



Sandwell Metropolitan Borough Council: Value for Money Governance Review – follow up

Year ended 31 March 2022

2 December 2022



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Context, background and scope of the review

Context to our VfM approach

Sections 20 and 21 of the Local Audit and Accountability Act 2014 (the Act) require auditors to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM work is carried out in line with the Code of Audit Practice (the Code) which is prepared by the National Audit Office (NAO) under the Act, and its supporting statutory guidance: Auditor Guidance Note 3 (AGN 03).

A revised Code came into force on 1 April 2020, after being approved by Parliament. The Code requires auditors to structure their VfM commentary on arrangements under three specified reporting criteria:

- Improving economy, efficiency and effectiveness: how the Council uses information about its costs and performance to improve the way it manages and delivers its services;
- Governance: how the Council ensures that it makes informed decisions and properly manages its risks; and
- Financial sustainability: how the Council plans and manages its resources to ensure it can continue to deliver its services.

Background to this review

On the 3 December 2021 we published our report setting out the findings of our review of the Council's governance arrangements, which formed part of our 2020/21 VfM audit.

Our report set out significant weaknesses in the Council's governance arrangements, and was presented to full Council on 18 January 2022, along with the Council's Improvement Plan which set out the Council's response to our recommendations. The Grant Thornton report and the Improvement Plan were approved by the Council at this meeting. On the same day the then Local Government Minister at the Department for Levelling Up, Homes and Communities (DLUHC) announced the government was mindful to intervene in the Council because of the findings set out in our governance report.

The Council commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of the Council's financial management and governance arrangements using the CIPFA Financial Management Model. CIPFA reported their findings and recommendations in January 2022. In addition, the Local Government Association (LGA) undertook a Corporate Peer Challenge review for the Council, reporting its findings and recommendations in February 2022.

On 22 March 2022 the Secretary of State for DLUHC issued statutory directions under section 15(5) and (6) of the Local Government Act 1999. These directions appointed two Commissioners who will oversee all functions associated with the governance and scrutiny of strategic decision making by the Council. The directions will be in force until March 2024, unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date. These directions are in addition to the ones that led to the creation of Sandwell Children's Trust.

The Council has expanded its Improvement Plan developed in response to our December 2021 governance report to incorporate its response to the findings of the CIPFA and LGA reviews. Both the Commissioners and the Council provide updates on progress on delivering the Implementation Plan to the Secretary of State for DLUHC every six months.

The purpose of our follow up review, which relates to our 2021/22 VfM audit, has been to draw conclusions on the progress made by the Council against the recommendations set out in our 3 December 2021 report. This does not represent a review of the Council's Improvement Plan which as already noted draws on a wider set of actions than those relating to the recommendations set out in our December 2021 report.

This review, along with other VfM related activity, has been undertaken in order for us to consider whether there are any significant weaknesses in the Council's arrangements. Our overall VfM conclusions for 2021/22 will be set out in a separate Annual Auditor's Report.

Our approach

Our work in relation to this review was undertaken between September and October 2022.

Stage 1 – Review of key documents

We submitted an information request for key documents and then undertook a desk top review to reach an initial conclusion on the nature of further work required.

Stage 2 – Further Analysis and Clarifications

We then undertook interviews with key stakeholders in relation to each recommendation to clarify issues identified during stage one and to undertake more detailed analysis. A total of 33 stakeholders have been met during this follow up review.

Context, background and scope of the review (Cont'd)

Our Approach (Cont'd)

Our approach is designed to assess:

- Governance arrangements in place in relation to our scope;
- Council performance against these arrangements; and
- Identify any significant weaknesses and risks.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by council officers, council members, and external stakeholders with whom we have engaged during the course of our review.

Additional VfM Code Work

We have identified governance arrangements as an audit risk. This requires additional work to inform our auditor's judgement on VfM.

The work has been undertaken in line with the requirements of the Code and associated auditor guidance. This review helps us discharge our responsibilities under the Code and will include the reporting of any significant weaknesses in arrangements and other points for improvement identified during the review.

Any fee variation is subject to approval from Public Sector Audit Appointments Ltd (PSAA) which is responsible for appointing auditors and setting audit fees for relevant authorities that have chosen to opt into its national scheme of auditor appointments.



Key findings

Overview

Introduction

A range of different recommendations can be raised by a council's auditors as follows:

- **Statutory Recommendations:** written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.
- **Key Recommendations:** the NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.
- **Improvement Recommendations:** these recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.

Further detail on the scope of auditor's work on VfM arrangements can be found at Appendix A.

Our December 2021 report included the following:

- 3 statutory recommendations,
- 5 key recommendations, and
- 37 improvement recommendations.

In this section we summarise our key findings on the Council's progress.

Our detailed findings relating to each Key Line of Enquiry are set out in a separate section.

Key Lines of Enquiry

The scope of our original review covered 17 Key Lines of Enquiry (KLOEs):

SERVICES & MANAGEMENT	
A1	The Children's Trust
A2	Sandwell Leisure Trust
A3	Providence Place
A4	Special Educational Needs Transport
A5	Sandwell Land and Property Company
A6	MADE festival
A7	Waste service
A8	Governance and legal support re DPH
A9	Lion Farm
A10	Introduction of new ERP system (Oracle)

MEETINGS, COMPLAINTS & RELATIONSHIPS	
B1	Chief Officers
B2	Senior Leadership
B3	Complaints
B4	Officers and members relationships
B5	Standards Committee
B6	Audit Committee
B7	Financial Reporting

Our findings in relation to KLOE A8 were not included in our December 2021 report and have not formed part of this follow up review.

As part of this follow up review we have also considered how the Council engages with residents and community stakeholders (KLOE B8).

Key Findings

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 report.

Statutory Recommendation 1: It is imperative that senior officers and senior members take effective corporate grip of long-standing service issues highlighted by the findings in this report: (including SLT, SCT, the waste service, the ERP system, and Lion Farm) and prioritise corporate effort in managing the issues identified, and embed the solutions into the Council.

Key Findings

The Council has a greater corporate grip over improvement, performance and decision making. It has demonstrated progress on a number of areas such as children's social care and leisure services. The Council's leadership has taken shared responsibility for the oversight of the delivery of the Improvement Plan, and for cascading the plan through the organisation.

The introduction of a Performance Management Framework (PMF) provides an opportunity to improve evidenced based decision making, and sets out accountabilities to drive the delivery of the Corporate Plan. The Council needs to continue to refine how data is used to support the monitoring of Key Performance Indicators (KPIs).

Cabinet is demonstrating a commitment to making the tough decisions that are required, such as decisions made in relation to SLT, Lion Farm and SEND Transport. The Leadership Team has made good progress in its corporate approach to managing the operational issues and challenges raised in our previous report, with significant progress made in many areas. **There is more to do and this operational focus needs to continue, for example, on waste services, and also needs to expand into other areas, for example, medium-term financial planning and financial statement production.**

Skills and capacity gaps in relation to Serco and the ERP System implementation have been recognised and steps taken to manage them, including the use of interim and external resources. There has been a restructure of the Finance Team to better reflect the capacity and skill requirements needed to support the wider organisation. Work has been undertaken to better clarify roles and responsibilities, for example in relation to the ERP System implementation.

There is evidence of greater senior officer involvement in areas of key service challenges. A corporate Programme Management Office (PMO) has been created which will co-ordinate key change and transformation projects. These changes are welcome and necessary but it will take time to evidence their effectiveness. The Council needs to ensure there is a structured approach to knowledge transfer when using external specialists and that the capacity, skills and resourcing levels of the PMO and of key projects remain appropriate, that the PMO is able to effectively monitor the delivery of the Implementation Plan, and the PMO integrates all transformation and change activity being undertaken across the Council.

Statutory Recommendation 2: The Council must ensure that the learning in relation to commercial decisions, procurement and contract management highlighted in this report are understood through the organisation.

Key Findings

There is clear evidence that the Council is making better procurement and commercial decisions. The SEND Transport procurement approach was reviewed, revised and re-run and has been successfully concluded. SLaP has been dissolved, and Lion Farm and Providence Place are now being managed through to a resolution. Notice has been served on SLT with plans to create a new local authority trading company for leisure services. The most recent Ofsted inspection of children's services has seen the rating move from inadequate to requires improvement to be good. This represents significant improvement.

Significant progress has been made on the ERP systems replacement, including the procurement of a new implementation partner. Due to the poor way these had previously been managed the Council has faced delays and incurred unnecessary costs. For example, in relation to ERP the Council has incurred additional costs of at least £2.2m, however we acknowledge that the Council is seeking to mitigate this loss.

Key Findings (Cont'd)

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 report.

Key Findings: Statutory Recommendation 2 (Cont'd)

The lessons learned from both poor past practice, and the improved practice put in place to expedite failings must continue to be used to ensure that future large scale procurements and decision making follow good practice. The Council has not yet developed and agreed a commercial strategy which remains a key action to resolved and ensure there is understanding of the strategy across the organisation.

The Council has reviewed and updated its Contract and Procurement Procedures, financial decision thresholds, and the Protocol for the Disposal of Council Owned Land and Buildings, which were approved in July 2022.

There is evidence of improved corporate ownership and working relationships between the Council and SCT and Serco, helped by greater levels of senior officer engagement. Service quality and outcomes have been a feature of improvements made in relation to the SEND Transport procurement and form part of ongoing discussions in relation to the waste management contract.

As already noted, there remain challenges to progress in some areas, in particular in relation to waste services.

Statutory Recommendation 3: Senior leadership, both officers and members, must demonstrate that they can continue to work together effectively, that they operate in line with the Council's values, codes, policies and procedures, and that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints so that they restore balance and proportionality.

Key Findings

Much greater stability can now be seen, both politically and at a senior officer level, and the Cabinet and Leadership Team are working increasingly well both collectively and via their individual Director and Portfolio Lead roles. Hybrid working provides challenges for the Council's leadership, but there is evidence these changes are starting to be recognised across the wider organisation.

There is a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees. The Leader has an inclusive leadership style, and is working well with other Cabinet members and the chairs of key committees, who in turn recognise the need for change and are demonstrating their commitment to the Council's improvement journey.

By taking a grip of many long-standing operational challenges the leadership of the Council is starting to create time and space to better consider the long-term. There is evidence that the Council is moving away from its insularity with improved focus and engagement with regional and national bodies. Changes to financial decision thresholds provides an opportunity for Cabinet agendas to focus on issues of strategic priority.

The Performance Management Framework provides the Council leadership with the mechanism to monitor progress against Corporate Plan objectives. Further work is required for the Council to demonstrate the necessary organisational and cultural change, including the introduction of the Phase 2 Improvement Plan, and having in place appropriate data to monitor all KPIs.

Budget monitoring and financial benchmarking have been introduced, but further work is required before they are being used appropriately by all services.

The Council approved new financial decision thresholds in July 2022, with an updated scheme of delegation approved by the Council on 8 November 2022. These changes will need to become embedded so that officers are empowered and decision making becomes more agile.

The Current Position

The themes set out our December 2021 report illustrated how the Council's recent behaviours and legacy issues were impacting on good governance and decision making. Our previous report noted that the Council's leadership had started to make some necessary changes and that "green shoots" were in place to deliver the widespread transformation and changes required.

Key Findings (Cont'd)

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 report.

The Current Position (Cont'd)

The Council's Improvement Plan has been key for creating and maintaining a focus on the required improvements, and the Council has made significant progress on many of the recommendations made in our previous report, supported by the creation of additional capacity in some key areas. The Council has put in place the foundations to deliver the sustainable improvements that are needed, and significant improvements are already being made. Finalising and then delivering the phase 2 Implementation Plan, which will focus on organisational culture, values and behaviours required to deliver change, will be crucial for ensuring sustainable improvement.

The Council retains a challenging agenda of delivering business as usual alongside improvement and transformation and it must maintain the pace of change so that progress does not plateau or fall backwards. The Council must not become dependent on the Government intervention and the role of the Commissioners and be clear that the improvement journey is the responsibility of the Council leadership, both senior members and senior officers. In addition, the external environment for all councils remains highly uncertain, including the level of future Government funding and potential policy changes, alongside the impact of the cost of living crisis on businesses and communities and generationally significant levels of inflation.

The Council must ensure that it has taken all necessary steps to ensure that there is clarity on its medium-term financial position including how any funding gaps will be managed. The Council must also use the improvement building blocks now in place to bring a greater focus on service user responsiveness and outcomes. Once all the planned revisions to the Constitution have been agreed, the Council will need to embed these changes and demonstrate sustainable improvements in governance and scrutiny of decision making.

Improvement is also needed in the Council's financial processes and its processes for the production of its financial statements. At the date of this report the Council has not completed the audit of its 2020/21 financial statements. This needs addressing as a matter of urgency.

The interim Chief Executive has continued to be central to the improvements that have been made to date. The appointment of a new permanent Chief Executive was confirmed by the Council on 8 November 2022, with their start date confirmed as 6 February 2023. [The success of this appointment remains critical for the Council's improvement journey.](#)

Recommendations and detailed findings

We now set out the summary of our findings for each KLOE followed by our key recommendations.

