

Slough Borough Council Best Value Commissioners

DATE: 17.01.2023

Best Value Intervention – Slough Borough Council

4th Report

Dear Minister,

This report summarises Commissioners latest assessment of progress at Slough Borough Council. It flows on from our previous report in June 2023.

Executive Summary

There has been much activity and progress in some areas since our last report, however, progress has been inconsistent. Politically, the new Administration is landing relatively well and with LGA support, is showing early signs of commitment to the improvement and recovery journey. There have been some politically based issues, that could have destabilised the Authority, but with skilful leadership from the Leader, the issues were dealt with. Political stability of the Authority however remains a risk, given that the ruling Conservative Group is a minority Administration (with support via a cooperation agreement with the liberal Democrat Group). Over time, the strength of this relationship may be tested, as the Council will face more difficult decisions in order to remain financially viable.

The Labour Group are taking steps to becoming an effective opposition. By way of an example, a welcome development being that it has appointed a shadow cabinet and intends to propose an alternative budget.

Organisationally, SBC remains fragile. The officer leadership team is clearly working hard to make progress but there is still a sense that the pace and consistency of change is not where it should be. The next level of leadership recruitments is just getting underway, and the Council will be fortunate if it is able to fill all of the vacancies to a suitable standard. Of considerable concern to Commissioners is the amount of churn at Leadership levels within the organisation where the leadership culture is cited as a reason for some of the departures. This must be addressed quickly as retaining new hires will be dependent upon there being a supportive, collaborative culture at the Council. Commissioners acknowledge the positive change of culture that has happened within Children's services and suggest that this is a model that the broader Council could build upon. It is strongly recommended that Senior Leadership Team embraces self and team development and take seriously the concerns raised by staff about culture, to ensure it is providing excellent, consistent Leadership and a positive culture that the organisation needs and that is essential for a sustained recovery.

Financial sustainability remains the biggest risk to the Council. Members and Officers have worked well together to identify savings, in order to set a balanced budget for 2024/25 and the Medium Term. However, Commissioners are concerned that there are inherent risks in the balance sheet and prior years revenue budgets and until resolved an over reliance on reserves in order to balance budgets should be avoided. Since our last report there have been a number of emerging financial issues that could easily have destabilised the Council. However, with strong Commissioner expertise, the issues were dealt with although still requiring additional borrowing and higher service based financial savings. The Council needs to think carefully about how it will strengthen its revenue base in the medium term, to avoid an over reliance on limited reserves and potentially optimistic service-based savings.

The Council has adopted a new Corporate Plan and whilst this is welcomed, it does expose the fact that despite the good work on identifying savings and addressing many service based issues, there is no clarity over a future operating model for the Council. The importance of this was raised last summer and it should form the basis of a Council moving forward that is clear about its priorities and is constructed and resourced to

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effectively deliver. An effective operating model will also define how it will utilise technology and change techniques to enable to it to secure good outcomes for the people of Slough in the most cost-effective way.

The Council can legitimately point to a number of areas where it has made progress against the Directions. There are examples in both children's social care and SEND where clear progress has been made and good partnership working is being demonstrated to support continuous improvement. However, Commissioners remain concerned that with so many risks still outstanding and a lack of organisational resilience, most improvements are not yet embedded and could fall back relatively quickly. Sustained organisational recovery for Slough must go beyond simply ticking off a list of deliverables against Ministerial Directions. Sustained recovery will require leadership that is authentic about its commitment to a positive culture and that creates a working environment where staff can flourish. Good intentions and plans will need to be properly embedded into the organisational process of the Council. The Council needs to take a more strategic approach to how all of its plans fit together and how it identifies and manages risk, within the context of a medium-term financial strategy and align on an operating model that is sustainable financially moving forward.

Whilst it is clear that the Council takes seriously the position it finds itself in and is committed to recovery, Commissioners are of the view that the Council is still not meeting its duty of best value. The lack of strategic drive and overall pace throws into question the strength of leadership within the organisation at this pivotal time and indicates that Government intervention will be needed after the current intervention timeline. The nature of the intervention beyond the current timeline and associated directions should now be given serious consideration.

Progress Against Directions

In order to help the Council focus, Commissioners wrote to the Chief Executive, highlighting a number of areas where the Council should put particular emphasis, which the directions span. These are shown below:

Leadership and Culture

The new Conservative minority Administration have established positive working relationships with officers of the Council and there is a generally positive atmosphere based on mutual respect. Where issues have been raised, the Leader has dealt with them appropriately. Members of the Administration are generally very inexperienced and support from the LGA peer mentor in particular has been strong and helpful. Many difficult decisions lie ahead, particularly around ensuring that the Council maximises its revenue position. Residents in Slough lost confidence in their Council as outlined in the recent LGA resident satisfaction survey. Politicians will have to work hard around engagement and transparency to win back the trust of their residents and to date there is limited evidence of the proactive and systematic resident engagement needed.

