There are now plans in place to reduce the deficit to £28m by 2024/25 this is in addition to the liabilities identified in the s.114 statement

6.6 Slough's earmarked reserves have been very low in comparison to the other English unitary authorities. The error in assuming profits from the Slough Urban Renewal Joint Venture in 2018/2019 had a negative impact of £8m on the revenue budget in 2018/2019, reducing council reserves to the lowest of all upper tier councils.

6.7 A £5.2m NNDR deficit at 31.03.20, not identified in the 2020/21 budget process was discovered in October 2020, severely impacting the Council's financial position. Inadequate provision had been made for NNDR appeals that will impact on future years budgets. Closer working between Revenues and Benefits and the Finance Team coupled with enhanced monthly monitoring would have helped identify the deficit sooner.

6.8 The 2018/19 accounts were finalised on 9th May 2021. The 2019/20 and 2020/21 accounts are still to be prepared. If these sets of accounts are not prepared by 31 March 2022, the Authority will be running with 3 years of accounts still open. As a result there would be ongoing uncertainty over levels of usable reserves and inability to understand the scale of the budget gap and liabilities.

6.9 The section s.151 officer issued a section 114 notice on the 2nd July and the response to his s.114 notice was considered at the full council meeting on 22nd July 2021. Although there was a comprehensive response from the s.151 officer to the external audit statutory recommendations and the financial issues, the action plan presented does not include detail on how the council will become financially sustainable. Therefore, the section 114 notice has not been responded to fully. Senior Management explain that this is due to the complexity and nature of the financial challenge which needs time to resolve and that this is being worked on.

6.10 Collective, corporate opportunities to address the finances in Slough with utmost rigour have not been taken. Until very recently, finance has been viewed as one department's responsibility and there has been no significant corporate ownership or deep, inquisitive understanding of Finance, until the arrival of the new s.151 officer and his team.

6.11 In May 2018 the LGA commissioned a short review of the financial situation in Slough, 'Financial Risks, Governance and Transparency' and was subsequently forwarded to officers in the council. The report describes budget risks and makes comment on governance and transparency in Slough. The report poses certain questions to the council to essentially 'prompt' the council to explore these issues more deeply. That did not happen with any rigour.

- On Slough Urban Renewal (SUR): 'How confident are you of the profits being achieved to the level and timescale assumed in the medium-term financial plan? What level of contingency is assumed for slippage and value and how would any shortfall in that assumed be covered in the budget?'
- On savings: 'The council is only planning limited savings for 2019/20. £280K, this is very low compared to many other unitary councils facing similar pressures to Slough. Can the council be assured that not pursuing further savings and efficiencies is the right approach?'
- On governance and transparency: 'The internal audit judgement for 2016/17 is reporting weaknesses in governance, risk management and control. How are these concerns being addressed and do internal audit still have any concerns that will appear in the 2017/18 Annual Governance Statement?'

6.12 There are many other statements and questions in the report of May 2018 to the council. Considering the serious nature of the financial situation in the council, (before the Minimum Revenue Provision issue was highlighted), if the council senior team and senior members had acted more rigorously on these issues, the current financial impact on the council could have been mitigated.

6.13 The LGA Corporate Peer Challenge of February 2019 and the section on Financial Planning and Viability highlighted further risks to the council which, again, were not acted upon with enough rigour.

6.14 The LGA review does mention the (as was) Slough Children's Trust finances and that there had been a corporate focus on this issue since the time of the report. The report also mentioned that the Housing Revenue Account appears to be well managed.

6.15 However, there are many serious 'red flags' in the LGA report of February 2019, mentioned below:

- 'The council's capital programme is ambitious and will require tight monitoring. Within the planned capital programme the council is planning to borrow further to invest in commercial property to provide income to support its revenue account. This is an integral element of the council’s financial strategy and the council should consistently and clearly articulate the risks that it may be exposed to because of this strategy – and what measures it is taking to mitigate those risks.’

- ‘The council has made extensive use of prudential borrowing, particularly short term borrowing. Whilst this approach to borrowing minimises short term interest payments at a time when borrowing costs are low it does need to be carefully managed. Currently 44% of the council’s borrowing is due to mature within one year and this potentially increases the longer term financial risk the council faces. Given the uncertainty the economy is experiencing the council will want to regularly review whether this is the most prudent approach and should report regularly on their borrowing policy through appropriate governance channels.’