The detailed findings in relation to each individual KLOE are set out in the following section. We have also identified various improvement recommendations, which are summarised at Appendix B.

We consider that these matters represent significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

KLOEs: Summary Findings

This section provides a summary of the key findings on each KLOE.

KLOE	Summary Findings
A1: The Children's Trust	The Council has improved its relationships and contract management arrangements with SCT and the most recent Ofsted rating is evidence that positive steps have been taken on the Trust's improvement journey. The Council should continue to work with SCT to ensure there is sustainability of continued progress. In particular, it will need to support SCT to mitigate workforce challenges and will need to monitor SCT's ambitious financial plans, including efficiencies and demand management savings.
A2: Sandwell Leisure Trust	The Council has taken decisive steps to manage the contractual arrangements with SLT and is making changes to improve the provision of leisure services. The Council needs to successfully progress its plans for the local authority trading company.
A3: Providence Place	This matter has now been actioned and resolved with improved governance arrangements in place. We note that the Council's previous management of this issue incurred a significant loss
A4: SEND Transport	This matter has now been actioned and resolved with improved governance arrangements in place. The Council must ensure that the lessons learned are shared across other council services so that this learning becomes embedded across the organisation.
A5: SLaP	This matter has now been actioned and resolved with improved governance arrangements in place.
A6: MADE Festival	This matter has now been actioned and resolved with improved governance arrangements in place.
A7: Waste Service	The Council has made progress in its management of the Serco contract including improving the governance arrangements and introducing greater control to the management of the contract. The Council and Serco are moving from what was an adversarial contract management relationship towards a more constructive and collaborative partnership approach. There is greater engagement at most levels between the Council and Serco and relationships have improved to those being experienced during the time of our previous review. However, many changes now in train need to be completed and the more collaborative approach needs to become fully embedded and progress is still required including to finalise all associated plans and schedules, and formally agree the replacement timescales for the waste fleet and the financing of replacement costs and supplier lead in times with Serco. Clarity should be sought over the use of previous capital payments in relation to the Council's accounts.

KLOEs: Summary Findings (Cont'd)

This section provides a summary of the key findings on each KLOE.

KLOE	Summary Findings
A9: Lion Farm	The Council has taken all possible actions to resolve this matter and has a clear way forward, although we note that the process is by its nature slow. The Council has also improved arrangements with the updated protocol for the disposal of Council owned land and buildings.
A10: Introduction of new ERP System	The Council has taken significant steps to correct what was a floundering system implementation and undertaken a significant amount of work since our previous review. The Council has introduced more robust and appropriate governance arrangements, appointed a new implementation partner, scaled up the resources to implement the programme, introduced a programme management approach, engaged specialist external support and capacity, and corrected skills and experience gaps. The programme is now on a much more sound footing and the Council leadership now recognises that the introduction of a new ERP System is an enabler for transformation and has moved from a “lift and shift” approach to managing the implementation as a change programme. The increase in costs to manage the implementation more effectively should increase the chances of a successful implementation and for the Council to realise the planned benefits. However, the way the original implementation was managed has incurred significant and unnecessary costs and delays for the Council, which remains a key learning reference point for future large-scale change projects and programmes.
B1: Chief Officers	Overall, we found no evidence of any significant weaknesses in the Council’s arrangements for ensuring that it makes informed decisions and properly manages its risks.
B2: Senior Leadership	Overall, we found no evidence of any significant weaknesses in the Council’s arrangements for ensuring that it makes informed decisions and properly manages its risks. The success of the appointment of the new permanent Chief Executive remains critical for the Council if it is to successfully continue on its improvement journey.
B3: Complaints	Overall, we found no evidence of any significant weaknesses in the Council’s arrangements for ensuring that it makes informed decisions and properly manages its risks.
B4: Office and Member Relationships	Much greater stability can now be seen, both politically and at a senior officer level, and the Cabinet and Leadership Team are working increasingly well both collectively and via their individual Director and Portfolio Lead roles. This is being recognised across the wider organisation. There is a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees. The introduction of a PMF is evidence of an improvement in consolidated reporting and provides the Council’s leadership with an opportunity for improved evidenced based decision making and monitoring the delivery of the Corporate Plan and Improvement Plan. The Council recognises that the PMF approach requires ongoing refinement to improve how key indicators can be effectively measured.

KLOEs: Summary Findings (Cont'd)

This section provides a summary of the key findings on each KLOE.

KLOE	Summary Findings
B5: Standards Committee	Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. The Council must ensure that the new arrangements now in place are used effectively to monitor and take prompt action whenever inappropriate behaviour is identified.
B6: Audit Committee	Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. A final decision needs to be made by the Leader before this matter can be considered formally closed.
B7: Financial Reporting	<p>The Council's procedures for the production of its financial statements require significant improvement. We note that there are a number of legacy issues from prior years, dating back to the previous accounts, that are undermining the quality of the financial statements. We consider that this needs to be an area of priority for the Council. Until these matters are resolved there will remain some uncertainty over the Council's financial position.</p> <p>The other improvements that are in train will take time to embed, and improvements are not likely to be seen until the production of the 2021/22 accounts. The Council must successfully implement the new corporate asset management system to timescale, ensure all key finance roles have permanent appointments, and prioritise the recruitment to, and the training and development of, the Finance Team so that the role and behaviour changes planned become embedded.</p>
B8: Engagement with Residents and Community Groups	Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. The Council needs to ensure that it continues to engage with residents and that this engagement supports improved corporate focus on service quality and customer outcomes.

Key recommendations

Improvement recommendations are made throughout this report and these are summarised in Appendix B. Our key recommendations are summarised below.

#	Key Recommendation
1.	The Council must conclude the design of Phase 2 of the Improvement Plan, which will focus on organisational culture, values and behaviours required to deliver change, and introduce a “golden thread” aligning corporate KPIs to individuals performance objectives, so that planned improvements and changes become embedded across the organisation. The Council must also use the improvement building blocks now in place to bring a greater focus on service user responsiveness and outcomes.
2.	The Council needs to ensure that the new corporate PMO remains appropriately resourced, integrates all transformation and change activity being undertaken across the Council, and has access to appropriate data sources to be able to effectively monitor the delivery.
3.	The Council should progress and finalise outstanding actions relating to our previous recommendations, in particular introducing a commercial strategy and an asset management strategy and conclude the service based actions arising from our previous recommendations, including improvements in the management of the waste contract and the creation of the new leisure services company. The Leadership Team needs to ensure there is appropriate corporate focus on medium term financial planning and financial statement production.
4.	Once all the planned revisions to the Constitution have been agreed, the Council will need to embed these changes and demonstrate sustainable improvements in governance and scrutiny of decision making.

Management responses to these and the improvement recommendations are included in a separate Council report.

Detailed Findings

Key Corporate Actions

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

Governance Review

The Council has instigated a review of its governance arrangements following issues identified by our original VfM governance review, the LGA Corporate Peer Challenge review and the CIPFA Financial Management review. These reviews identified the need for the Council to address underlying constitutional and procedural deficiencies that directly and indirectly undermine or hinder the Council's governance arrangements, decision making ability and key working relationships.

The Governance Review has been established to refresh the Council's decision-making mechanisms and update constitutional arrangements to enable the achievement of the Council's strategic direction and ambition. In particular:

- efficient and effective decision-making;
- a more open, transparent and accountable Council;
- greater engagement with residents, communities and stakeholders in relation to democratic functions;
- more effective support to elected members to enable them to be confident and successful in their various roles;
- corporate governance documentation, policies and procedures to be updated and revised so that they are consistent with national guidance, align to best practice and are fit for purpose;
- strong and healthy relationships between elected members and officers.

An Officer Governance Project Team was established to help coordinate and oversee the delivery of the Governance Review. Support has also been provided by the LGA, the Centre for Governance and Scrutiny (CfGS), CIPFA, and the Government appointed Commissioners.

On 27 May 2022 the Governance and Constitution Review Committee established a cross-party Member Working Group to oversee the coordination of constitution revisions and proposals. The Working Group has considered a series of draft constitution proposals and worked with other committees, boards and groups to ensure proposed change are joined up, for example, any development and training needs are being fed into the Member Development Programme as training and development needs are identified.

The review has been designed to be delivered in three phases:

- Phase 1: Revisions to the Contract and Procurement Procedure, financial decision thresholds, and Protocol for the Disposal of Council Owned Land and Buildings. These were approved by the Council in July 2022.
- Phase 2: Revisions were agreed by full Council on 8 November 2022 in relation to: the Scheme of Delegation to Officers, Council Procedure Rules, Executive Procedure Rules, Access to Information Rules, Officer Employment Procedure Rules, Protocol Member and Employee Relations, and Officers' Code of Conduct.
- Phase 3: Proposed changes are due to be presented to full Council on 13 December 2022 in relation to: Budget and Policy Framework Procedure Rules, Financial Regulations and Procedure Rules, Remaining Articles, and Responsibility for Functions.

An annual review of the Constitution has been agreed following the conclusion of the current review.

We refer, where appropriate, to this governance review during the detailed findings set out in this report.

Improvement Plan

The Council developed an improvement plan in response to our original VfM Governance review which, as already noted, has been expanded to incorporate the recommendations from the LGA Corporate Peer Challenge review and the CIPFA Financial Management review. It has also been developed in line with the Secretary of State for DLUHC's Statutory Direction. This single Improvement Plan was agreed by full Council on 7 June 2022 and structured around the following six themes:

- Organisational Culture
- Corporate Oversight
- Strategic Direction
- Decision Making
- Procurement and Commercial
- Partnership and Relationships

Each theme has a clear set of deliverables, milestones and responsibilities which will be used to track our progress against expected timescales

Key Corporate Actions (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

The Improvement Plan (Cont'd)

In developing the Improvement Plan staff and elected members were engaged including via a co-production staff network and a staff panel. The Plan was also discussed with local MPs.

The Council recognises that the June 2022 version of the Improvement Plan as phase 1, with an updated Improvement Plan to include any additional areas of improvement that are identified during phase 1 activity.

Further staff and member engagement is planned through June to December 2022 to help shape the development of phase 2, which is due to go to Cabinet in January 2023. This engagement is due to focus on organisational change and to determine the desired culture of the Council.

In his Directions to the Council, the Secretary of State for DLUHC appointed two Commissioners with powers to make sure that the Council "has made sufficient improvement within the next two years to be able to comply with its best value duty on a sustainable basis". These roles are:

- Managing Director Commissioner: whose responsibilities include giving direction and leadership to deliver improvements that the Council is required to take; and
- Assistant Commissioner: one of whose responsibilities is overseeing the cultural change necessary at the Council.

The Commissioners will be providing six-monthly reports to the Secretary of State on the Council's progress in addressing the matters highlighted by the external reviews. The first of these was made in June 2022 and at the time of our review there had not been a response from the Secretary of State. The next Commissioner report will be made in December 2022.

There are several factors that will inform any decision by the Secretary of State to end the period of Government intervention at the Council, and this decision will be based on reports received from the Commissioners. Some of these factors include:

- That the council can demonstrate sustainable improvements in governance and scrutiny of decision making.
- That a permanent Chief Executive has been successfully appointed.
- The Council has reached a decision on implementing a four-yearly election cycle.

Progress on the Implementation Plan is monitored by Leadership Team on a monthly basis using RAG ratings and exception reporting.

Terms of reference have been agreed and the Managing Director Commissioner will chair this meeting, with the Assistant Commissioner in attendance as an observer.

Members will have oversight of progress through monthly informal reporting and formal reporting to Cabinet quarterly. Progress is reported to the Audit and Risk Assurance Committee and the Corporate Scrutiny Management Board.

Monitoring will continue until all actions have been completed and Government intervention has been lifted. Member-led committees will be used for decision making and to maintain oversight of implementation of the actions within the Improvement Plan. These will include Governance and Constitution Review Committee, Audit & Risk Assurance Committee and Scrutiny Committees.

The Council already has in place an existing Statutory Direction from the Department for Education (DfE) in relation to Children's Social Care. This Statutory Direction included the establishment of an independently chaired Improvement Board and these arrangements will continue to run alongside the council-wide interventions. There will be scheduled updates between Sandwell Children's Trust and the Commissioners through quarterly meetings with the independently appointed Chair of the Trust Improvement Board.

A dedicated team has been established to manage the development and delivery of the Implementation Plan via a programme management office (PMO). The PMO will identify variances to the agreed deliverables and work with lead officers to ensure mitigating action is designed and implemented as appropriate. The PMO aims to draw on key skills and expertise available across the Council as necessary, such as communications, organisational development, employee engagement, risk management, democratic services, financial management and internal audit.

We refer, where appropriate, to the Improvement Plan during the detailed findings set out in this report.

Review of the Council's election cycle

At its meeting on 26 July 2022, the Council approved arrangements for a public consultation in connection with the possible change of the election cycle from the current system of 'election by thirds' to 'whole council elections' occurring once every four years. This followed Directions by the Secretary of State for DLUHC that the Council reviews its current elections cycle. The Council undertook public consultation during August and September 2022. Of the total number of consultation responses received, 69% voted to retain the current electoral cycle of electing "by thirds". At full Council on 8 November 2022 the decision was taken to maintain the current cycle of elections "by thirds".