The Labour Group are making progress towards being an effective opposition and there are signs (such as the recent audit committee changes) that the parties can come together to resolve difficult issues.

At an organisational level, the Council is trying to re-engage with their staff through a series of staff communication events and a CEO VLOG. Whilst this is welcomed, staff morale remains low and there is a sense that difficult questions being asked by staff are often being ignored. The senior officer team will need to demonstrate more confidence in tackling organisational issues. A good example would be to bring more staff to the office to create a greater sense of urgency and opportunities for improved departmental collaboration. This issue has regularly been raised but numbers generally remain low, with the exception of Children's services staff.

Progress on designing and implementing an impactful culture change programme continues to evade the Council. A desired set of organisational behaviours is often referenced at staff events, but it remains unclear in programme terms how this is being implemented. Commissioners are also concerned that a number of staff describe behaviours of some of their leaders as being "high challenge, low support" and this is reflected in the

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relatively high turnover of staff. It remains important that the senior leadership team commits to team development to ensure that they not only operate as a collegiate senior team but that they embody the organisational behaviours that they say they want to see.

Transformation

When we last wrote to you, we were able to report that some good work had been undertaken to tackle the organisation's transformation. There was evidence of leadership from the top of the organisation, some rigour in the plans and evidence of some material progress.

We identified risks particularly noting the need for pace, energy, and capacity. We also identified the need for a thought-out prioritised transformation plan.

Regrettably that progress has not been built upon at the pace needed nor with the rigour and sustained leadership focus that is required. Management of programmes has been too ad hoc. Staff churn has contributed to the organisation's difficulties but the planning for and management of staffing issues has sometimes seen specialist staff replaced with generalists. Work has been transferred to already busy staff as a stop gap measure diluting both quality and pace.

This is not to say that nothing has been achieved. Research into the views of staff has taken place, some management development has been undertaken and the organisation is close to being able to meet its equality data publication duties. A new top structure for the Council has been agreed and recruitment to those posts is under way.

Work has been undertaken to help the organisation become much more evidence led in its decision making. The development of a data repository is to be welcomed and there is evidence of it being used albeit patchily. There is some way to go before reports to committees and to officer working groups could claim to use data appropriately consistently and effectively.

However, the absence of a resourced and well-planned overall transformation programme remains a weakness. This is a subset of the problems caused by the absence of a clear future operating model. The organisation has struggled to build a clear, shared understanding of what a future operating model would look like or contain.

There has been some effective work at the departmental level to engage staff and improve productivity. However, corporate activity has yet to result in staff feeling engaged and inspired. The staff survey was not encouraging and some staff report feeling blamed rather than well led. The trade unions report a lack of transparency in their dealings with the Council and trust has not been developed with them.

Slough is starting to think about tackling these problems now, but this has taken too long to be addressed. There is a lack of rigour, energy, and effectiveness in the development of strategies and in their implementation.

Governance

Political leadership is becoming a strength. Both the leader of the council and the leader of the opposition clearly understand their roles and are aware of what needs to be done to help Slough improve. It would be good to see some more examples of cross party working in the interests of whole council recovery.

The political context in Slough is challenging. The authority is in no overall control. The Conservatives provide the leader and the cabinet relying on the support of the three Liberal Democrat councillors to do so. Many councillors are inexperienced and, understandably, are taking some time to come to grips with their responsibilities. Many of the choices that they face are unpalatable and resources are severely constrained. The public is dissatisfied with the council's recent past and austere, immediate future.

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Officers have worked hard to develop the correct infrastructure to support good governance. The Annual Governance Statement has been published, member training provided, a member and officer protocol promoted and report writing skills supported.

The Standards Committee is supportive of good member behaviour. There have been several challenging allegations made against some councillors and these have been appropriately referred to the monitoring officer.

The Audit Committee has provided some specific challenges. The wider council leadership came together to help resolve them and handled the political implications of the issues raised particularly well. The underlying issues of inexperienced members, inconsistent reports and the variable quality of available data remain a significant challenge to that committee.

The Scrutiny Committee also is trying to improve whilst facing some similar problems. The Council acknowledges that there is some way to go before this committee operates effectively and is open to efforts to help it improve.

The authority is recruiting to key posts in the governance team. Slough has struggled to recruit and retain permanent staff in this area and there is a risk that a change in personnel may hamper further improvements.