- ‘The delay to statutory accounts being published three years in a row has meant that the function has had to focus significant resources on remedying this. The peer team heard that measures are now in place to ensure that accounts are processed more quickly and there is no anticipation of this occurring again. However, the function’s resources will need to be carefully managed to deliver more timely yearend accounts as well as supporting the council through a period of transformation.’

- ‘The council has an identified savings plan to deliver £7m of savings within the current financial year. At the time of writing there was a potential overspend emerging as £4.8m of savings had yet to be delivered according to quarter three monitoring.’

- ‘The council is facing a significant cumulative deficit (estimated at £7.1m by the end of the current financial year) in its Dedicated Schools Grant high needs expenditure. This is not uncommon. The council is reporting on this and now needs to develop and report a plan for reducing the deficit.’

- ‘Going forward further savings of approximately £20.3m are identified for the Medium Term Financial Strategy (MTFS) period, namely £12.4m in 2019/20, £4.9m in 2020/21 and £3.0m in 2021/22. However the peer team had some concerns that savings in years two and three of the MTFS may be understated. The council’s 2019-20 budget savings include £3m from increased recharges to the HRA and capital projects. This is a significant figure and the peer team would question whether this is sustainable in the longer term.’

- ‘The council is also aiming to increase income from commercial property and has recently undertaken significant investment in commercial property assets. Although appropriate due diligence will have been undertaken the council needs to be aware of the increased risk profile it now faces as a result of its increased reliance on commercial property income.’

- ‘The council is planning for further savings and is taking a strategic approach to this by allowing for a 10% contingency for savings delivery. This is prudent given the fluctuating impact of demand and potential economic shocks. The peer team would also suggest that the potential pressures that could impact on demand led services are more fully accommodated into the MTFS, notably temporary accommodation, adult social care and children’s services.’

- 'Slough has the potential to maintain financial stability, but this will be dependent on its ability to actively manage the financial risks to which it is exposed and deliver planned savings. Reserves are low as a proportion of net revenue expenditure and have been reduced in recent years. The Council are not budgeting to use reserves to support their budget in 2018/19, nor plan to do so in future years but there remains uncertainty over certain areas of the budget, notably children's services and the council needs to more clearly articulate its target level of reserves; how it will increase reserves to this level and over what timescale; to ensure it is more financially resilient.'

  LGA Corporate Peer Challenge 2019 p 6-8

6.16 In summary, the 'red flags';

- large amounts of capital borrowing, 44% (at that time) short term, at low interest rates
- statutory accounts being delayed for three consecutive years
- deficits in revenue budget appearing and savings yet to be delivered
- being fully aware of the risk profile of the council investing in commercial property assets
- budget pressures being taken account of in the Medium-Term Financial Strategy
- taking note of the level of council reserves

6.17 The risks above, highlighted in February 2019 by the LGA Corporate Peer Challenge, had not been addressed with enough rigour and purpose by the previous and current senior team and senior members.

6.18 Although the council held a monthly 'Strategic Finance Board' of senior officers, the financial issues were not addressed with enough targeted rigour and not enough corporate progress had been made on these issues. Internal auditors noted that meetings of the internal Treasury Management Board of officers ceased in June 2020, during the period in which the level of capital borrowing was increasing significantly.

6.19 It was not until the arrival of the s.151 officer and his team that further significant issues were found to have been having an impact on the council, some of which are not of a financial nature but do contribute to good financial decision making and planning. For example, formation of business cases, procurement processes, the operation of wholly owned council companies and also decision making, and the ownership and direction of the significant capital programme.

6.20 In the s.151 officer's detailed financial action plan 'Way Forward' following the s. 114 notice referenced at the full council meeting on July 2021, insight is shed on these matters.

6.21 On business cases; 'Although a detailed assessment has not yet been carried out, there is some evidence of inconsistency of approach, incomplete information to inform decision making, poorly defined options, limited consideration of benefits, incomplete financial information and analysis of risks.'

6.22 On Council owned companies; 'The Council has several wholly owned or partly owned companies including SUR, DISH, DISH RP, GRE5 and James Elliman Homes. Such arrangements can be highly effective when they are underpinned by strong governance arrangements, clear strategic objectives, transparent decision-making arrangements, effective reporting and clear roles and responsibilities.'

