

## **Slough Borough Council**

<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	18 <sup>th</sup> September 2023
<b>SUBJECT:</b>	Refresh of the Councils Finance Improvement Action Plan
<b>CHIEF OFFICER:</b>	Adele Taylor – Executive Director of Finance and Commercial (S151)
<b>CONTACT OFFICER:</b>	Adele Taylor – Executive Director of Finance and Commercial (S151)
<b>WARD(S):</b>	All
<b>PORTFOLIO:</b>	Lead Member for Financial Oversight, Council Assets, Procurement and Revenues & Benefits – Councillor Chahal
<b>KEY DECISION:</b>	No
<b>EXEMPT:</b>	No
<b>DECISION SUBJECT TO CALL IN:</b>	No
<b>APPENDICES:</b>	'A' - Finance Improvement Action Plan

### **1 Summary and Recommendation**

- 1.1 To provide an update on the consolidation of improvement activity within Finance and Commercial Services and a refreshed improvement action plan.

#### **Recommendations**

Cabinet is recommended to:

- (a) Review the proposed finance vision and the subsequent action plan for finance and commercial services.

#### **Reason**

- 1.2 To ensure that Cabinet has proper oversight of the planned activities allowing the Finance and Commercial services to evidence that the way in which it operates and delivers necessary actions to meet the Directions that have been placed on the Council. In addition, to consolidate the improvement activity that is being undertaken to allow Councillors, residents and external stakeholders to understand the steps that are being taken to address concerns around the openness and transparency of financial practices at the council and ultimately build trust in the organisation.

## **Commissioner Review**

Strong financial management practice across the whole of the Council is essential, with everyone clear about why finance matters, what good financial management for the Council looks like and what needs to be done to meet that standard.

This report provides a progress update on recommended actions and milestones. The commissioners are pleased to note that good progress is being made in several areas. The Council will need to keep improving to meet the financial challenges they will face over the coming years.

## **2 Report**

### **Introduction**

- 2.1 This report is written during the first six months of the financial year 2023/24 and the first six months of a new, permanent, Executive Director of Finance and Commercial Services at Slough Borough Council. Given the focus and attention on immediate actions for Slough and the intervention in place since 2021, this is the good opportunity for a reset and refresh of the improvement journey and ensure that these meet the needs of a renewed vision for the way finance and the financial framework operates at Slough Borough Council.
- 2.2 By consolidating the remaining outstanding actions in one place, this allows a more streamlined view of the improvement journey and provides an opportunity to focus on broader evidence of transforming the service. It allows a chance to not only consider what is good enough, but focusses on how finance needs to operate at the heart of the organisation and support the council's overall corporate plan objectives.
- 2.3 This action plan, although a key part of the way the Council will evidence how it has met the necessary objectives to evidence improvement allowing an exit from intervention, is also fundamental to the way in which we reconnect with our residents and other key stakeholders in rebuilding trust that we are financially sustainable.
- 2.4 Clearly stating our vision for the way we operate our financial framework also builds a strong brand about how we conduct business, make decisions and supports our efforts to recruit a stable workforce who can share the vision we have described, a key foundation to making all of the work happen.

### **Options considered**

**Option 1:** To consider the new finance vision and action plan and agree the proposed actions.

**This is the recommended option.**

**Option 2:** To consider the new finance vision and action plan and not agree the proposed actions.

**This is not the recommended option.** The proposed actions pick up on themes highlighted in guidance addressing failings in local authorities subject to intervention.

### 3 **Background**

- 3.1 In 2021, Central Government intervened at the Council and published the following Directions:  
[Slough Borough Council: Directions made under the Local Government Act 1999 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/slough-borough-council-directions-made-under-the-local-government-act-1999)
- 3.2 The specific directions relating to Finance and Commercial Services are all included under direction 2, 3 (a,c, d and e) and 6 as well as oversight of the functions associated with collection of revenues (Council Tax and Business Rates) and the distribution of benefits (Housing Benefit and Council Tax Support) by the Authority.

Direction Number	Detail
2	To undertake in the exercise of any of its functions any action that the Commissioners may reasonably require to avoid so far as practicable incidents of poor governance or financial mismanagement that would, in the reasonable opinion of the Commissioners, give rise to the risk of further failures by the Authority to comply with the best value duty
3	<p>In the first three months prepare and agree an Improvement Plan to the satisfaction of the Commissioners (which may include or draw upon improvement or action plans prepared before the date of these Directions), with, resource allocated accordingly, and as a minimum, the following components:</p> <p>a) An outline action plan to achieve financial sustainability and to close the long-term budget gap identified by the Authority across the period of its Medium Term Financial Strategy (MTFS)</p> <p>c) An action plan to achieve improvements in relation to the proper functioning of the scrutiny function, to include a review of the Authority's strategic risk register to make it fit for purpose. (note only the risk element relates to this directorate)</p> <p>d) An action plan to achieve improvements in relation to the proper functioning of internal audit, which addresses outstanding management actions and includes the commissioning of an independent review of the internal audit contract and a fully costed plan for establishing an internal audit function that reflects best practice.</p> <p>e) An action plan to achieve improvements in relation to the proper functioning of the procurement and contract management function, which includes an independent review.</p>