Financial Sustainability

In the last report we stated that 2023/24 would be a pivotal year in the Council's improvement journey and the six month period just ended was crucial in assessing the robustness of the improvements made, in setting the course for getting the Council back to financial sustainability over the medium term, securing the services that residents in Slough need the most, and support the Council's wider priorities, within the resources available.

The objectives in the Council's financial improvement plan, aims to strengthen governance and financial management and ensure the Council's long-term financial sustainability, including the actions needed to bring the in-year budget back into balance. Officers have maintained a high level of control on revenue expenditure, curtailing non-essential spending, and focused on improved financial discipline, forecasting, budgeting, and timeliness of regulatory reporting, to embed a culture of budget responsibility throughout the Council.

Permanent recruitment has been underway with some success; however, it has resulted in churn in key roles. It has been clear that the Council did not have the right people, with the right skill sets, and capacity at the right time in some key areas. The Council needs to right-size the function, to efficiently address the most critical financial processes, shifting resources to focus on core competencies and strategic business activities.

In meeting the financial challenge, the Council has undertaken a range of budget deep dives and Zero-Base budget reviews, looking at every service to identify the potential for removing non-essential expenditure and systems and process improvements to increase income generation. The draft 2022/23 outturn report identified £2.6 million overspend and the latest 2023/24 financial monitoring report to December Cabinet forecast an in-year overspend of £8.2 million as at Quarter 2. No exceptional support is anticipated for these variations and local mitigations are to be identified. Given the overarching scale of the challenge facing the Council in current and future years, the approach of driving efficiency and eliminating nonvalue added activity will only take the Council so far, as the scope to find further efficiencies within individual services diminishes year by year. Real service transformation is required to deliver long term sustainability, and this is not yet evidenced in the medium-term plans.

In effectively carrying out its accounting and reporting responsibilities, setting standards, performance, and operating thresholds, and identifying risks, the preparation of annual accounts and frequent review of the balance sheet is vital. This operates as an alert mechanism for the Council and its absence means that financial

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opportunities could be missed, and little warning will be available before critical failures occur.

Following the previous report several balance sheet related issues have emerged, on key funds within which core income streams such as council tax, business rates, capital receipts and other credit balances are held. This has highlighted inadequate management and monitoring of the elements of the balance sheet that is most critical to financial sustainability, transparency, and scrutiny of the actions to mitigate the risks associated to these balances. This can have a material and destabilising impact. Such instability harms the working of the Council, rocks confidence, and has setback the Council's recovery.

The Council through its officers needs to carry out its own in-depth review, commissioning if required, the necessary capability to lead the health checks and challenge. Ensuring financial reporting is fully understood, strengthened, and managed effectively. Examining the key risk areas and providing clear and understandable information in relation to financial performance, sensitivity, and balance sheet risk, with timely and well-informed intervention when things go wrong.

The Council has outstanding statement of accounts and local audits covering 4 financial years from 2019/20. Given this is a national issue a range of proposals to address the backlog of local audits in England is being considered. These include enforcing a statutory deadline for completion of the audits, and issuing qualifications and disclaimers of opinion in its place for the accounts to which the deadline is not achieved. Whilst we must ensure the capacity of the sector is focused on the most recent position as soon as possible, in our view there is a clear case in the public interest for the Council, local taxpayers, and residents to receive greater assurance of 2022/23 accounts. All parties need to be assured that the millions of pounds spent by the Council each year has been properly accounted for, the finances are in good order, provide greater transparency, demonstrate public accountability, and assist in achieving better outcomes.

Medium Term Financial Strategy

The Council has developed a more strategic approach to financial planning and presented its medium-term financial strategy alongside 2024/25 draft budget proposal to December Cabinet. Developing a medium-term financial strategy, assist in bringing together all known factors affecting the Council's financial position and provides a framework within which financial stability can be achieved and sustained in the medium term to long term.

The sales receipt from the Council's asset disposal programme remains core to the strategy as the primary funding source for the capitalisation direction, reducing the need for external borrowing. The ambitious net capital receipts target of £400 million by 31 March 2024 remains; however, Phase 2 of the asset disposal programme is likely to present greater challenge as the programme transitions to the Council's operational estate and the difficult economic climate continues.

The Council has identified within its medium-term financial strategy that it is unlikely to be able to set a budget to meet its statutory obligations without the draw down of reserves of circa. £6 million over the 3-year planning period and £52 million of exceptional support via a capitalisation direction to 2026/27. No forecast is currently provided for 2027/28, however it is currently anticipated that a further capitalisation of £6.2 million of revenue will be required indicating that overall exceptional financial support of up to £357 million will be required until 2028/29. Whilst recognising many of the risks outlined in this report, the Council has not appropriately addressed them in the 2024/25 draft budget proposal or demonstrated, via a range of sensitivities and scenarios, the adequacy of residual reserves to do so. It is proposed that this will be rectified for the final report.