6.23 A consultant is currently undertaking a review of these council Companies, and this is in its early stages. Several issues have already been identified which have an impact on financial and operational risk. Financial management, governance, performance and value for money. A first phase of work has identified several issues that will require more detailed assessment of options and the way forward. Emerging issues relate to, but are not limited to:

- the rationale and objectives for establishing / continuation of companies
- Council scrutiny and oversight functions
- Governance arrangements and conflicts of interests
- Transparency and accountability
- Risk oversight and management
- Performance and financial monitoring and reporting
- Roles and responsibilities – directors and staff
- Independence and separation of financial systems, processes and transactions
- Incorrect accounting treatment such as capitalisation of revenue costs
- Non-compliance with Council policies and processes and legal requirements

6.24 The company GRE5 has added increasing costs to the council due to initial lack of rigour on due diligence. There have been governance issues with loans to the company, unclear roles and responsibilities of officers and directors and in reporting to the council. The public report to Cabinet on GRE5 on the 22nd July 2021 highlights some of these issues.

6.25 An internal audit report was carried out during March 2021 on the council owned companies. This audit identified 52 actions across all companies, 9 rated red, 37 amber and 9 green.

6.26 Although the companies were originally set up with the best of intention, the emerging findings of the review (listed above 6.26) indicate that the governance and the approach of the council to operating the companies is not adequate.

Capital programme

6.27 Slough BC has the third highest level of borrowing per head for English councils. In March 2017 the capital borrowing stood at £238m and is now £760m. In their review, CIPFA found little evidence that this followed any concerted, strategic, or commercial plan of investment. CIPFA also state that there is little evidence to suggest that the Council ever clearly understood the entirety of the investment that it was making or the financial implications of that investment on overall council finances and the associated financial and organisational risks

6.28 It has not been clear how capital projects have been prioritised or where the decision making sits with these capital decisions. The council was clearly borrowing a significant amount of money, but a satisfactory answer was never sought by the senior team or members as to how much the debt was costing the council's revenue budget on an annual basis.

6.29 It has now been established by the s.151 officer that approximately £40K revenue per year was set aside to fund the £760m debt and that debt had been extended beyond the life of some of the assets, across some 50 to 60 years, almost half on short term, high interest borrowing. It is recognised within local government that to borrow £1m of unsupported borrowing costs around £70K per annum (depending on interest rate and length of asset repayment).

6.30 In any good budget preparation, the cost of debt repayment is initially deducted from the useable revenue budget, prior to service budget allocations.

6.31 This risk of paying down borrowing, identified by the LGA Corporate Peer Challenge of February 2019, has never been adequately risk assessed or addressed adequately with enough rigour by the senior team or members, in a collective corporate manner within the budget setting process. It has not been included adequately in the Corporate risk register.

6.32 The capital budget also appears to only cover new investment costs, not long-term implications if these investments have ongoing maintenance need or lifecycle maintenance.

6.33 Land, buildings and social housing stock comprise the Council's largest asset category and represent a major focus for external audit work. External audit has drawn attention to inaccuracies in the fixed asset register and weaknesses in valuation reports.

Investments

6.34 The Council has pursued an ambitious investment programme. This has included significant expenditure in the following areas: Leisure services and parks**.** The investment of some £59 million has included three leisure centres and an ice arena. Council infrastructure. This has included a new headquarters building at a cost of £54 million**.** Regeneration. This has included £42 million to develop a new hotel, as well as the purchase of land for future regeneration (North West Quadrant) and an investment of some £51 million to purchase homes across the borough for affordable housing through James Elliman Homes. Commercial investment. The purchase of 15 properties totalling over £100m of which some are outside the borough to generate commercial income to help the Council balance its budget.

6.35 Residents in the borough have benefitted from many of these investments, particularly leisure centres and the ice arena and the building of affordable homes.

6.36 The Council made some 15 "strategic acquisitions" of commercial property between December 2015 and October 2020. The investments include some £30m for the purchase of commercial properties outside of the borough, including superstores in Gosport and Wolverhampton and a cinema in Basingstoke. A further £66 million was spent on the purchase of commercial properties within the borough. The investments have generated a return of some £5.9 million per annum in commercial rent income, although this is before the cost of financing and any property management costs are included.

6.37 CIPFA analysed the income at risk over the next 3 years in the investment portfolio and this equates to potentially £2.2m or 37% of the current £6m annual income due to break clauses or lease expiries occurring in the next 3 years.