Key Corporate Actions (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

Performance Management Framework

The Council approved a refreshed Corporate Plan (Vision 2030) in October 2021 which did not include any corporate Key Performance Indicators (KPIs). Through the development of directorate business plans during Autumn and Winter 2021/22 key metrics were identified to track progress and measures the success of the Council's actions towards the delivery of the Corporate Plan.

On 12 April 2022 the Council approved a Corporate Performance Management Framework (PMF) to monitor delivery of the Corporate Plan. The PMF is designed to:

- Track progress on delivering strategic outcomes in the Corporate Plan.
- Develop collective responsibility for delivering the Corporate Plan, across elected members, the Leadership Team and Council staff.
- Help improve services and outcomes by identifying poor performance and sharing good practice.
- Motivate staff by having clear objectives and targets, and hold staff accountable for delivery whilst providing cross-council support to address issues and achieve priorities.
- Celebrate the achievements of the Council whilst also identifying risks to achieving strategic outcomes and enable the Leadership Team and elected members to put in place mitigations in a timely manner.
- Provide a strong evidence based for improved decision making and the efficient use of resources.

The PMF is structured across four components as set out in Figure 1 on the right. A series of KPIs have been agreed for each area of the framework. Performance information has been identified to support each KPI be used to monitor progress, including benchmarking information where available.

The Council has developed a service planning framework that seeks to understand the needs of communities, identified priorities and sets out actions to deliver and measure progress and impact. This sets out the purpose of and relationship between the following plans:

- The Corporate plan sets out the strategic priorities and ambition for the borough
- The Improvement Plan sets out actions to respond to the Grant Thornton Governance Review, the LGA Peer Review and the CIPFA FM Review.

Figure 1: Summary of the Performance Management Framework



- The Corporate Plan and Improvement Plan set the priorities for directorate and service level plans.
- The Corporate Plan, Improvement Plan and Directorate Plans feed into the development of the Corporate Transformation Plan.
- The Corporate Transformation Plan is to ensure service improvements and transformation projects are delivered in line with the Corporate Plan and Medium-Term Financial Strategy (MTFS).

We refer, where appropriate, to the PMF as part of our detailed findings set out in this report.

KLOE A1: Sandwell Children's Trust

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

Background

The Service Delivery Contract (SDC) between the Council and Sandwell Children's Trust (SCT) went live on 1 April 2018. The total contract period was for 10 years with an option to exercise a break after 5 years of operation.

Our December 2021 report recommended the following:

The Council's senior leadership – both officer and member – should prioritise corporate effort and develop a clear strategy for working with SCT to ensure it remains on its improvement trajectory. This should include:

- working with SCT to progress a multi-agency early intervention and prevention strategy.
- ensuring SCT has an appropriately resourced and skilled placements team in place to effectively manage the care market.
- conducting a review of KPIs to ensure they are effective for current circumstances.
- undertaking financial benchmarking in relation to children's social care, and take a realistic and pragmatic view on the level of funding required.
- reviewing the governance roles of officers and members in relation to SCT so that they are clear on their responsibilities, avoid duplication, ensure effective communication and that there is a collective understanding of the performance of SCT and how risks and issues are being managed.

KEY FINDINGS

Ofsted inspection

In May 2022 Ofsted undertook their latest inspection of Children's Services at Sandwell. The report, which was published on 5 July 2022, rated services as 'require improvement to be good'. The previous inspection by Ofsted, conducted in November 2017, rated services as inadequate. This previous inspection led to the creation of SCT in April 2018.

Ofsted reported that the pace and trajectory of improvement had increased over the year preceding the inspection, underpinned by stronger strategic leadership and changes to service delivery such as the move to a locality model, the introduction of an early help strategy, a social work career pathway and high quality specialist services. Ofsted also noted effective collaboration by social workers with partners in other services.

However, Ofsted also reported that not all children experience effective social work practice due to staff turnover, workload pressures and variation in management oversight and support and effectiveness of partnership working.

Children's Services in Sandwell have been rated inadequate for over a decade, so this latest inspection reflects a positive direction of travel. However, Ofsted noted that COVID-19 had slowed the improvement journey and there is still much more to do for services to be consistently good.

When a service comes out of inadequate the Department for Education (DfE) will take a measured judgement on any changes to their terms of intervention. The current statutory direction will remain in place until DfE is assured on the long term trajectory of sustainable improvement. However, following the most recent Ofsted inspection results the Parliamentary Under-Secretary of State for Children and Families acknowledged the improvements that Sandwell has made and advised that Sandwell will now enter a period of 'transition from intervention'. There will continue to be ongoing support and supervision from the DfE until it is clear there is a 'sustainability of continued progress'.

The Council will need to ensure that the SCT accelerates its progress on this improvement trajectory so that the position does not plateau, including sharing good practice on case work across the various SCT social work teams.

Multi-agency early intervention and prevention strategy

The Council, working with SCT and the voluntary and community sector, has developed a multi-agency early help strategy, which focuses on early intervention and prevention across the early help system. It was launched on 17 March 2022 and there have been a number of events with partner organisations, such as the police and schools, to promote the strategy. The strategy seeks to ensure that needs are identified at the earliest possible point and early interventions prevent needs from escalating, reducing the need for more costly service provision.

The Council has approved invest to save funding for a strategic lead to drive the implementation of the strategy. Whilst the strategy is now being implemented it will take time to embed across all the organisations involved, and will require cultural, behaviour and practice change from the organisations involved to be successful.

The SCT Improvement Board monitors progress on the implementation of the strategy and the Children and Families Strategic Partnership has refreshed its strategic priorities to include early help and this body along with the Safeguarding Board provides system-wide governance for the new strategy.

It is envisaged that the strategy will take 18 months to embed across the early help system, and the Council will need to continue to closely monitor the implementation of the early help strategy to ensure planned objectives and outcomes are realised.

KLOE A1: Sandwell Children's Trust (Cont'd)

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

SCT Workforce challenges

Workforce challenges, relating to recruitment and retention remain a significant issue for SCT, with 25% of roles unfilled or covered by agency staff significantly impacting on capacity. The Council and SCT have a clear understanding of how this impacts on performance and SCT has developed a workforce strategy. There is a Key Performance Indicator (KPI) in place on social worker vacancy rates which is regularly monitored by the Operational Partnership Board (OPB), which has been in contract failure zone for last six months.

Social care is facing significant workforce pressures across the West Midlands, and indeed nationally, with the reputation of Sandwell considered a contributory factor to current challenges, alongside a number of councils in the region actively competing with each other for scarce resources. SCT has been using the recent improved Ofsted rating as part of recruitment messaging to try and address any labour market perceptions.

In 2018 SCT in consultation with the Council introduced a market supplement to be paid to social workers of £2.5k with a total value of £150k included in the 208/19 contract sum and to be retained for the following three years of the contract.

In March 2022 SCT's remuneration committee undertook a benchmarking exercise comparing the pay of children's social workers in Sandwell and the 13 West Midlands councils and identified that some roles at SCT provided competitive pay rates. However, a number of West Midlands councils have introduced financial incentives such as "golden handshakes" of between £2k and £10k.

When comparing SCT's social worker pay to the benchmarked group, SCT's pay bandings were generally lower than half the other councils. In March 2022 the Council's Cabinet agreed to continue the market supplement of £2.5k per annum which equates to £582k for 2022/23, of which £150k is already included in the contract sum. This is a maximum cost based on all 168 social worker posts being permanently employed. If this were the case the reduction in the cost of agency staff would offset the cost of the market supplement.

The Council have taken positive actions in supporting SCT manage its operational and financial challenges. [The Council must continue to work with SCT to mitigate and reduce the level of vacancies and use of agency staff and take steps to ensure the associated KPI does not lead to contract failure.](#)

Placement costs

The average cost of residential placements for Sandwell has been increasing since April 2018, with seven placements costing over £6k per week during 2021/22. The rise in placement costs is offset by the lower than average number of children in residential care (6% in Sandwell compared to the England average of 14%). This relatively low number of children in residential care suggests that SCT has been able to support children with high needs in foster placements. The children in care peaked at 56 in December 2018 and had reduced to 51 in February 2022.

The Head of Strategic Commissioning, an invest to save role, provides additional capacity and expertise to increase the potential for joint commissioning and ensure stronger strategic planning at an individual case level with key partners including the NHS and schools. The Head of Strategic Commissioning also provides challenge to children's placement activity including costs and the appropriateness of placements for the child, to support the drive for efficiencies. A saving of £87k has been reported during 2022/23 relating to complex placements. Nonetheless, the Council is forecasting an overspend during 2022/23 of £750k due to SCT needing to bring in managed social work teams to cover vacancies. The Council also has a £500k contingency for high cost replacements.

SCT has a board led by SCT's Director of Resources which monitors placements. At the time of our review a number of market events were planned with providers. The sufficiency of placements is discussed regularly at management and contract management meetings between the Council and SCT and by the SCT Improvement Board.

Invest to Save

The contract between the Council and SCT allows SCT to make invest to save proposals to increase the contract sum in the short term, to be paid back to the Council via a reduction in a future contract sum. SCT has submitted two invest to save proposals which the Council approved in September 2021.

These related to Early Help and Strategic Commissioning and total £287.5k investment in 2021/22 and 2022/23 with this amount being returned to the council by SCT in 2023/24 and 2024/25 by a reduction in the contract sum.

[The Council should continue to monitor the progress of SCT against these invest to save activities to ensure that SCT is able to meet its financial plans and generate the ambitious savings and efficiencies required for the contract sum to be reduced.](#)

KLOE A1: Sandwell Children's Trust (Cont'd)

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

Contract review

The SDC includes a requirement for SCT to produce an annual review and a contract review at the end of year four of operation. There is a joint requirement on the Council to also review the contract at the end of its first four contract years (April 2018 to March 2022). Unlike the annual review, the contract review is undertaken by both parties and the SDC sets out what this review should cover.

On the completion of the contract review process a recommendation must be made to the Secretary of State on whether a break notice should be served, and children's social care functions brought back under the direct management of the Council. The Secretary of State will make the final decision on the serving of the break notice, considering the recommendations of both the Council and SCT.

At its meeting on 28 September 2022 the Council's Cabinet agreed to not recommend to the Secretary of State that the break clause be invoked.

The funding provided by the Council to SCT during 2022/23 will be £71.7m and was determined by the contract sum negotiation process and change controls agreed by Cabinet. This amount is higher than the annual budget when the Trust was set up in 2018. There have been several financial pressures on the Trust linked to demand, the cost of placements and significant staff recruitment and retention issues that have underpinned the need for additional funding. SCT has detailed how it will reduce the total spend on service provision, through efficiencies and demand management, so that by 2024/25 the annual budget will be, after inflation and pay awards, over £2m a year lower than the 2021/22 budget.

The expectation when SCT was set up was that services would move from being 'inadequate' to 'good' within four years. The Council has accepted that the impact of the COVID-19 pandemic has had a significant impact on the delivery of children's services and Cabinet agreed at its meeting on 28 September 2022 to revise the timeline for achieving a judgement of 'Good' to March 2025, which also recognised that the next Ofsted inspection is likely to take place in three years.

SCT overspent their budget by £6.567m in 2018/19 and the Council allocated £5m towards this deficit from reserves. SCT overspent by £4.332m in 2019/20 but did not request additional funding, instead agreeing that this overspend would be recovered by the end of 2020/21. SCT had a cumulative deficit by the end of 2020/21 but is expected to recover their position by the end of 2023/24, based on information provided to the Council as part of the 2022/23 contract negotiations.

The service delivery contract between the Council and SCT sets out 15 Key Performance Indicators (KPIs) agreed in July 2018. These were based on key areas of service improvement against areas identified by Ofsted, and are monitored by OPB and the Strategic Partnership Board (SPB). We note that the SCT Board uses a performance management framework that is broader than these 15 contractual KPIs.

The Council and SCT agreed to review the contractual KPIs to ensure they are appropriate for current circumstances, with the new set of KPIs to be used from 1 April 2023 contract period. This review of KPIs was ongoing at the time of our review.

Benchmarking

The Council commissioned LG Futures to undertake financial benchmarking including analysis of children's social care in Sandwell. Children's social care spend in Sandwell based on head of population was lower than the average spend of statistical nearest neighbours over the period 2018/19 to 2020/21. The Council's Cabinet is aware that SCT does not represent above average unit costs when compared to the benchmarking group, and the Council has taken this into account as part of their contract negotiations including savings options for 2022/23 and 2023/24. This benchmarking analysis indicates a challenging context for SCT to achieve the efficiencies and demand management savings that are planned for the contract sum to be reduced.

SCT's Director of Finance has regular dialogue with the Council's senior finance officers and DCS, and SCT's financial plan is scrutinised by the Trust's Board.

Review of governance roles

The Council appointed a new Lead Member for Children's Services in May 2022, who had been in this role at the time that SCT was established.