Therefore, whilst this is a good first step, the plan does not demonstrate financial resilience or the ability of the Council to remain viable, stable, and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment. The Council should continue to take all reasonable local steps to support recovery and seek to minimise the

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need for the level of exceptional financial support outlined.

The Council is facing severe financial constraints, and fragility in a range of areas that give rise to fundamental questions as to the nature, scale, and sustainability of services. Financial stability remains the biggest risks and the Council, in its present form, is not a financially sustainable organisation in the medium term without exceptional support. The medium-term financial strategy should help to ensure that there is a link between the Council's strategic aims and priorities and the resources that are likely to be available to fund the achievement. The development of a business and operating model for the Council to enable it to be sustainable, within its forecast core financial resource envelope, by 2028/29 is recommended and would enable continuous improvement.

Procurement and Contract Management

Procurement and contract management is an essential tool to deliver the Council's wider financial, social, economic, and environmental aims and as such the Commissioners are pleased to note the progress made to improve procurement and contract management governance, since the establishment of the service in April 2021. We welcome the development and pilot of a social value policy for wider implementation and the proposed development of a commercial strategy for procurement, which should align to the updated corporate plan and provide an indication of how the objectives will be achieved and deliver wider best value to the Council and stakeholders, through its procurement and contract management activities.

The service is implementing a corporate contract management strategy and toolkit, it is important to ensure this is tailored to the Council, and it does not take a "one size fits all" approach to all contracts. Contract managers should be held to account for the performance of contracts through the regular monitoring of key performance indicators and tracking of mandated contract management activities, but they should also be supported to succeed through better training opportunities.

Performance Management

The Council has been building its corporate capacity to deliver effective performance and risk management. Consistent monitoring of performance and the link between completion of activities and accountability has improved. The corporate performance reports track the delivery of the strategic priority outcomes through performance metrics with targets that should be appropriately stretching. The report is now being transparently published in a single performance pack.

Performance metrics should ideally be contextualised with other management data and information of requisite quality, accuracy, and timeliness, to enable the Council to receive a rounded wholistic picture and be able to make good, timely decisions essential to drive efficiency. Improved transparency will assist the Council focus on improving quickly and effectively by increasing public scrutiny. The performance indicators should be kept under review and amended as appropriate to meet the corporate priorities of the Council.

Information Technology

Considerable progress has been made in IT, but it does so from a low base and much of the improvement is unseen by the end user. It's focus, understandably has been on IT infrastructure to improve reliability and security. The IT department has successfully managed a relocation of a data centre and a number of important software migrations and significantly improved the Council's website. A number of the improvements have also generated cashable savings for the Council. Challenges though lie ahead in this area. The IT Director has recently resigned which leave an important vacancy in a key area, at a time when these positions are hard to fill for Local Government. An additional risk for the Council is that Digital services should feature in the Council's thinking around target operating model, as means of lowering cost of delivery and improving productivity. However, the Council has limited financial head room to make the necessary investments and IT

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change is as much about culture change as it is about technology. Organizational demand for change is likely to exceed organisational capacity to deliver it.

Human Resources

This continues to be a significant weakness for the Council. There is hope that the recruitment programme currently underway will attract Leadership talent in this area but there is a lot of work to do to ensure it can provide the workforce change leadership that the Council needs to sustain its recovery. Successful organisational transformation is very dependent upon a HR OD department that can help drive workforce productivity through workforce design, people development and robust performance management. This capability doesn't currently exist within the Council.

The Council acknowledges that it is starting from a low base. Its early work has included a focus on using ICT more effectively in this area though the functioning of the Agresso system is seen to be a significant weakness. A new recruitment system has been introduced. Significant effort has gone into celebrating this small step to enthuse the organisation about future changes.


Conclusion

Delivering improvement and embedding strategic change at pace for any organisation is always challenging, especially when it starts from such a low base as was the case for Slough. The Council is working hard at both political and officer level to make the necessary improvements and there has been some positive progress, particularly at political level and on children's social care and SEND. However, as outlined in this report, there is still much to do for the Council to create and sustain an effective, and resilient organisation and Commissioners' conclusion is that the Council is not yet meeting its duty of best value. Financial and organisational instability, combined with poor staff satisfaction and lack of a clear operating model for the future means that the Council still has a long way to go before Commissioners could recommend an easing of the intervention. Commissioners are currently of the view that the Council will be unable to demonstrate it is meeting its duty of best value by the end of November when current Directions are due to lapse and expect that the Directions and timeframes will need to be reviewed ahead of this point.

Yours sincerely,



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