6.38 There are recent instances where the correct financial approvals have not been sought by officers and significant decisions have been taken with a confidential report, which has not aided transparency.

6.39 There are two examples below taken from the cabinet report of 26th July 2021. These items could have been considered by Cabinet as a Part 1 and a Part 2 split agenda item. The Part 2 report identifying any commercially sensitive information if necessary.

6.40 Cabinet approved spending on a hotel scheme of £38.875m + 10% as a contingency, £42.765m through a confidential report in June 2017. Only £29.500m was included in the Capital Programme approved by Council for this scheme in February 2018. A further confidential report was presented to Cabinet in December 2018 that asked for approval for unconditional arrangements with Slough Urban Renewal and Cycas, allowing for the projects to start on site in Spring 2019. The increased cost of the project was not included in the 2019/20 – 2023/24 Capital programme approved by Council in February 2019.

6.41 Financial close with the contractor was concluded on the 5 June 2019 for £37.164 million There is still £0.347 million to be paid as retention. £42.142 million in total has been spent on the scheme, including property services costs, other professional and legal fees and charges from Utility companies, not included in the business case to Cabinet. The scheme did spend within the overall budget of £42.765m originally reported confidentially to Cabinet in June 2017 and officers managing the scheme were under the impression that this was the approved budget and assumed spending was within this amount, so no overspend has previously been reported.

6.42 In 2019 a condition survey was undertaken on Herschel Street Car Park. This indicated that significant work needed to be undertaken otherwise there would loss of revenue due to a building being not being fit for purpose. The demand for parking (pre-Covid and post lockdown) had been rising and several temporary car parks were closing in anticipation of approved development. The need to capitalise on revenue could be realised with refurbishment to the Herschel car park due to its proximity to the new hotels, The Curve and new housing and commercial developments.

6.43 These improvements would justify increased parking charges and season tickets were stated to be a good source of income. Work was tendered and included on the contracts above £180k approved by Cabinet, officers assumed that gave them approval to spend.

6.44 The cark park was omitted from the Capital Programme approved by Council and the costs of works were charged against the £2.400m capital scheme Capital Works budget following Stock Condition Surveys. This caused a large overspend which then highlighted the separate scheme when preparing the outturn report. £4.189 million has been spent on this scheme without Council or Cabinet approval, £3.799 million of this in 2020/21.

6.45 The Leader has recently established a specific portfolio lead for Governance and the Leader has taken on both strategic and operational financial matters which used to straddle two portfolios. There is no longer a regeneration lead member portfolio as council intervention in the development market is to be stepped back significantly.

6.46 The s.151 officer has made a big impact on the accuracy and governance arrangements for financial decision making, but this is yet to become embedded in the organisation.

6. Financial governance recommendations

21 Produce an overarching corporate action plan in response to the section 114 notice which indicates the way to financial sustainability

22 Ensure the recommendations in the concurrent CIPFA report are carried out.

23 Develop the good awareness raising initiated by the s.151 officer into a mandatory financial and budget training module for all councillors and budget holders.

24 Ensure that the excellent work of the s.151 and his team (in terms of action planning around the external reports) has corporate ownership and that finance is not merely regarded as a technical activity, but as an enabling function to help council wide continuous improvement.

25 Respond corporately and systematically (not just in a financial sense) to the ongoing reviews of council owned companies to ensure immediate, effective governance of these companies.

26 The s.151 officer has initially requested the current capital programme be cut by 50% and this has been accepted. It would be prudent to consider a capital programme of zero except for government grant allocations and health and safety issues, for example. This would be until past liabilities have been fully understood and there is a plan for financial sustainability within the full response to the section 114 notice.

27 Carefully manage the potential reduction from £6m to the return on investments as a significant risk. The disposal strategy should be completed. This might take some time, which could delay the amount of revenue available to the council.

7 Services

Whether governance weaknesses have impacted on the effectiveness and/or efficiency of service delivery?

7.1 Current financial pressures will have a considerable impact on services and the council will rely on robust corporate services to manage the situation over the next three years and beyond. There is a risk that the Council may not be able to fulfil its statutory functions; for example, children's and adult's services, to the level that is required by statute.