Formal governance arrangements between the Council and SCT have not been changed. The Director of Children's Services, together with Council senior officers from finance and legal services, and the Chief Executive of the Trust meet on at least a monthly basis to consider performance and operational matters OPB. The Council's Lead Member for Children and Education and Director of Children's Services meet quarterly with the Chair of the Trust Board and the Chief Executive of the Trust, at a Strategic Partnership Board (SPB). SPB is chaired by the Chief Executive of the Council and considers risks and issues escalated by OPB, such as workforce challenges. The Improvement Board of the Trust is chaired by an independent consultant appointed by DfE.

KLOE A1: Sandwell Children's Trust (Cont'd)

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

Review of governance arrangements (Cont'd)

The main governance related change since our previous review is that there is more regular informal meetings between senior representatives of the Council and SCT, including the Chair and Chief Executive of SCT and the Director of Children's Services and the Lead Member for Children and Education, as well as meetings including the Director of Finance of the Council. There are also regular meetings between the Chief Executive and Director of Finance of the Trust and the Director of Finance and Director of Children's Services of the Council.

Conclusion and recommendations

The Council has improved its relationships and contract management arrangements with SCT and the most recent Ofsted rating is evidence that positive steps have been taken on the Trust's improvement journey. We have identified the following improvement recommendations:

- The Council will need to ensure that the SCT accelerates its progress on this improvement trajectory so that the position does not plateau, including sharing good practice on case work across the various SCT social work teams.
- The Council will need to continue to closely monitor the implementation of the early help strategy to ensure planned objectives and outcomes are realised.
- The Council must continue to work with SCT to mitigate and reduce the level of vacancies and use of agency staff and take steps to ensure the associated KPI does not lead to contract failure.
- The Council should continue to monitor the progress of SCT against these invest to save activities to ensure that SCT is able to meet its financial plans and generate the ambitious savings and efficiencies required for the contract sum to be reduced



KLOE A2: Sandwell Leisure Trust

The purpose of this KLOE was to consider the Council's management of the contract with SLT and to understand the impact of recent industrial action.

Background

Sandwell Leisure Trust (SLT) was formed by the Council in 2004 due to underperformance of the in-house leisure service. SLT was contracted via a Management and Funding Agreement (MFA) for a 30-year period: 2004 to 2034.

Our December 2021 report recommended that the Senior Leadership of the Council - both officer and member - must take ownership and prioritise corporate effort and take urgent steps to either resolve the current position with SLT or consider the options for alternative provision should either party decide to terminate the current contract, to ensure the continuity of future leisure service provision and associated reputational impacts.

KEY FINDINGS

Contingency planning

As at 2022 there were 12 years left to run on the Council's leisure contract with SLT, under which the Council agrees a rolling three-year business plan with SLT each year. The Council continued to be unable to agree a business plan and management fee with SLT for the next three-year period (2021-2024). The key issues for the Council related to the sustainability and value for money of SLT's business plan including the legacy operation of the Sandwell Aquatics Centre from June 2023, and the sharing of financial and key performance information.

The Council undertook contingency planning to ensure continuity of service which included commissioning Continuum Leisure to undertake an options appraisal for the future management of leisure services. Eight options were considered and the results of the appraisal were reported to Cabinet on 9 February 2022. Two options were identified by the consultants should agreement with SLT on their business plan not be reached:

- the creation of a local authority controlled trading company (LATC) or
- the outsourcing of the services.

Both of these options are projected to generate management fee savings when compared to the projected costs of the SLT contract based on SLT's most recent business plan and also when compared to bringing the services back in house.

The Senior Leadership Team were asked to undertake further detailed appraisal of these two options plus in-house provision.

At the same February 2022 meeting Cabinet agreed to serve reasonable notice of termination of the contract with SLT due to the Council and SLT not being able to agree a business plan and payment for 2021-2024, with SLT ceasing to deliver services by 2 May 2023.

Local Authority Trading Company

Detailed consideration of the three options for the future management of SLT's portfolio of leisure facilities was undertaken, including the changes planned in 2023 with the opening of the Sandwell Aquatic Centre and associated closure of Smethwick and Langley facilities.

The findings from this options appraisal were set out in a report to Cabinet on 22 June 2022 which focussed on the delivery model for 9 of the Council's 10 leisure centres (one is operated by Places Leisure and was not part of the scope of the options appraisal). Cabinet agreed to progress the LATC option.

The Council tested the market for a step-in provider, should SLT have decided to not work to the Council's transition timescales, but a step-in provider has not been required, with SLT demonstrating that they want to work with the Council to support an appropriate handover to the new LATC. This includes SLT's Chair attending the Council's monthly operational meetings on the transition of the service and supporting the planned TUPE process of SLT staff to the new company.

The Council has no recent experience of setting up a LATC and have engaged various suppliers to support the process. The Council is managing the transition to the new delivery model and is being supported by Bevan Brittan providing legal advice on the structure of the LATC, Trowers and Hamlin advising on TUPE, Strategic Leisure -drafting the service specification, and Penna are being engaged to help recruit the Chief Operating Officer of the new company. The Council is drawing on Sport England models of performance management for leisure services, and researching good practice from the local government sector on leisure services LATCs, to utilise and adapt notable practice.

The Council plans to use this change in delivery model to improve service quality, such as opening hours and expanding the service offering with a greater focus on wellbeing. At the time of our review the LATC had not been incorporated and the governance arrangements had not been finalised, including whether Non Executive Directors (NEDs) will be recruited to sit on the new company board.

KLOE A2: Sandwell Leisure Trust (Cont'd)

The purpose of this KLOE was to consider the Council's management of the contract with SLT and to understand the impact of recent industrial action.

Local Authority Trading Company (Cont'd)

Whatever the legal structure of the new LATC, it will be a subsidiary to the Council who will retain the trading and operating risks of the new company and the Council will need to:

- ensure a business case is produced for the new leisure LATC so that there is a clear financial case for the commercial viability of the new arms length company.
- be clear how it effectively discharges its role whilst allowing the company the freedoms and flexibilities to operate and to deliver the planned financial and service benefits.

Sandwell Aquatics Centre

Following the hosting of the Commonwealth Games during the Summer of 2022, the Council is responsible for adapting the Aquatics Centre before it is transferred to the new LATC in June 2023 when it will become open to public use. This forms part of the Commonwealth Games legacy arrangements.

The Council will need to effectively manage the transition of the Aquatics Centre so that it is operational to the planned timescale and that there is a clear business case which sets out how the centre will be managed to become commercially viable and provide financial returns to the Council as part of the leisure LATC arrangements.

The Council is in the process of developing a commercial strategy to set out how the Council will identify, manage, and maximise new commercial opportunities. The new LATC will seek to generate income and provide the Council as sole shareholder a dividend and as such will form part of the commercial strategy.

Conclusion and recommendations

The Council has taken decisive steps to manage the contractual arrangements with SLT and is making changes to improve the provision of leisure services. The Council needs to successfully progress its plans for alternate delivery arrangements and we have identified the following improvement recommendations:

- The Council will need ensure a business case is produced for the new leisure LATC so that there is a clear financial case for the commercial viability of the new arms length company

- The Council will need to be clear how it effectively discharges its shareholder role in relation to the planned leisure LATC whilst allowing the company the freedoms and flexibilities to operate and to deliver the planned financial and service benefits.
- The Council will need to effectively manage the transition of the Aquatics Centre so that it is operational to the planned timescale and that there is a clear business case which sets out how the centre will be managed to become commercially viable and provide financial returns to the Council as part of the leisure LATC arrangements.



KLOE A3: Providence Place

The purpose of this KLOE was to consider the potential loss to the Council arising from the proposed sale of Providence Place.

Background

Our original review considered issues arising from the proposed sale of Providence Place.

In our December 2021 report we recommended:

- Where the Council considers similar transactions (to Providence Place) in future, those charged with making decisions must satisfy themselves that they fully understand the detail of the options being proposed. Council officers and their advisors have a responsibility to ensure that members making decisions do so having fully understood these complexities and risks.
- The Council should ensure that all future property or land acquisitions and disposals are clearly aligned with relevant Council property related strategies.

KEY FINDINGS

Protocol for the Disposal of Land and Buildings

The Council has updated its protocol for the disposal of Council owned land and buildings which forms part of the Council's Financial Regulations. It applies to all property interests owned by the Council, and applies to every Member and officer of the Council and anyone acting on the Council's behalf.

The new protocol was approved by the Cabinet in July 2022 and clearly sets out the roles and responsibilities of individuals and bodies within the Council, and the scheme of delegation for approving asset disposals.

The protocol also sets out the risks and mitigations in relation to options agreements (such as used for Lion Farm) where the Council chooses to encourage and promote property development in order to promote regeneration and renewal, or to contribute to strategic targets such as housing numbers.

The Council has been undertaking a review of its asset portfolio to identify any surplus assets. This work had not concluded at the time of our follow up review. Once concluded the new protocol will be applied should there be agreement on any asset disposals.

Whilst the Council has not seen the circumstances to yet apply the new protocol, we have been advised that it has been used to provide a framework in relation to the acquisition of a shopping centre in West Bromwich town centre.

Asset Management Strategy

The Council has been developing an asset management strategy with a report due to go to Cabinet in October 2022. This is expected to identify assets to rationalise and reduce asset related costs. The Council has also appointed Technology Forge to support the development of a new asset management database.

The Council will need to conclude the finalisation of its asset management strategy and asset management database to better manage its asset portfolio including asset disposals.

The Future of Providence Place

On 23 December 2021 the Council agreed to the disposed of the Providence Place site to the Department for Education.

The Council's Planning Committee on 10 January 2022 approved the change of use of the Providence Place site from an office block to education, with external alterations and the erection of an associated school sports building and hard surfaced sports court.

On 30 March 2022 the Council's Planning Committee approved planning permission for the creation of an 870 place secondary school with sixth form (Shireland Collegiate Academy Trust) on the site of Providence Place. The school will operate in partnership with the City of Birmingham Symphony Orchestra, with the school due to open in September 2023.

The Council signed a pre-emption agreement with the Department for Levelling Up, Housing and Communities (DLUHC) on 8 July 2022. This agreement allows the Council to buy the property should DLUHC decide to dispose of it during the period of the agreement, with the pre-emption period ending on 8 July 2047.

Conclusion and recommendations

This matter has now been actioned and resolved with improved governance arrangements in place. We note that the Council's previous management of this issue incurred a significant loss. We have identified the following improvement recommendation:

- The Council will need to conclude the finalisation of its asset management strategy and asset management database to better manage its asset portfolio including asset disposals.

KLOE A4: SEND Transport

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

Background

The Council's Special Education Needs and Disabilities Passenger Transport (SEND Transport) contract expired at the end of August 2021 and the decision on the new contract award was deferred by the Council's Cabinet at its meeting on 16 June 2021.

Our December 2021 report recommended that the Council's senior leadership – both officers and members – must place priority on agreeing the outcome of the SEND Transport procurement exercise to ensure a further contract extension is not required. This should include:

- Not losing the significant progress made on the contract specification's focus on service quality.
- Greater support, involvement, dialogue and oversight with the officer teams with responsibility for progressing the procurement.
- Ensuring the contract provides the Council with effective management and oversight of the personal transport market.

For the conclusion of the SEND Transport procurement and for all future major procurements, the Council should ensure that:

- Record keeping and declarations of interest are undertaken in line with Council policies and procedures.
- Decision making does not create real or perceived risks in relation to inappropriate procurement decisions.
- Procurement timescales provide adequate time for both suppliers to submit high quality bids, and the Council to undertake appropriate evaluation, scrutiny and decision making. This timescale should include appropriate time in advance of the procurement for the council to undertake the necessary strategic thinking and planning required, and mitigate the risk of not making an award in the planned timescale.

KEY FINDINGS

SEND Transport procurement

Following the Cabinet's decision on 16 June 2021 to defer a decision on the outcome of the Dynamic Purchasing System (DPS) procurement, the Council extended the exiting SEND transport contract until the February 2022 half term.

At its meeting of 12 January 2022 the Cabinet agreed to abandon the DPS approach to procurement and extended existing contracts until 21 July 2022 to ensure continuity of service was maintained whilst an alternate procurement was undertaken, with the outcome of this new procurement to provide new SEND Transport provision from September 2022.

The Cabinet agreed that an alternate procurement approach be developed to reflect the findings and recommendations of the Internal audit review of the DPS procurement, the Grant Thornton governance review and the review undertaken by the Council's Childrens Services and Education Scrutiny Board. In particular an approach that increased the number of lots, improved the quality of provision, encouraged greater competition and provide resilience in service delivery.

A Programme Board was established comprising the Director of Children's Services, Monitoring Officer and Director of Finance, to provide Director oversight of the procurement. A separate Implementation Group was established to develop and manage the procurement process, with this group including representatives from procurement, finance, legal, internal audit and the education support team. The Council appointed Bevan Brittan to provide legal advice and brought in two interim procurement staff to provide additional capacity and experience.