6	Following the review by the Authority of their companies within six months consider the roles and case for continuing with each subsidiary company of the Authority (except Slough Children First). For those companies that it is agreed to continue, make sure that the Directors appointed by the Authority are appropriately skilled in either technical or company governance matters to make sure each Board functions effectively under the terms of an explicit shareholder agreement and a nominated shareholder representative. For those companies which it is determined not to continue with in this form, to establish a plan to internalise, close or sell as appropriate
Functions to be exercised by the Commissioners item 3	All functions associated with the oversight of collection of revenues (Council Tax and Business Rates) and the distribution of benefits (Housing Benefit and Council Tax Support) by the Authority;

3.3 The statutory direction arose following two key reviews commissioned by DLUHC:

- CIPFA review (Chartered Institute of Public Finance and Accountancy)
- DLUHC governance review (Department of Levelling up, Housing and Communities)

3.4 In addition, Grant Thornton, the Council's external auditors have issued statutory recommendations relating to financial management through its work around external audit of the accounts for 2018/19 reported to full council in March 2023.

3.5 At the full council meeting on 9th March 2023, an update was provided on the progress against each of the actions from these reviews on a separate basis, as well as to the Directions detailed above. A Finance and Commercial Services Improvement Plan was also included in that report, although many of the actions were short term in nature to reflect the fact that a new Executive Director of Finance and Commercial would be starting by the end of March 2023 and would want to review requirements on their arrival.

3.6 In addition to the external reviews that were undertaken, there is a rich source of evidence from internal audit reviews over several financial years that have been considered in putting together this action plan and will continue to be an important part of the control framework going forward.

3.7 The improvement plan will continue to evolve as there is always room to consider how to make better use of our resources, learning from others best practice and transforming the way work is undertaken. As such, internal audit as a function are an important part of monitoring not just adherence to basic controls to mitigate our risks, but look to ensure that we operate in a Best Value way, fundamental to any public sector body.

3.8 Another way in which this plan will continue to develop is the fact that several years of our Statement of Accounts for prior financial years remain outstanding. (2019/20 through to 2022/23). The work that external audit will undertake to audit those accounts may identify further areas that we need to respond to, including if any national legislation changes. This action plan will be an important part of the way in

which they make their Value for Money judgements about Slough so ongoing monitoring of the actions is also important.

- 3.9 The starting point for reviewing a refreshed action plan has been to put together a new vision for finance, so that there is clarity over who we want to be and allow us to build the steps that will take us there.
- 3.10 Developing a finance improvement action plan is not just about an exit strategy for the future from government intervention, this is about setting a direction and vision for the way in which the finance framework and function works and exists at Slough. We are not there yet but this is the vision that we are striving for.

### 3.11 **A new vision for finance**

Ultimately this is about Slough learning to live within it's means, delivering value for money services but underpinning all of this in an open, transparent, and understandable financial information that is relevant whether you work, live or are another interested party with Slough Borough Council.

In essence, a strong link between our financial commitments and our community. Our resources will underpin the corporate plan and our ambitions as an authority. We will operate in a way that takes the very best practice and not just uphold financial rules and regulation. We can demonstrate that we follow that best practice whether you are internal audit, external audit, a councillor or a member of the public. Finance will be seen as being at the heart of the organisation, working closely with all departments and will be a visible partner to others as well as undertaking necessary assurance for others.

For those who rely on our services you will know what things cost and how they are funded. We will have a strong culture of honest and transparent commissioning and contracting services that makes the best of the resourcing available to us.

Finally, financial sustainability isn't just about Slough Borough Council, it is also important to recognise that this is a key theme for those who work and live in our borough. We want to ensure that we have transactional services whereby if you rely on us for payment, we do so as easily, safely and efficiently as possible.

Where we are collecting money we will do so efficiently and effectively. If you are able to pay us we will make it smooth and easy for you to deal with us. If you should pay us and can afford to do so, but choose not to, we will deal with you fairly but firmly as you are affecting other taxpayers by choosing not to do so.

If you are in a position where you cannot afford to pay us and are in a position where you are financially vulnerable, we want to work with you and support you to ensure that you are getting all of the support and advice you are entitled to. We want to focus our efforts and support around those who need our help and not those who choose not to pay what they owe.