7.2 The financial challenge for Slough BC is immense and the exact analysis of the figures can be found in the CIPFA report which ran concurrently with this review. In essence, the s.151 officer estimates that from the average savings base of £7m that have been achieved year on year by the council, more than £20m will need to be found from the revenue budget for the next three financial years as a minimum. This position on savings is likely to change as the council moves towards a final position. It is likely that a capitalisation directive request of more than £200m will be requested by the council from DLUHC up to and including 2024-25. Council assets to the minimum value of £400m will need to be disposed of to fund the capitalisation and to reduce the capital debt to a manageable level.

7.3 Even without the MRP calculation, the council would have had difficulty with its 'in-year' budgets for services. The cabinet report on the provisional revenue budget outturn for 2020/2021 of 26th July 2021 describes the £6.6m projected overspend on services across directorates and the cumulative deficit position of £56.4m as reported in the s.114 Notice on 2 July 2021. The table below shows the headline figures from the Medium-Term Financial Plan from the CIPFA report (p19).

Medium Term Funding Gap	**22/23**	**23/24**	**24/25**
	£'000	£'000	£'000
Total Projected Funding Gap	47,928	41,149	20,443
Saving s Identified in MTFP	- 11,533	- 3,064	
Savings to be identified	- 6,425	- 19,043	- 10,221
Provisions for Non Delivery of Savings	3,256		
Net Funding Gap	**33,226**	**19,043**	**10,221**

7.4 Significant work is now in place to reduce this deficit and Lead Members and officers are working closely together to bridge this gap and to produce spending plans for the 22/23 budget. These have been requested by the s.151 officer which will help finalise the amount to be requested for the capitalisation directive.

7.5 The council and the external auditors Grant Thornton are in the process of closing the accounts for 2018/19. Closure of the accounts for 2019/2020 have not been started and, according to the s.151, this could take up to a year to finalise. There may well be additional liabilities identified during this process which could have financial implications for the council.

7.6 The statutory accounts being delayed for the last three consecutive years has not been addressed adequately by the council and this process has been allowed to continuously drift as mentioned in the LGA Corporate Peer Challenge of February 2019.

7.7 The normal audit fee for the closure of the 18/19 accounts would have been £110K if the accounts had been closed on time. The cost to the council has now increased to almost £500K due to the delays. The housing benefit audit would normally cost £40K, due to delays, this will now cost the council £110K. If both of those processes had been completed on time the council would have access to the additional £460K used for the audits to put towards costs of front-line services or to offset deficits. Grant Thornton mention that the intervention of the Leader in December 2020 in calling a weekly meeting with them and the previous s.151 had helped to move matters forward.

7.8 Slough Children First appears to be making steady progress under a new Chair and acting chief executive. Relationships between the council and the newly formed company are recently much improved and a joint away day has been held recently. The directors of the company will have a duty to the company which could conflict with the requirement of the Council to delivery further savings.

7.9 There are emerging positive financial discussions underway with the council and the company recognises its part to play in reducing costs as much as is safe to do so. In terms of performance, there has been a recent successful OFSTED inspection of Fostering, which demonstrated good progress. Challenges remain but both 'parties' are facing up to them in an optimistic manner.

7.10 There remains a historical legacy of children not getting the support they needed, and this will be an increased cost pressure going forwards which will need to be budgeted for. The impending transfer of some of the Early Help function from the council to the company is welcomed as the current universal Early help offer has not yet resulted in any significant reduction in demand at the 'front door'.

7.11 Support from schools is seen to be good, but support at Tier 3 and 4 services from Health is work in progress with funding for children's pathways considered on an individual child basis. For example, there is no integrated team for children with disabilities, nor any pooled budget arrangement.

7.12 Some elected members would benefit from further training to understand the importance of their role within the children's agenda and it is also felt by Slough Children First that there is not enough effective informed challenge at council scrutiny panels.

7.13 There is a current operational issue with the new council HQ building, social workers have been unable to meet with children and families in the office, due to a technical issue with panic technology and the Wi-Fi and phone coverage is inadequate in some areas of the building. This is being addressed.

7.14 Only 36% of the social workers are permanent appointments and many are in their first two years of practice, but this is recognised in the council and the company. Unfortunately, the Director of Children Services position remains vacant, despite a recruitment process attracting suitable candidates. 'Innovate teams' of experienced social workers have been a welcome resource for the company and are making a difference. They are only funded on a fixed term basis, and it may be advisable to treat this as an 'invest to save' option retaining these teams for a longer period than originally envisaged, which should result in cost avoidance.