A project plan was agreed which included key delivery milestones to ensure that the procurement timescale was clear and that there was adequate time for suppliers and for the Council to manage the procurement process for the new service to go live on 1 September 2022. Delivery against the plan was scrutinised by the Programme Board.

The new procurement framework was structured to encourage smaller operators to bid and to create resilience of supply. The framework consisted of 13 lots with operators limited to the award of 1 contract per lot. The evaluation approach for compliance, finance and quality were reviewed and enhanced as was the pricing structure for tender submissions.

The service specification for operators was also reviewed and updated to ensure service quality requirements were met. Steps were included in the procurement to mitigate the risk of operators colluding. We have been advised that a new procurement template was created which included a link to the Council's declarations of interest form, which had to be completed by all people involved in the procurement exercise.

KLOE A4: SEND Transport (Cont'd)

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

SEND Transport procurement (Cont'd)

19 operators responded to the invitation to tender. Following evaluation 9 operators were appointed to the new framework, with others failing the technical or quality part of the evaluation. The Council then ran a mini competition for those operators appointed to the framework based on price. 6 operators were offered between 1 and 3 contracts each.

The budget for SEND Transport is £7.521m and contracts awarded total £7m resulting in an underspend in contract costs at the time of our review.

Post procurement activity

The new contracts went live on 1 September 2022. During the first week of the new contract an operator pulled out due to not having sufficient drivers available and were unable to meet the contract quality standards. The structure of the new framework meant that the Council was able to allocate an alternate operator – the next lowest priced tender - the same day to ensure continuity of service.

Contract monitoring arrangements for the new contracts include quarterly reviews with all operators to review their performance. These meetings are due to include senior officers of the Council. At the time of our review the Council was in the process of collecting performance information from operators.

Also at the time of our review the Council were undertaking a lessons learned review of the procurement, and exploring procurement approaches used by other councils, as part of a continuous improvement approach. The results of this work are due to be shared to support other similar Council procurement exercises, for example by providing a checklist of key considerations, including the next SEND Transport procurement. The procurement for SEND Transport contracts which will commence in September 2024 is due to start in Spring 2023. The lessons learned outcomes will be included in an update to the Scrutiny Board.

Conclusion and recommendations

This matter has now been actioned and resolved with improved governance arrangements in place,

The Council must ensure that the lessons learned from the SEND Transport procurement are shared across other council services so that this learning becomes embedded across the organisation.



KLOE A5: Sandwell Land and Property

The purpose of this KLOE was to consider the background to the establishment of the company, actions undertaken by the Council to ensure the company complies with legislation, and delays to winding down the company.

Background

Sandwell Land and Property (SLaP) was incorporated on 14 January 2011 as a limited company, and was established by the Council as a vehicle for protecting the freehold of the Council's schools and related sites. The Council was in the process of winding up the company at the time of our previous review.

Our December 2021 report recommended:

- The Council should ensure that when considering establishing an arm's length company in the future there is a clear purpose for doing so and that those officers / members of the Council in company director roles are clear of their role and responsibilities in relation to that company.
- Where arms length companies already exist the Council should gain assurances that company directors fully understand their company roles and responsibilities, that the company administration is properly resourced and appropriate training is provided to company directors. The purpose of the company should be revisited on a regular basis to determine whether the company continues to be of benefit to the Council.

KEY FINDINGS

Sandwell Land and Property (SLaP) has been dissolved and no longer exists as a company.

A review of arms length companies has been undertaken, which reported to the Council's Leadership Team on 1 August 2022, concluding that only one body, Sandwell Children's Trust, met the relevant criteria for an arms length company (as defined by the Local Government Act 1989), due to being a subsidiary of the Council and the Council being the sole subscriber. Due to the Trust being well established with reporting and governance arrangements already in place, no changes were recommended.

This review considered the following bodies, concluding that they didn't meet the relevant criteria:

- SIPS Education: the Council does not have direct control over the society.
- Sandwell Leisure Trust: the Council has a contractual relationship with SLT.

As noted in section KLOE A2 of this report, a leisure services LATC is being created, and the Council is obtaining external legal advice on the appointment of the company directors, board members, and representatives of the planned shareholder committee, their roles and responsibilities and training requirements.

This will be informed by lessons learned in relation to SLaP and SCT.

Conclusion

This matter has now been actioned and resolved with improved governance arrangements in place,

We have made an improvement recommendation in relation to the planned leisure company in the section on KLOE A2 of this report.



KLOE A6: MADE Festival

The purpose of this KLOE was to consider the governance arrangements and decision making relating to the Council hosting this festival.

Background

Our original review considered the governance arrangements and decision making relating to hosting the MADE Festival.

Our December 2021 report recommended:

- As part of the planned review of the scheme of delegation the Council should ensure that there is clarity of decision making on hosting events, and that the governance arrangements relating to such decisions are effective and clearly communicated.

KEY FINDINGS

Events Governance Framework

The Council has developed an Events Governance Framework, which was reported to the Leadership Team on 23 February 2022. This followed a review of how the Council manages events. The Framework includes:

- Defines events as activities that take place on Council owned land or property.
- Set out responsibilities for managing events and event decision making categories.
- Classification of event types and event organisers and associated fees to be charged by the Council.
- Event decision making process and decision making thresholds including delegated authorities
- Measures to ensure adequate consideration of resident impacts of an event.
- The purpose and role of the Safety Advisory Group in the events governance process
- A revised event booking process, decision making timescales and document requirements.
- Event marketing and promotion.
- Criteria for banned events.

The Event Governance Framework draws on what other local authorities are doing in relation to event governance and management, incorporating feedback received from the Local Authority Event Organising Group (LAEOG) the association of events organisers working for local authorities in the UK.

Following Cabinet Portfolio Holder approval the Framework went live on 28 February 2022 and will be reviewed annually by the Director of Borough Economy.

Other Findings

The new framework has been communicated internally to all Senior Managers and other relevant officers and an events page has been created on the Council's intranet.

The new framework has been communicated externally to event bookers to provide an update on changes made. The Council's external website has new content:

- Event Governance Framework
- Event Application Information for Event Providers and Organisers
- Event funding opportunities (to sign post event organisers to external funding for their events)
- 'What's on' list of approved events
- Resident Impact Assessment Form
- Resources and support (inc. FAQs) for event organisers / applications

In addition the Council has procured Event software that it is now using on the external website and is the channel for all internal and external event bookings to be made. An initial review has been undertaken of the app and content has been enhanced in relation to traffic management plans for public park venues.

Events management responsibility has been consolidated with the management of the Parks Service and a range of training has been provided to the events team.

New protocols have been created for the Council's work with friends of park groups, clarifying event booking arrangements, including holding a workshop with these groups on the new ways of working.

Quarterly reviews of event performance and lessons learned will be undertaken by the events manager, service manager, Director of Borough of Economy, and other internal stakeholders, depending on the nature of the event.

Events during 2022 have included those relating the Platinum Jubilee and the Summer 2022 events programme including events relating the Commonwealth Games such as the baton relay. The Council was undertaking a review of events managed by the Council at the time of this review.

Conclusion

This matter has been resolved and improved governance arrangements are now in place.

KLOE A7: Waste service

The purpose of this KLOE was to consider the performance of the waste service, the Council's management of the contract with Serco, and understand the impact of recent industrial relations issues.

Background

The waste and street cleansing contract was awarded to Serco in November 2010 for a period of 25 years. The Council's current net expenditure on the contract is £29.5m per annum. Contract standards are performance based and measured against 34 Key Outcome Targets (KOTs).

Our December 2021 report recommended:

- The Council should prioritise corporate effort to ensure that the recovery plans are approved and appropriate senior management oversight is given to monitoring their effective delivery.
- The Council should ensure robust contract management arrangements are in place, and review the Key Output Targets (KOTs) and work with Serco to ensure they are line with Council expectations and the data is available to allow effective monitoring of contract outcomes
- The Council should ensure that the investments specified in the contract with Serco are made, such as a new vehicle fleet.

KEY FINDINGS

Annual plans

A review of the Serco contract was undertaken by the Council in December 2021, and a refreshed approach was developed to ensure contractual requirements are being met. Prior to January 2022 the Council had not been pro-active in requesting the delivery plans required within the contract with Serco. Arrangements have now been put in place to request these plans for the Council to review and adopt. Delivery against plans now forms part of the Council's monitoring approach. The 2022/23 Quarter 1 update on plans was as follows:

- Service Delivery Plan: not yet approved
- Communication Plan – approved in May 2022
- Education Plan – draft received June 2022
- Fleet Replacement Plan – approved in April 2022
- Street Cleansing Plan – being redrafted by Serco
- Weed Spraying Schedule – approved in May 2022
- Leaf Collection Schedule – Serco to provide in August 2022

In addition a waste and recycling recovery plan has been agreed.

A six-month street cleansing recovery plan was agreed between the Council and Serco which resulted in Serco investing in deep street cleansing activity across all wards. Serco have been redesigning street cleansing improvement plans, including a programme to replace aging street cleansing sweeper vehicles and equipment. At the time of our review the revised plan had not been finalised and agreed.

An annual review of Serco's Service Delivery Plan (SDP) forms part of the output specification of the contract between the Council and Serco. In March 2022 Serco submitted their draft SDP to the Council for the period April 2022 to March 2023.

The Council reviewed the SDP and other plans received and raised a number of issues with Serco focussing on the need for greater transformation and improvement in relation to street cleansing, waste collection and bin replacement, improvement of recycling and food waste collection rates, alignment of fleet replacement with the Council's green agenda, and improvements to the education plan. A revised deadline of the end of October 2022 was informally agreed to finalise the SDP, and the revised SDP was approved at the Waste Partnership Board on 19 October 2022.

The Council must work with Serco to finalise all associated plans and schedules.

Governance Arrangements

The governance arrangements for the monitoring of the Serco contract with the Council is managed by the following groups:

- **Waste Partnership Board.** Council representatives are the Leader, Portfolio Holder for the Environment, Director of Borough Economy and Head of Service for Waste, Street Cleansing and Fleet. Serco representatives are their Contract Manager, Operations Manager and Transformation Manager. The Board meets monthly and provides the principal level of oversight on contract performance and improvement plans.
- **Senior Contract Management Group.** This meeting is attended by the Director of Borough Economy and the Waste and Fleet Service Manager from the Council, and the Regional Director, Senior Contract and Contract Manager from Serco. The group oversee performance targets, health and safety, key projects, contract milestones, staff/union issues, finance, improvement areas, and any outstanding issues from the operational performance meeting. The group meets monthly.

KLOE A7: Waste service (Cont'd)

The purpose of this KLOE was to consider the performance of the waste service, the Council's management of the contract with Serco, and understand the impact of recent industrial relations issues.

Governance Arrangements (cont'd)

- **Operational Management Group.** This meeting is attended by the Waste Client Team from the Council and the Contract Manager, Street Cleaning Manager & Waste Collection Manager from Serco. The purpose of the group is to review customer complaints, street cleansing performance, waste collection performance, IT configurations and their applicability, KOT performance data and investigate detailed problem areas. It meets fortnightly.
- **Fleet Management Group.** This group is attended by the Assistant Director (Contracts, Strategy and Policy), the Fleet Manger and Fleet Officer from the Council. Serco attendees are the Director of Fleet, Regional Fleet Manager, Senior Contract Manager and Contract Manager. The purpose of this group is to ensure the fleet replacement programme is reviewed / considered / updated, replacement vehicles are ordered in a timely manner, vehicles are fit for purpose on the contract and there is oversight and review of the contractual maintenance requirements. It meets monthly.

Governance arrangements were reviewed during Spring 2022 which resulted in updates to the terms of reference of the Waste Board, updates of the data provided by Serco to the Waste Board, a refresh of standard agendas and action logs for all meetings.

Contract Monitoring

A review of the Performance and Management of the Waste Partnership Contract was undertaken by the Council's Economy, Skills, Transport and Environment Scrutiny Board which completed in December 2021, making 14 recommendations which were reported to Cabinet on 23rd February 2022.

The Council commissioned Frith Consulting to undertake an independent review of the waste and street cleaning contract to consider quality, performance and VfM. The final report was not available at the time of our review. At the time of our review Internal Audit were undertaking a review of the Council's contract monitoring arrangements of the Serco contract.

The Council has introduced the Intend module on contract management to improve the sharing of contract monitoring information between Serco and the Council.

A new framework for monitoring the Serco contract was introduced in April 2022 which set out the different Council bodies with a monitoring role, what each body should monitor, the frequency of monitoring and associated responsibilities. The Council has undertaken wider research into supplier relationship management and the monitoring of large contracts, including application of contract management tools such as those recommended by the Chartered Institute of Procurement and Supply (CIPS) contract management tools. The monitoring framework for the Serco contract may be further refined following the conclusion of this wider review.

A refreshed approach to the management of stakeholders has been developed including an associated communication plan.

Due to continued concerns and issues with the delivery and quality of street cleansing and recognised capacity challenges in the Council team, the Council has increased its monitoring of street cleansing to include three additional Performance Officers being retained on temporary fixed term contracts to ensure that there is daily monitoring and where the standard is short of what is required the issuing of rectification notices.