Underpinning all of this is a strong culture of protecting the public purse. We are custodians of taxpayer money that needs to be spent wisely and well. For every £1 we spend and every £1 we collect we treat it like our own and have a strong anti-fraud ethos.

### 3.12 **Emerging Themes**

- 3.13 In refreshing the action plan, consolidation of any actions remaining outstanding from across all of the different reviews is important. A significant number of those actions had been marked as complete in Match 2023 although work to ensure that progress continues is important.

- 3.14 Through discussion with the interim Finance Commissioner and the Executive Director of Finance during May and June 2023, six themes emerged rather than continuing to monitor actions by the route that they had been identified. This had previously meant that actions were duplicated or expressed in slightly different ways depending on who had first identified them.
- 3.15 Having a thematic approach also makes it easier to take a more holistic view of complying with our overall vision.
- 3.16 The six themes identified are as follows:
1. **Getting the Basics Right** – the failures the council experienced in terms of financial management point towards the fact that the council wasn't getting the basics right. External audit of the 2018/19 accounts showed that basic supporting evidence, working papers, reconciliations etc. just didn't exist, leading to a disclaimed audit opinion. Reviews by CIPFA and the actions with the Directions themselves also point to the fact that just getting things done in the right order, in the right way needs to continue to be considered. The ultimate aim is to move from the disclaimed opinion to an unqualified opinion as soon as is practicably possible given the historic nature of the outstanding accounts.
  2. **Governance and decision-making support** – for a Council to be open and transparent in the way it conducts its business, everyone needs to understand their responsibility in the way decisions are made. Decisions need to be made on sound evidence, with appropriate professional advice from a properly resourced and skilled officer team. This picks up on the statutory recommendations made by Grant Thornton in relation to the purchase of Observatory House, which related to the need for "important (in financial and strategic terms) decisions, sufficient and adequate information is made available to members within the formal governance processes to support the decisions made, including a comprehensive business case." These recommendations were reported to Full Council on 9 March 2023.
  3. **Financial culture and awareness** – it is a very simple thing to say in that "finance is everyone's business" in any organisation, but to demonstrate that this is the case can be more challenging. This particular theme of the action plan will focus on the way in which we "do" finance at Slough. The financial capacity, skills and training available to finance and non-finance officers is important as well as the training provided to councillors to ensure that financial best practice is embedded throughout the organisation.
  4. **Medium Term Planning** – due to the financial position that the Council has found itself in, having to issue a S114 notice (a way in which the council declared that it's outgoings outweighed the income it relies on), short-term actions and decisions had to be taken to bring the council back to being able to manage its finances and live within its means. The Council has had to receive exceptional finance support (by means of using its capital receipts to fund revenue and the ability to raise council tax by an additional 5% for 2023/24) and operate in a way in which means it needs to focus on managing its resources tightly. That will continue to be required over the medium to long term and mustn't lose focus on achieving financial sustainability. However, now the most immediate and short term issues have been identified, focus needs to move to evidencing how it will manage its resources over more than just one year. The Council's financial strategy and budgets must be clearly aligned with

its strategic priorities and there must be a robust process for reviewing and setting the budget and medium term plans.

5. **Transformation and automation** – to truly ensure that the council operates in a Best Value way, the Council needs to also focus on the way in which it does things. No council would be able to be sustainable without focussing on how it can harness available technologies, using our tools more efficiently and transforming the way we do things not just for financial gain, but also to focus our resources where they are most needed. Financial management and reporting should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise when needed. All of this is underpinned by clear business planning with delivery against milestones monitored on a regular and timely basis.
6. **Deep Dive Projects** - this is a really important aspect of any improvement plan. This will be a list of areas where the council needs to really focus time and effort on particular areas, using cross-cutting resources to make change happen. It is likely that these deep dive areas will be identified through the combination of risk management, internal audit and external review but may also be identified through other parts of the action plan.

3.17 The detailed action plan is included at Appendix A.

3.18 An action plan is only as good as the way in which it is monitored and managed.

3.19 The action plan will be monitored on a day to day basis by the Finance and Commercial Services departmental management team. Regular reporting through to the Corporate Leadership Team (CLT) and internal boards will be undertaken through existing reporting mechanisms including “RAG” rating of delivery and clearly reporting delivery risks to the plan, and any alterations, changes to delivery timescales or capacity issues. Mitigations to those risks will also be highlighted.

3.20 This action plan will also be monitored through existing mechanisms of the Commissioner chaired Finance Board and also the Improvement and Recovery Board. Reports will be brought to Cabinet on a six monthly basis and more detailed information will be available for the lead member and to scrutiny members to assist the Corporate Improvement Scrutiny Committee to undertake its functions.

#### **4 Implications of the Recommendation**

##### **4.2 Financial implications**

4.2.1 Whilst there are no specific financial implications arising from developing the action plan, this is fundamental to the way in which we operate as a Council. The action plan is concerned with ensuring that we are not just meeting basic requirements, but are able to demonstrate that we are operating in a way that is Best Value and using our resources wisely.