7.15 It would be beneficial to explore transfer of other council services into the company as confidence increases, to produce a wholly joined up approach to targeted early help and front door commissioned intervention provision. Areas to explore would be the safeguarding unit, all early help, detached youth work, and strengthening families. Joining up services for children without straddling both council and company would be good practice, the financial situation in the council might help accelerate some of this much needed transformational work.

7.16 Adults social care seems to be operating well. The department devised an internal three-year transformation plan before the section 114 notice. Savings of £1.9m in 21/21, £3m in 22/23 and £2.2m in 23/24 had been planned, A further opportunity had arisen in recouping £2.9m of income in the 22/23 financial year, which has not been invoiced to date. As a result of 50% of whole council savings not being allocated to departments in April 2021, Adults was allocated a further £1.9m in year saving target, which is proving challenging. There are likely to be further demands on savings from the adult revenue budget in the next few years which has the potential to put services at risk. LGA comparative data for 2019/2020 indicates that in Slough spending per head of population on Adult services is the eight lowest of all English unitary authorities.

7.17 The Revenue and benefits service is under significant pressure as identified in the recent CIPFA report, 'SBC Revenues Service Review, July 2021'.

- 'Whilst SBC are aware of most, if not all issues facing its Council Tax and Business Rates services, there is a considerable lack of resource, accountability and ownership required to address these issues. Resource issues are not limited to revenues services but include other internal departments such as IT or Logistics that revenues services are heavily reliant upon and who should be held more accountable for key activities and ensuring appropriate service delivery.'

- 'There has been a recent restructure and introduction of a competency based framework for the management of staff, however the restructure of the Revenues and Benefits service had little input from service leads and subject matter experts. Based on the structure presented there remains a large number of vacancies or skill gaps in key service areas, along with a level of ambiguity over key responsibilities and priorities. The budget for current temporary staff will be exhausted at mid-year which could lead to a significant resource shortage across the service.'

- 'The existing structure is not considered fit for purpose and failure to implement an adequate structure and recruit experienced and skilled staff could see significant service failure and a loss of potential income through lower than expected collection rates in Council Tax and Business Rates.'

- 'SBC has a large number of interims to cover vacant posts and provide additional support to the revenues function which is costly, could lead to an overspend of the baseline budget, may prevent adequate investment in other areas of need and ultimately contribute towards SBC's failure to deliver against expected objectives and targets.'

- 'The current budget forecast for the service only covers the cost of most interim staff up to the end of September 2021. The unplanned departure of interim staff with no contingency plans for transfer of skills and knowledge, nor the redistribution of work could lead to service delivery failure.'

- 'Lack of IT upgrades and use of the self-service function has led to an increase in customer contact, call backs and ultimately a significant backlog of work with insufficient resources to address issues.'

7. Services recommendations

28 Seek to 'unify' all Children's Services under the umbrella of Slough Children First as this will provide an economy of scale to the overall children's budget. This could provide greater scope for service reform, reduction in demand and produce greater efficiency savings.

29 Address recommendations 1,2 and 3, which will help improve performance in other service areas, particularly revenues and benefits, IT, finance and democratic services.

8 Capacity and/or capability to improve

8.1 There has been a recent determination and drive to improve the situation from both staff and senior members in Slough. Despite this optimism and energy, Governance and Financial Governance are not yet mature enough to undertake the rapid and effective decision making needed. There is not enough capacity and capability within the council currently to effectively address the huge challenge ahead. The council does not have a track record of taking appropriate difficult decisions, for example, in reforming services and limiting certain expenditure.

8.2 Until the s.151 officer assumed his position earlier this year, there had not been a forensic, in-depth analysis of financial or governance issues facing the council, nor any accelerated meaningful action to address these concerns. There had been no rigorous analysis of risk across a range of indicators.

8.3 Despite recent best efforts, there has not been enough progress in progressing governance weaknesses identified by the LGA reviews and the internal and external audit findings over the past years.

8.4 Currently, the s.151 officer and other expert interim support is the technical guide for the organisation through this difficult period. If this support were to be withdrawn there is not the expertise in the council to continue the momentum instigated by the s.151 officer. The s. 151 officer has a weeks' notice period. Effectively there are four finance Group Managers of whom three are interims. The council has no trainee accountant programme or financial development programme, or operating finance management arrangements. The finance service is in urgent of greater capacity and skills.

8.5 The council has recently begun to deal with Finance and associated Governance matters from a corporate perspective and not just as the responsibility of one council department. The section 151 officer is pivotal to this development.