The Council's contract management role has seen changes in personnel during 2022, including an Interim Service Manager (Waste and Fleet) and a new Assistant Director joining in early October 2022 with responsibility for waste service contract management. The Council has reviewed the need for a contract manager role for the waste service, and has restructured the senior management team in Borough Economy to establish the role of Assistant Director Borough Economy (Contracts, strategy, policy) with responsibility for the waste contract.

The Council's Director for Borough Economy meets the Serco Managing Director responsible for Environmental Services and Serco Regional Director each quarter, providing an opportunity to discuss escalated performance issues relating to the contract.

The Council has reviewed the information used to monitor KOTs and other Key Performance Indicators (KPIs) and ensure that contract rectification is improved so that it is more clearly aligned to the Council's service and contract requirements. New KPIs are being considered for contract monitoring to provide a focus to areas of concern, for example missed assisted bin collections and gully cleaning.

As part of the new corporate Performance Management Framework there is a quarterly report to the Councils Leadership Team and Cabinet on major contracts, including the Serco contract.

KLOE A7: Waste service (Cont'd)

The purpose of this KLOE was to consider the performance of the waste service, the Council's management of the contract with Serco, and understand the impact of recent industrial relations issues.

Contract performance

The waste and recycling recover plan saw an improvement in the number of missed collections during 2022 until July and August, which saw an increase in late and missed collections. Reasons given by Serco included high levels of COVID-19 related absences, high turnover of agency staff, mismanagement of leave, impact of pay negotiations on employee engagement, high levels of emergency and annual leave, reduced desire to do overtime due to good weather. In addition the fleet suffered as a result of hot weather with two vehicle fires and case of vehicles overheating and parts failing with an average of 15 vehicles not available each day in July and 13 a day in August (out of 62 vehicles).

Recycling performance has been improving but is still significantly below the contract target of 60.5%. A re-invigorated drive to improve food waste participation (currently at 4.5%) is planned to improve Serco's recycling performance.

Contractual penalty points are accrued for failing to achieve the specific KOT and each KOT has a different weighted penalty point deduction. Some KOTs from the original contract with Serco appear unachievable, such as the recycling rate which specifies recycling of 60.5% per annum. However this rate has never been higher than the 45%, which has resulted in a financial penalty of between £500k and £1m per annum. This income to the Council is allocated to a waste reserve which totalled £3.8m as at March 2022. The financial penalty for 2021/22 was £974k.

There are 126,000 properties in Sandwell and only approximately 5,000 households have signed up to food waste collection, impacting on Serco's ability to meet the recycling target.

Due to Serco being unable to achieve the recycling rates they have been in default of the contract. In 2014 the Council provided a letter of comfort to Serco, which gave Serco indemnity against default for failing to achieve the recycling rates and discounts to the recycling rate to enable them to close the gap on the actual recycling rate. This letter expired in March 2021 and the Council had verbally agreed to extend the letter for a further year pending a joint review the contract conditions, but due to management changes on both sides and a continual performance issue the review did not take place in this timescale. A further letter of comfort was then provided by the Council to Serco dated 5 August 2022 and the Council concluded its review of Serco's recycling performance, confirming financial penalties in relation to 2020/21 and 2021/22 annual recycling targets on 15 September 2022.

Contractual Investments

The Fleet Management Group monitors progress on Serco's fleet replacement plan to improve the reliability of the fleet. The plan has been developed to provide oversight to the Council following delays by Serco in meeting contractual obligations to replace vehicles when over eight years old. Delays in replacement timescales have been compounded by disagreement between the Council and Serco on the financing of replacement costs and supplier lead in times to provide new vehicles, which need to be formally agreed. There is a lack of clarity as to whether previous capital payments have been used to replace the fleet and whether the Council is able to recover these payments (due to poor contract management in prior years).

The first 18 vehicles were replaced in January 2022, with a phased replacement plan during 2022 and for future years, with other new vehicles on order to replace the oldest vehicles in the fleet.

Following the reintroduced food waste collection, Serco are utilising food waste trucks. More generally the make up of the fleet needs to align to the Council's policy on collections. Serco has modelled potential changes and expressed the need for certainty on whether the Council will alter collection policy (for example introducing alternative weekly collection for waste and recycling) leading to delays in the progress to aspects of the fleet replacement plan. **The Council should confirm with Serco if there will be changes to the waste and recycling or garden waste collection policies.**

Serco are replacing diesel street tipper vans with electric vehicles and the Council have agreed to fund the provision of electric vehicle charging points at the Serco depot, to support the Council's carbon neutral agenda. Updates on Serco fleet replacement are made to the Council's Climate Change Programme Board.

The Council is responsible for the maintenance of the Serco fleet at its Waterfall Lane workshop, with Serco paying approximately £1.2m per annum to the Council for this service as part of contract arrangements. Serco would like greater transparency on the pricing approach used by the Council, **and the Council should take steps to demonstrate to Serco how the service provides value for money.**

KLOE A7: Waste service (Cont'd)

The purpose of this KLOE was to consider the performance of the waste service, the Council's management of the contract with Serco, and understand the impact of recent industrial relations issues.

Industrial Relations

For the period of the Commonwealth Games in the Summer of 2022 the Council contracted with a Ramora, via a separate tender process, to undertake street cleaning around the site of the Aquatics Centre to mitigate industrial relations risks at Serco and reflecting the additional street cleaning required during the period of the Games. Costs were met via the Games budget. In the eventuality there was no strike action called by the Serco workforce.

During 2022 Serco management have undertaken pay negotiations and reached agreement with their workforce. Serco changed bank holiday working arrangements as part of these pay negotiations and as already noted saw a high level of absences during July and August, but no strike action has taken place. The Council have sought assurances from Serco that bin collections will not be impacted in a similar way during the Christmas 2022 or Summer 2023 holiday periods.

Other findings

The Council is working with Serco to improve transparency and engagement with residents and businesses via improved investment in IT. This includes:

- Serco using their new software for gully cleansing and obtaining a licence so that the gully cleansing schedule can be viewed on-line by the public.
- Serco are making changes to their back-office system (White Space) and are considering moving introducing a texts service to residents, and are also considering the introduction of a residents app.
- Serco are introducing electronic monitoring of bin conditions via waste collection operative phones.

The Council has recently established an Enforcement Liaison Group, with officers represented from services including public protection, planning, highways, waste and housing. This group will develop waste related policies – that are not currently in place – to have clarity on what residents need to do such as managing bins left on streets. Once agreed the Council will communicate these policies to residents and community leaders. The Council is considering in-sourcing the waste enforcement officers currently employed via the Serco contract to enforce these new policies.

Conclusions and Recommendations

The Council has made progress in its management of the Serco contract including improving the governance arrangements and introducing greater control to the management of the contract.

The Council and Serco are moving from what was an adversarial contract management relationship towards a more constructive and collaborative partnership approach. There is greater engagement at most levels between the Council and Serco and relationships have improved to those being experienced during the time of our previous review. However, many changes now in train need to be completed and the more collaborative approach needs to become fully embedded.

Progress is still required and we have the following improvement recommendations:

- The Council must work with Serco to all associated plans and schedules.
- The Council should confirm with Serco if there will be changes to the waste and recycling or garden waste collection policies.
- The Council should resolve the delays and formally agree replacement timescales for the waste fleet and the financing of replacement costs and supplier lead in times with Serco. Clarity should be sought over the use of previous capital payments in the relation to the Council's accounts.
- The Council should take steps to demonstrate to Serco how the fleet maintenance service provides value for money.

KLOE A9: Lion Farm

The purpose of this KLOE was to consider the Council's governance arrangements and decision making in relation to the Lion Farm development.

Background

Our original review considered the Council's governance arrangements and decision making in relation to the Lion Farm development.

Our December 2021 report recommended:

- The Council must ensure that the recent re-engagement with the developer results in agreeing a clear way forward, including an action plan and timescale so there is clarity on the responsibilities for the Council and developer in order to progress the finalisation of the secondary option agreement, or to be clear on the legal process for both parties extricating themselves from the agreement and the associated terms.
- The Council must ensure that it has taken all necessary steps to ensure that arrangements are in place so that all the issues identified in the external review are appropriately mitigated and managed.
- The Council should review its procurement regulations and consider updating them to include land sales, including options agreements, to ensure that best value can be achieved.

KEY FINDINGS

Developer secondary option

The Council was unable to reach agreement with the developer on a clear way forward in relation the secondary option agreement. The Council's Cabinet agreed at its meeting on 11 January 2022 to give notice to the developer that the Council would refer the issue for determination by an expert, in line with the appropriate clause in the original options agreement between the Council and the developer dated 21 May 2013. Notice to the developer was made on 13 January 2022.

On 24 January 2022 the developer and Council agreed the expert to be a partner from CMS Cameron McKenna Nabarro Olswang LLP. The terms of the expert's appointment were then agreed by the Council and the developer, as well as agreeing the procedure to follow.

The Council has engaged a QC and Trowers and Hamlin to support them during the determination process.

The Council drafted a Statement of Agreed Facts in June 2022 and at the time of our review was seeking to agree this Statement with the developer. Once agreed the Statement will be shared with the expert for the expert to make their determination.

There have been some delays to the expected timescale including working through potential conflicts of interest of the proposed expert and in agreeing the Statement of Agreed Facts

The Council has taken external legal advice on unilaterally proceeding but the referral is preferable to be made jointly.

Once the Statement has been agreed and provided to the expert the Council will have no influence over the timescale but hopes that the determination on the secondary agreement will be confirmed by December 2022.

Once a determination has been made and should it release the Council from the developer agreement, the Council will need to consider the options for re-marketing the site and engaging with commercial developers.

Other findings

As already noted in the section of this report on KLOE A3, the Council has updated its protocol for the disposal of Council owned land and buildings and forms part of the Council's Financial Regulations. The new protocol was approved by Cabinet in July 2022. The protocol applies to all property interests owned by the Council and applies to every Member and officer of the Council and anyone acting on its behalf.

The protocol clearly sets out the roles and responsibilities of individuals and bodies within the Council, and the scheme of delegation for approving asset disposals. It also introduces a requirement that the value of any asset being proposed for disposal or acquisition is set out in reports to members.

The protocol also sets out the approach in relation to complex contractual arrangements, which are defined as contracts which commit the Council to dispose of land but where the receipt of purchase monies is delayed and/or is conditional on a future event. Such arrangements include option agreements which give a developer the right to acquire land at a future date, either at a pre-agreed price, a price to be fixed by a formula (such as a development appraisal) or a price to be fixed by independent valuation.

The protocol sets out the circumstances in which options agreements or conditional contracts are appropriate, and sets out the risks the Council should avoid when entering into such contracts and how these should be mitigated.

The protocol seeks to manage any potential confusion that previously existed on the difference between the sale of a property and the purchase of services.

Conclusion

The Council has taken all possible actions to resolve this matter and has a clear way forward, although we note that the process is by its nature is slow. The Council has also improved arrangements with the updated protocol for the disposal of Council owned land and buildings.

KLOE A10: Introduction of new ERP System

The purpose of this KLOE was to consider the Council's management of the introduction of Oracle Fusion and understanding implementation delays and their impact.

Background

The Council is replacing its main Enterprise and Resource Planning (ERP) system. The current ERP is Oracle E-Business Suite (EBS) which is being replaced by Oracle Fusion. There have been significant delays to the implementation and go live date for the introduction of the new system.

Our December 2021 report recommended:

The Council must prioritise corporate effort to:

- ensure that temporary support is agreed with Oracle for EBS continuity.
- have an honest and frank discussion with Inoapps and urgently agree a clear resolution on the way forward.
- review governance arrangements so that good practice (such as Managing Successful Programmes) is in place and embedded, including clarity on the SRO role and approach to risk management.
- review the resourcing and scope of the implementation to ensure that it is realistic, given current circumstances, focuses on outcomes as well as costs, and there is organisation wide engagement and ownership of the programme.
- confirm a realistic and achievable go live date.
- ensure for future major projects a full business case is developed and approved.

KEY FINDINGS

EBS Continuity

The Council has agreed with Oracle to extend licences and associated support by twelve months for EBS due to the delays in implementing Oracle Fusion and to ensure business continuity. There are two separate licence agreements in place, one has been extended to December 2022 and another until April 2023. They will need to be extended again given the current Oracle Fusion implementation timescale.

Implementation Support

The Council's Leadership Team at its meeting held on 27 October 2021 reaffirmed the Council's commitment to migrate to Oracle Fusion confirming that all of the organisational benefits identified in the original report to Cabinet, 9 October 2019 were still valid.

The Council engaged Evosys and Version One to review the current status of the implementation of the new system.

On 15 December 2021 the Council's Cabinet considered an options appraisal in relation to the new ERP system including:

- The Council terminates the contract with Inoapps and revert to using EBS, the current system.
- The Council terminate the contract with Inoapps and look to use a new system (Oracle Fusion).
- The Council continues to implement the new system (Oracle Fusion) with Inoapps.
- The Council continues to implement the new system (Oracle Fusion) with an alternate implementation partner.