4.2.2 Delivery of the action plan will be within existing resources.



### 4.3 Legal implications

- 4.3.1 Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year.
- 4.3.2 Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.
- 4.3.3 The Secretary of State for Education made a direction under s.15 of the Local Government Act 1999 on 1 December 2021 (which has subsequently been updated). The Direction required an action plan to achieve financial sustainability and to close the long-term budget gap. The finance action plan was first reported to cabinet in September 2021 and has been regularly updated since. This report contains significant information on the work undertaken to achieve financial sustainability and to close the long-term budget gap, although the Council will still need a capitalisation direction for some years to come. In addition, the appointed commissioners have reserve powers to exercise the function of proper administration of the Council's financial affairs and all functions associated with the strategic financial management of the Council, including providing advice and challenge of the budget and scrutinising all in-year amendments to annual budgets. The finance commissioner has been fully involved in the preparation of this action plan.
- 4.3.4 DLUHC has consulted on updated guidance on the best value duty and the draft guidance has highlighted seven best value themes of Continuous Improvement, Leadership, Governance, Culture, Use of Resources, Service Delivery and Partnerships and community engagement. The most relevant of these themes have been picked up in the themes identified in the Finance Action Plan. The draft guidance particularly emphasises the importance of the Council's strategic priorities being aligned with its financial strategy, that strong financial management and reporting runs throughout the whole organisation and that there is a robust system of financial controls and reporting and collective accountability.

### 4.4 Risk management implications

- 4.4.1 Risk management activity underpins the work contained within the finance action plan itself and is fundamental part of the overall way in which we operate.

<b>Risk</b>	<b>Summary</b>	<b>Mitigations</b>
Financial	<p>Failure to identify weaknesses in the way we operate could lead to financial resources not being properly utilised</p> <p>Failure to address the council's financial position and ability to live within its means leading to council becoming financially unsustainable without further exceptional support</p> <p>Failure to identify and address historical issues in the outstanding statement of accounts leading to further financial pressures</p>	<p>This action plan addresses issues raised through a variety of sources and provides mitigations against those.</p> <p>One of the six themes addresses improving the medium-term financial planning process and addressing the ability of the council to reduce its need for exceptional support as agreed with central government</p> <p>A significant part of the improvements required are to bring up to date the historical information regarding the statement of accounts of the council and to bring back on track reporting to meet statutory deadlines in the future.</p>
Governance	Failure to address governance arrangements could lead to decisions	This action plan is based on evidence from a number of sources including internal and external audit, reviews by professional bodies and other stakeholders that have identified specific actions that need to be addressed. The action plan will continue to be refreshed and has a specific theme relating to governance and decision-making to address those concerns.
Legal	Failure to adhere to legislative changes promptly	The action plan has a theme to address decision-making which should identify areas that need to be addressed. In addition, a theme around financial culture and awareness seeks to ensure that the council remains up to date in it's view around best practice, financial legislative change
Timeliness	Failure to make change within sufficient time to positively influence financial sustainability	By setting out an action plan to address these issues, this should set a solid framework to build financial sustainability in a timely way

Reputational	Failure to build trust with external partners and residents	The action plan recognises that there needs to be improved public and stakeholder engagement which will be undertaken to begin to build trust through providing sound advice but also doing so in a way that recognises that providing information in an understandable way is as important as the numbers themselves
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#### 4.5 Environmental implications

4.5.1 There are no specific environmental implications arising directly from this report.

#### 4.6 Equality implications

4.6.1 The action plan does not specifically have equality implications.

#### 4.7 Procurement implications

4.7.1 There are specific actions in relation to procurement and contract management contained within the action plan.

#### 4.8 Workforce implications

4.8.1 A fundamental part of the action plan is ensuring that there is a sufficiently trained and aware workforce around financial matters. This is not just within the finance and commercial teams themselves but also across the whole council. Actions within the action plan itself identify the importance of this work.

#### 4.9 Property implications

4.9.1 There are no specific property implications arising from this report. Although asset sales underpin the financial model for the Council, those are dealt with at a detailed level through other financial reporting such as budget monitoring reports and specific asset management reports.

### 5 **Background Papers**

5.1 The following link provides access to the 9<sup>th</sup> March Council papers on previous financial action plan: [AGENDA ITEM \(slough.gov.uk\)](https://www.slough.gov.uk/agenda-item)

5.2 [The following links provide access to statutory recommendations made by Grant Thornton, our external auditors in 2021 and 2023](#)

[Microsoft PowerPoint - Slough BC - S24 statutory recommendations 09052021 Cabinet Report template 2022.23 \(slough.gov.uk\)](#)