8.6 There remain over three hundred vacancies and three hundred agency staff (many in key core positions) and many interims within the new council structure and it is unlikely they will all be able to be filled permanently, due to the financial circumstance and the structure will have to be revisited. The Executive Team in the council is in a transition period, two EDs are substantive, one of these is new. One ED post is currently vacant, two are fixed term, one until the end of the calendar year and the other (s.151 officer) has a week's notice period (although he has indicated he will remain for two years), one ED is leaving to take up a post in another council and the newly appointed Monitoring Officer does not take up post until October 2021.

8.7 There are gaps in key posts and front-line positions in HR, IT, Finance (three group managers are interim, one is permanent), Revenue and benefits, Temporary Accommodation, Adults and Children's Services.

8.8 There is too much reliance on consultancy which is a significant strain on the revenue budget, despite the opportunity to capitalise. From 2019/20 to date the council has spent £13.581m on consultancy, £6.496m of which has been advice on property and assets. There is also some doubt whether the cost of the property/asset advice has been taken account of in business cases.

8 Capacity/capability recommendation

30 Significantly reduce the reliance on external consultancy and external contracts which deliver 'internal' services. Build and use internal capacity.

9 Conclusion

9.1 In a final analysis of evidence relating to the lines of inquiry, many of the issues described in this report and the concurrent CIPFA report have been operating in Slough BC for years, some dating back to 2011. When each of the issues outlined above are taken individually, they could be regarded as manageable ‘tasks’ to resolve.

9.2 When all these issues are taken collectively over that period, with elements of poor practice still occurring today, they all amount to a considerable series of complex events and actions and need to be placed alongside the test for the ‘Best Value’ duties of a Local Authority.

9.3 Best value legislation indicates that "A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. In practice, this is generally taken to mean that authorities must deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services (including adult social care and children’s services) and secure value for money in spending decisions.

9.4 An indication that an authority is struggling to comply with its best value duty is where there is significant doubt as to whether that authority can recover by itself or with the non-statutory support available from the sector.

An authority struggling to comply with its best value duty displays the following characteristics:

- an overreliance on interim officers
- a lack of corporate capacity
- many inadequate internal processes
- signs of distrust among and between councillors and senior officers
- the absence of effective scrutiny, transparency, and public consultation
- insufficient capacity to achieve the change required
- instances of poor-quality advice to members
- a lack of understanding of how some meetings should be conducted
- in some cases, members not understanding their role
- significant unknown past liabilities yet to be determined

9.5 Slough Borough Council has been displaying these characteristics over past years until present day and has failed its best value duty despite the concerted efforts in the last few months. It is unable to resolve the difficulties on its own.

9.6 The Secretary of State is advised to consider intervening to support the significant rapid change that is required in Slough Borough Council. Improvement will require external validation of the recommendations listed in this report and those contained in the CIPFA report.

9.7 Improvement for Slough BC will rely on stability in political leadership and it would be advisable that the council moves towards a four yearly election cycle at the earliest opportunity.

9.8 The suggested areas of focus of support to the council would be:

- Service reform; particularly transformation, revenues and benefits and corporate functions such as finance , IT and HR.
- Governance (democratic services and scrutiny)
- Financial decisions and processes. Corporate governance (including commercial activity)

9.9 Timescales are suggested in Appendix 1 for the recommendations. The CIPFA report also has specific timescales for its recommendations. These should all be built into a delivery plan which can be validated. Initially, bi-monthly reports to the Secretary of State should include progress on the delivery plan.

Jim Taylor

Reviewer

September 2021

Appendix 1 List of all recommendations. 'P' priority action. 'M' medium term action

4. Governance recommendations

1. Re focus the 'Our Futures' programme on bottom-up service reform and widen the project board membership to include service leads in key service areas. **P**

2. Undertake a pragmatic, rapid risk assessment of the functional capability of each service area identifying the gaps in capacity and capability. This process needs to be owned by the organisation. Junior managers and front-line colleagues should be involved in contributing to the way forward. **P**

3. Prioritise the service areas to be addressed and determine a rigorous plan and allocate resource accordingly. Examples of service areas to be prioritised would be finance, revenue and benefits, IT and democratic services, including scrutiny. **P**

4. Encourage distributed leadership and a permission culture to enable staff at all levels to take rapid decisions to improve services. This will be difficult at the moment due to the Expenditure Panel process. **M**