The Cabinet agreed to serve notice of termination of the implementation partner contract being delivered by Inoapps. Inoapps remain a support partner to the Council for the existing system.

The report to Cabinet on 9 October 2019 identified an ear-marked reserve to the value of £2.6m which at the time was deemed sufficient to fund all estimated costs of the implementation of the new system, and included more than 10% contingency. The additional costs incurred through extending the scope of the project and delays to the project has resulted in costs exceeding the ear-marked reserve.

These implementation costs included those relating to the implementation partner. The original contract sum with Inoapps to implement Oracle Fusion was £1.2m. Several change requests were agreed to incorporate work outside of the original scope of the project and to accommodate delays in the project, revising the contract sum to £1.6m.

At its meeting of 15 December 2021 Cabinet were advised that implementation costs needed to increase by £2.2m whether the Council remained with Inoapps or procured an alternative implementation partner.

KLOE A10: Introduction of new ERP System (Cont'd)

The purpose of this KLOE was to consider the Council's management of the introduction of Oracle Fusion and understanding implementation delays and their impact.

Implementation support (Cont'd)

The additional costs incurred through extending the scope of the project and delays to the project exceed the ear-marked reserve.

The total budget for the new ERP was revised to £5m, reflecting the increase in resources required to implement the new system effectively, requiring the use of £4.3m from reserves.

At the time of our review the Council was engaged in steps to mitigate its loss.

On 12 August 2022 the Director of Finance, in consultation with the Cabinet Member for Finance and Resources, agreed to the appointment of Infosys Limited as the Council's new Oracle Fusion implementation partner. This decision was taken under delegated authority agreed by the Cabinet at its meeting of 15 December 2021 following a competitive procurement process, via an appropriate Crown Commercial Service's Framework which was undertaken during May and June 2022.

The contract duration will be 18 months, with an option to extend up to a further 12 months. The maximum contract value over the full contract period will be £2.37 million. At the time of our review Infosys were mobilising to commence contract delivery.

Governance Arrangements

The Council commissioned the Society for Innovation, Technology and Modernisation (SOCITM) in March 2022 to support an assurance review of the governance and resource arrangements for the ERP system implementation. SOCITM were appointed due to their experience working with a number of other councils implementing Oracle Fusion.

There have been significant changes and improvements made to the governance arrangements:

- The Programme Board meets weekly to monitor progress, with the Director of Finance now being the Senior Responsible Officer (SRO).
- A Business Design group meets fortnightly to monitor the outcomes and benefits from the programme
- A Business Readiness Group meets fortnightly which has oversight on the implementation plan activity
- An Implementation Board meets weekly to monitor progress on delivery of programme workstreams

- Four work stream groups meet weekly focusing on HR and Payroll, Finance and Procurement, IT and Technical, and Commercial.
- A Programme Management Office has been established and is utilising good practice programme management approaches.
- There are also cross-cutting working groups on change management, reporting, data cleansing and migration, and implementation planning.

The membership and roles the Board and each group have been defined.

SOCITM have worked with the Council to produce key programme documents which were not previously in place, including a programme vision, programme scope, programme change management strategy, programme benefits framework and programme design principles. A change readiness assessment and review of benefits realisation was concluding at the time of our review. SOCITM have also provided the Council with advice on the procurement of the new implementation partner and implementation process.

A risk escalation process has been established, and at the time of our review work was ongoing to confirm key risk decision makers and risk tolerances, and defining and agreeing change control processes.

Also at the time of our review the corporate PMO was in the process of being established and a review of programme documentation and reporting tools was in progress.

The SRO provides regular updates to the Council's Leadership Team. There are weekly programme and project board meetings and a fortnightly business design board. Engagement sessions with wider Council stakeholders have also been introduced for example on the design principles of the new system.

Organisation engagement

A programme narrative has been created to share consistent messages across the Council to effectively communicate what is planned and the benefits to be realised. Services directly impacted by the change such as finance, HR and payroll have been engaged to better understand how the new system will create process efficiencies.

A programme communications manager role has been created and resourced.

The Council recognises that more work is required on organisational-wide engagement and is planning more engagement events for people who will be affected by the change

KLOE A10: Introduction of new ERP System (Cont'd)

The purpose of this KLOE was to consider the Council's management of the introduction of Oracle Fusion and understanding implementation delays and their impact.

Resourcing and Implementation Timescale

SOCITM have provided the Council with a good practice resource planning approach. An organisation matrix has been developed that clearly sets out all internal and external resource involved in the implementation and governance of the programme. A resource model has been developed setting out inputs, roles and timescales for each individual role involved in the programme. Resource profiles have been developed that set out what is required from a capacity and capability perspective.

By moving to treat the system implementation as a change programme the Council has recognised the need for additional resource roles such as in relation to change management, business analysis and communication. The Council has recently appointed an interim Transformation Director who has recent experience of implementing Oracle Fusion at another council. In addition, SOCITM have provided the Council with interim pre-implementation programme management resource.

Infosys, the new implementation support partner, in their tender submission indicated a go live date of October 2023 for the new system, other than payroll which would go live in December 2023 or January 2024. These timescales are aligned to SOCITM's advice to the Council. The Council was in the process of confirming go live dates with Infosys at the time of our review.

In September 2022 the Council agreed to extend the contract with SOCITM to continue to provide support until the new system goes live. This includes involvement in programme management, change management and test management.

Benefits realisation

A programme benefits framework has been produced and the strategic priorities for benefits have been agreed.

The Council is revisiting the original "business case" and baselining existing and known future costs on business support staff across the Council as well as relevant third party spend. This baseline will then be used to identify cashable and non-cashable benefits that should be created by introducing the new system. This had not concluded at the time of our review. The Council has approached Oracle to determine if Oracle can provide a value proposition assessment to support the Council's benefits planning.

The Council has commissioned C.Co (a consulting company owned by CIPFA) to review business support functions to identify any areas of activity that can be consolidated alongside system implementation. DXE have been commissioned by the Council to review supplier spend.

Further consideration is required by the Council on how the new system can support the Council's performance appraisal process, leave booking, and reporting real time financial information.

The Council must ensure that all expected benefits are defined, and that governance arrangements, including assigning accountabilities, are in place to ensure benefits are realised.

Future Major projects

The introduction of Oracle Fusion will support improved management information including data that can be used to support the KPIs in the Performance Management Framework, such as vacancy levels and sickness absence.

The Capital Asset Management Board, which oversees projects which include capital expenditure, has adapted its programme templates and governance arrangements, learning from the ERP systems implementation.

The Council is procuring a corporate Programme and Project Management (PPM) System and at the time the specification for this new system had not been finalised, with the Council working through an understanding of the requirements of different services. Market testing had been initiated.

The ERP system implementation programme as reconstituted and resourced (a blend of council officers and external providers) provides an opportunity for the Council to develop its in-house transformation capacity. To do this there will need to be knowledge transfer from external providers such as SCOCITM which it can then use of wider transformation and change activity.

A new central team is being established to manage the Council's Corporate Transformation Plan, At the time of our review this new team was finalising governance arrangements and associated guidance, including requirements for business case approval for all new change projects. The Council should ensure that the central transformation team is appropriately resourced and integrates all transformation and change activity being undertaken across the Council.

Furthermore, the Council must ensure that the ERP System implementation programme becomes aligned to other improvement and change initiatives being undertaken or planned by the Council, so that synergies and economies in delivery can be identified and duplication removed.

KLOE A10: Introduction of new ERP System (Cont'd)

The purpose of this KLOE was to consider the Council's management of the introduction of Oracle Fusion and understanding implementation delays and their impact.

Conclusion and recommendations

It is acknowledged by the Council that its governance of this project has been poor. We estimate that the minimum additional cost to the Council due to its poor oversight is £2.2m.

The Council has taken significant steps to correct what was a floundering system implementation and undertaken a significant amount of work since our previous review.

The Council has introduced more robust and appropriate governance arrangements, appointed a new implementation partner, scaled up the resources to implement the programme, introduced a programme management approach, engaged specialist external support and capacity, and corrected skills and experience gaps.

The programme is now on a much more sound footing and the Council leadership now recognises that the introduction of a new ERP System is an enabler for transformation and has moved from a "lift and shift" approach to managing the implementation as a change programme.

The increase in costs to manage the implementation more effectively should increase the chances of a successful implementation and for the Council to realise the planned benefits. However, the way the original implementation was managed has incurred significant and unnecessary costs and delays for the Council, which remains a key learning reference point for future large-scale change projects and programmes.

The Council must ensure that:

- all expected benefits are defined, and that governance arrangements, including assigning accountabilities, are in place to ensure benefits are realised.
- the central transformation team is appropriately resourced and integrates all transformation and change activity being undertaken across the Council
- the ERP System implementation programme becomes aligned to other improvement and change initiatives being undertaken or planned by the Council, so that synergies and economies in delivery can be identified and duplication removed.



KLOE B1: Chief Officers

The purpose of this KLOE was to consider the Council's compliance with JNC guidance in relation to the recent departure of certain chief officers.

Background

Our original review considered the Council's compliance with JNC guidance in relation to the departure of certain chief officers. Our December 2021 report recommended:

- The Council should ensure that at the very least, appropriate internal and external advice is sought should the departure of a chief officer by mutual consent is agreed.

KEY FINDINGS

There have been no chief officer departures since our 2021 review.

Following our original review the Council engaged Eversheds to undertake a retrospective review of the most recent chief officer departures (the former Chief Executive and Director of Resources) which were the focus of our original review. This legal advice determined that the Council followed model statutory procedures.

As part of the Council's ongoing review of its constitution, the Council's legal and democratic services teams are reviewing employment procedure rules to ensure they appropriately reference statutory procedures relating to the dismissal of chief officers. At the time of our review updates were being drafted but had not been approved.

The Council's Chief Offer Terms and Conditions Committee will have a clearly defined role where statutory procedures are required to be followed in relation to the departure of a chief officer.

The Council has advised that they would take legal advice in advance of any future decision relating to unplanned departure of a chief officer.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.



KLOE B2: Senior leadership

The purpose of this KLOE was to consider the background to senior leadership changes and the impact of interim officers in place.

Background

Our original review considered the background to senior leadership changes and the impact of interim officers in place.

Our December 2021 report recommended:

Critical to this sustainable change will be the appointment of the right permanent Chief Executive, and the Council must ensure an effective recruitment process, including maximising the chances of attracting a pool of appropriate candidates. Should the appointment of a permanent Chief Executive not be successful the Council should seek to retain the current interim Chief Executive and move this to a full-time contract

KEY FINDINGS

The Council's most recent restructure created ten senior leadership roles. The eight director roles all had a permanent appointment in role by November 2021. The Chief Executive and Deputy Chief Executive roles remain vacant. In addition, a Director of HR role has been approved as a permanent role and was filled in March 2022.

The Council's Interim Chief Executive has agreed with the Council to continue in role until approximately six months after the appointment of a permanent Chief Executive.

The interim Chief Executive was appointed by the Secretary of State for DLUHC as the Managing Director Commissioner in March 2022, one of two Commissioners appointed to oversee the Council's Improvement Plan as part of the government's intervention in the Council. This dual role is uncommon in local government, with one current other example, until recently, at Slough Borough Council. We consider that in the circumstances the decision was appropriate.

At the time of our review the Council was in the process of recruiting to the permanent role of Chief Executive. The Council has appointed Penna, via a competitive tender process, to support this recruitment.

The Council's Chief Officer Terms and Conditions Committee have agreed the recruitment process and timescales for the new Chief Executive. The closing date for the advert was 12 September 2022, and 17 applications were received. The Chief Executive of the LGA has been supporting the candidate technical assessment process.

The Council approved the appointment of a new permanent Chief Executive on 8 November 2022, with their start date confirmed as 6 February 2023.

The new permanent Chief Executive will have nine Directors reporting to them, and as with many Chief Executives new to role may consider changes to the Council's organisational structure. It will be important that any changes made do not adversely impact on organisational stability, or on the pace and success of the Council's ongoing improvement journey.

Conclusion and recommendations

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

The success of the appointment of the new permanent Chief Executive remains critical for the Council if it is to successfully continue on its improvement journey.

KLOE B3: Complaints

The purpose of this KLOE was to consider the appropriateness of complaints made against senior officers and the responses to these complaints.

Background

Our original review considered the appropriateness of complaints made against senior officers and members and the responses to these complaints.

Our December 2021 report recommended:

The Council's senior leadership – both officer and member – must act to change the culture and organisational ethos in relation to complaints, and to restore balance and proportionality.

KEY FINDINGS

A new Chair was appointed to the Ethical Standards and Member Development Committee in May 2022 and an agreed work programme is in place for the Committee's meetings in June, November and December 2022 and in March 2023. An update on complaints is programmed for each of these meetings.

The Committee received an update on complaints at its most meeting on 21 June 2022. Six complaints were reported, with these complaints having been received between 22 October 2021 and 12 April 2022. Three complaints were from members of the public, two from officers and one from an elected member. All alleged breaches of the member code of conduct.