5. With regard to recommendations 1 to 4, prioritise permanent recruitment and/or longer-term contract status of all relevant interim positions. In particular, the s.151 officer, DPH and the Director of Children's Services. Confirming interim positions at junior manager and front-line level is as important. The CIPFA report refers to appointing a permanent deputy section 151 officer. **P**

6. Identify permanent statutory post holders within the new scheme of delegation. **P**

7. The new Monitoring Officer (MO) is due to (correctly) report directly to the CEO. The new Monitoring Officer should also manage democratic services. **P**

8. Retain the support for 12 months of the Principal Lawyer from HB Law to work with the new MO and confirm this post as the Deputy Monitoring Officer. **P**

9 Enhance the council data and insight functions to enable better evidence-based decision making. **M**

10 To enhance the 'Brilliant Basics' programme, conduct rapid training for council officers on effective governance to include report writing, compiling effective business cases, sign off processes prior to submission of reports, evidence-based decision making and the importance of internal audit. Ensure that officers accept advice from the Principal Lawyer and team (and the new MO) in incorporating all advice and risks into reports prior to submission. **P**

11 Establish a 'management action' tracking system for internal audit actions which is fit for purpose. Emphasise to all staff the importance of internal audit and that identified actions can be used for continuous improvement within service areas. **P**

12 Address each unique management action from internal audit reports and use them as indicators of possible service failure. Prioritise, target and remediate each action as a matter of urgency. Include actions identified in the six draft audits completed in year to date. **P**

13 Conduct an independent review of the internal audit contract and establish an 'in house' function which will enable the internal audit team to work alongside colleagues, whilst retaining their independence, as is practice in many councils. **M**

14 Independently review the procurement and contract management function and develop an 'in house' team. **M**

15 Continue to understand and identify risk more generally and review the council strategic risk register to make it fit for purpose **P**

16 Improve proper decision making at appropriate governance levels and relevant meetings. For example, the annual review of the Council Tax Reduction scheme at full council and the comprehensive list of annual contracts to Cabinet. **P**

17 Prioritise and resource the scrutiny function to enable meetings to operate effectively. Reschedule the cancelled scrutiny committee meetings from June and July 2021 as a matter of urgency and re-establish the calendar of scrutiny meetings alongside a forward plan. Review the terms of reference for the Audit and Corporate Governance Committee as outlined in the LGA governance review in 2020. **P**

5. Culture and Leadership recommendations

18. Building on the newly established 'Reset board', develop a standalone, prioritised, separate governance project board. **M**

19. Prepare an annual governance statement for 2020/21, the current 2019/20 statement does not have an action plan. **P**

20. Continue to rebuild trust between officers and members. **M**

6. Financial governance recommendations

21 Produce an overarching corporate action plan in response to the section 114 notice which indicates the way to financial sustainability **P**

22 Ensure the recommendations in the concurrent CIPFA report are carried out. **P**

23 Develop the good awareness raising initiated by the s.151 officer into a mandatory financial and budget training module for all councillors and budget holders. **M**

24 Ensure that the excellent work of the s.151 and his team (in terms of action planning around the external reports) has corporate ownership and that finance is not merely regarded as a technical activity, but as an enabling function to help council wide continuous improvement. **M**

25 Respond corporately and systematically (not just in a financial sense) to the ongoing reviews of council owned companies to ensure immediate, effective governance of these companies. **M**

26 The s.151 officer has initially requested the current capital programme be cut by 50% and this has been accepted. It would be prudent to consider a capital programme of zero except for government grant allocations and health and safety issues, for example. This would be until past liabilities have been fully understood and there is a plan for financial sustainability within the full response to the section 114 notice. **P**

27 Carefully manage the potential reduction from £6m to the return on investments as a significant risk. The disposal strategy should be completed. This might take some time, which could delay the amount of revenue available to the council. **M**

7. Services recommendations

28 Seek to 'unify' all Children's Services under the umbrella of Slough Children First as this will provide an economy of scale to the overall children's budget. This could provide greater scope for service reform, reduction in demand and produce greater efficiency savings. **M**

29 Address recommendations 1,2 and 3, which will help improve performance in other service areas, particularly revenues and benefits, IT, finance and democratic services. **P**

8 Capacity/capability recommendation

30 Significantly reduce the reliance on external consultancy and external contracts which deliver 'internal' services. Build and use internal capacity. **M**