Five of the complaints were reported as having been resolved: two via member training, one via a written apology and two were judged to have had insufficient evidence to be a breach of the member code of conduct. Of the six only one was referred for investigation, the conclusion of which had not been reported at the time of our review.

At the equivalent meeting of the Committee in June 2021 there were twelve complaints reported, indicating a reduction in the level of complaints received to a more manageable level. This can be seen as a proxy measure for wider improvements in the culture and governance of the Council.

The revised Member Code of Conduct, approved in March 2021, is still in place. The Code is reviewed via alternating annual light touch and in-depth reviews. A light touch review is planned for the end of 2022.

Arrangements for dealing with complaints, which forms part of the Council's ethical framework, is also reviewed annually, following the same approach as the Member Code of Conduct.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.



KLOE B4a: Officer and member relationships

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Background

Our original review considered the relationships between senior officers and senior members and whether they were appropriate in supporting good governance.

Our December 2021 report made a series of recommendations relating to senior officers and members and related recommended

- Embedding the changes that have been made by the Leadership Team and those that are planned will be critical if the Council is to realise its strategic ambition and provide effective governance.
- Enhancement of the induction programme to new members of Cabinet, including on local government finance and their governance roles is recommended.
- The Council should ensure that corporate KPIs are agreed so that the implementation of the Corporate Plan can be effectively monitored.
- The forward plan of the Cabinet should be shared with the Audit Committee and Scrutiny Board to help structure their agenda planning.
- The Leadership Team should agree key medium-term financial objectives and principles. There should be effective ownership of the principles that underpin the budget setting process, for example the Council's approach to reserves, contingency and Minimum Revenue Provision (MRP).
- Senior officers and senior members must lead by example to ensure that the "tone from the top" consistently reflects these values and behaviours. This is critical in ensuring that the wider organisation recognises that changes have been made and that all people are confident in adopting these values and behaviours. This should build on recently introduced staff briefings to include a programme of staff engagement including "pulse" checks to benchmark and monitor progress on the organisation's wellbeing.
- The Council should ensure that the review of the member development programme is appropriate. In particular, thought should be given to how members with special responsibility roles are developed and supported. This should include succession planning for these roles.
- Further work is required to establish a formal performance management framework and agree a set of key corporate indicators for the Leadership Team to collectively manage, receive appropriate management information to monitor progress, and set out clear lines of accountability, responsibility, and delegated authority.

- The recent introduction of financial benchmarking will need to be sustained to create a culture of curiosity in services in how nearest statistical neighbours are performing, to support savings identification and to drive improvements
- The Council should continue its more outward looking approach is sustained and develop key local and sub-regional relationships.
- When investing in the communications team, the Council should also use this as an opportunity to ensure more effective internal communications, including with back-bench members.
- There is a need to ensure that members of scrutiny and audit committees are aware of their governance roles including how to interrogate reports and ask the right questions.

Due to the nature of the recommendations arising from our original review we have structured the key findings from our follow up review as follows:

- KLOE 4a: Member and officer relationships
- KLOE Bb: Performance management and other matters.

KLOE B4a: Officer and member relationships

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Review of member development programme

The Member Development Programme (MDP) has been reviewed and introduced for 2022/23. The programme covers preparing candidates who may become newly elected members, new member induction and then a programme of development for all members. The programme includes planned monitoring, evaluation and review to ensure candidates, newly elected members and established members receive appropriate and targeted learning and support matched to their current and future needs.

This revised MDP will build on what has been learned over the past four years plans to develop members who are in positions of special responsibility or are aspiring to be. Personal Development Plans (PDPs) will be created for all members to ensure their development is bespoke to their individual needs. The development of PDPs commenced in July 2022 and are due to be reviewed at the end of the current municipal year.

The member development programme has been augmented with additional training sessions being delivered by the LGA, as already noted. An update on progress is due to be reported to the Standards Committee at its October 2022 meeting. The MDP was being delivered at the time of our review and includes training on public speaking and chairing meetings and has received positive feedback from participating members.

There have been a number of changes to the chairing arrangements of some committees and boards for the 2022/23 municipal year. Initial conversations have taken place with the Council Leader on succession planning and the criteria used to identify individual members for Special Responsibility Allowance (SRA) roles, but this work has not yet concluded.

The Council needs to build on the progress being made on member development and conclude the 2022/23 programme including the review of member PDPs and take further steps to finalise arrangements on succession planning for members in SRA roles.

New training programmes

The Council has engaged the Local Government Association (LGA) to provide training on effective officer and member relationships. The training is designed to improve understanding of respective roles and what good relationships look like.

Two sessions have been planned for members and two for officers. The training programme was in the process of being delivered at the time of our review and we have been advised that there has been positive feedback from those who have so far participated. The LGA will provide the Council with a summary of their experiences of delivering the programme following the final session which is due in November 2022.

The Director of Finance is providing training for the Cabinet and members of the Opposition on budget setting and local government finance, to support the 2023/24 budget setting process.

Member induction

The LGA has also been engaged to deliver a development programme for new members of the Cabinet, as well as training for the Cabinet collectively. This programme was ongoing at the time of our review.

The Council also delivered a training programme during May and June 2022 for all newly elected members. This included the Code of Member Conduct, Internal Audit, Counter Fraud and Risk Management, the scrutiny function, local government finance, and planning.

Forward Plan

A forward plan of Cabinet business has been made available to all members to improve awareness and transparency. The changes to the Council's scheme of delegation, approved by Cabinet in July 2022, is expected to see a reduction in the number of reports to Cabinet making agenda planning more straightforward and allowing Cabinet a greater focus on strategic priorities and issues.

Work is underway to extend the forward plan from four to twelve months, and to work with Scrutiny Boards and Audit and Risk Assurance Committee to use the forward plan to inform their work programmes.

KLOE B4a: Officer and member relationships (Cont'd)

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Scrutiny Board and Audit Committee Governance Roles

There is a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across the different committees.

In May 2022 new Chairs were appointed to the Audit and Risk Assurance Committee and the Budget and Corporate Scrutiny Management Board. For both committees relationships have been reset and improvements made.

Scrutiny training and development for members and officers was introduced in June 2022, alongside improvements in relation to scrutiny work programming. A Scrutiny Improvement Plan has been developed which sets out a longer-term training plan for scrutiny members and greater clarity on roles and protocols for scrutiny committees and protocols on how scrutiny works with the Executive and Chief Officers, which were approved by full Council on 8 November 2022.

Improvements have already been introduced by the Scrutiny Board Chair including formal pre-meetings, forward plans have been reviewed to improve agenda setting, and Chairs and Vice Chairs have agenda setting meetings for all scrutiny committees.

The Scrutiny Improvement Plan includes further actions including: an annual report of the impact of scrutiny to full Council, peer support and mentoring from the LGA and Centre for Governance and Scrutiny, creation of job roles for scrutiny members, the introduction of a protocol clarifying the relationship between scrutiny and the Executive, and the introduction of feedback to support continuous improvement.

Training has been provided to members on the Audit Committee and more generally all members are participating in the MDP previously discussed.

The Council had its first scrutiny call-in for 13 years, which was in relation to the future of the Brandhall Golf Course site, which is an indication of the progress being made. Following the meeting the Chair has asked officers to consider examples of call-in approaches from other councils to identify any improvements that can be made by the Council.

Overall, positive progress has been made to improve the culture and professionalism of key Council committees, with the scrutiny function making particular progress. The Scrutiny Improvement Plan must be approved so that this positive direction of travel is maintained.

Improved outward looking approach

The Cabinet and senior officers, have been proactive in reconnecting with regional and national bodies, such as the West Midlands Combined Authority and the Local Enterprise Partnership (LEP).

The Leaders Office is being restructured to better support the Leader and Cabinet in attending external meetings and their associated external responsibilities.

The Council must continue its proactive approach in working with regional and national bodies, and obtain structured evidence of progress being made and identify where further engagement supports the Corporate Plan.

Tone from the top and internal communication

The Council has introduced a number of initiatives to try and improve communication between senior officers and the rest of the organisation, in the context of post pandemic hybrid working arrangements. These include:

- The trialling of video updates and sessions with the leadership team, alongside the staff briefings that had already been in place.
- Listening champions are being introduced so that senior officers can obtain a “bottom up” view from the organisation.
- A Co-Production Network of officers has been used to help develop the Improvement Plan.
- An employee engagement survey was undertaken in Spring 2022, which had a 61% response rate. This was the first such survey since 2018. The results have been widely shared, including via the listening champions. The results are being used to inform discussions and thinking at directorate and team levels. Regular “pulse” surveys are planned.

The LGA's Peer Review follow up visit in October 2022 reported that Council staff are feeling much better communicated with from the corporate level,

Member briefings take place approximately every three months where key issues and topics are discussed, based on members declared areas of interest. These sessions provide back bench members with an opportunity to ask senior officers questions.

A new Head of Communications has been appointed with the brief to increase the level of internal and external communications. A Communications Strategy was agreed by the Leadership Team on 20 September 2022.

KLOE B4b: Performance management and other matters

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Performance Management Framework and Corporate KPIs

The Improvement Plan and MPF, alongside the refreshed Corporate Plan provides the Council with an opportunity to improve evidenced based decision making. Accountability has been improved with objectives aligned to Directors, Associate Directors and Service Managers, but not below this level.

At the time of our review Quarter 1 performance monitoring had been undertaken, and reported to Cabinet on 28 September 2022. The report included updates on:

- Budget monitoring
- KPIs for key contracts (SCT and Serco)
- Organisational health
- Workforce composition (Equality, Diversity and Inclusion)
- Sickness absence
- Employee engagement
- Health and safety
- Corporate Plan delivery
- Improvement Plan delivery
- Strategic risk register
- Customer experience

This reporting framework represents a major step forward in providing the Leadership Team and Cabinet with a consolidated approach to performance and risk reporting. Due to the approach being recently introduced the Council plans to undertake reviews of the MPF and reporting approach, We note the following:

- KPIs selected for the PMF include data that is available quarterly, annually, biannually and in some cases termly. This provides a challenge for the quarter 1 report because not all data is available for this period. Quarter 1 reporting was therefore partial, with the expectation that additional data will be available for future quarterly reports.
- Organisational health indicators do not currently include targets.
- Data quality is expected to improve to support some indicators once Oracle Fusion has been implemented, in particular workforce data.
- Further work is required to ensure there are clearly defined customer outcomes to better measure data in relation to customer experience (channel shift, call centre performance and complaints).

The Council needs to ensure that the Corporate Plan, Improvement Plan and MPF and how they inter-relate are clearly communicated across the whole organisation to avoid potential confusion impacting on the delivery of these plans, and support the planned work on phase 2 of the Improvement Plan on organisational culture and behaviours. **The Council should consider aligning individual performance objectives of staff to these Plans to create a “golden thread” throughout the organisation, as part of the Council’s annual performance appraisal process.**

The quarter 2 performance report, covering the period July to September 2022, and due to be presented to Cabinet on 7 December 2022, summarised key Corporate Plan actions as follows:

- 258 on track (252 in quarter 1)
- 91 medium issues/risks/slippage (85 in quarter 1)
- 9 significant issues/risks/slippage (7 in quarter 1)
- 53 no data available (66 in quarter 1).

Significant issues reported were:

- Alignment of governance arrangements and budgets of the VCS grants programme to corporate objectives.
- Strategic Plan to feed into the Black Country Plan, review of the Black Country Plan policy base.
- Deliver 2022/23 capital programme of annual maintenance for highways
- Refresh the Council’s storage area network
- Development of the Corporate Data Strategy to define and deliver approach to business intelligence.
- Delivery of income generated from chargeable garden waste
- Replacing high energy street lighting.

It is positive that the Council is now able to monitor Corporate Plan progress, but we note that delays to the Corporate Data Strategy, due to organisational capacity. **The Council should ensure appropriate capacity is in place so that data gaps relating to KPIs can be resolved.**

KLOE B4b: Performance management and other matters (Cont'd)

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Medium term financial objectives and principles

The Council's Leadership Team have more regular discussions on budget related issues including a dedicated leadership team session, led by the Director of Finance, on budget setting. The Leadership Team is seen to have greater corporate ownership of financial issues but there is further work to do before all Directors take a collegiate and strategic view at all times, rather than a departmental perspective. This will be supported by the Leadership Team agreeing key financial objectives and principles, which has not yet been concluded.

Star chambers continue to be used to support budget setting and more progress is required for this to generate innovative and transformational proposals. There is an absence of a whole organisation view of the scale of the financial challenge facing the Council for 2023/24 and in the medium-term, and how these challenges will be addressed

The Council's Leadership Team must agree medium-term financial objectives and principles to provide a framework for financial planning discussions and ensure that there is a whole organization view of the scale of the financial challenges facing the Council in the medium term and how these are going to be addressed.

Financial benchmarking

LG Futures have been commissioned by the Council to provide financial benchmarking data which is shared by Finance Team with Directorates.

Because there hadn't been a culture of using financial benchmarking in recent years, developing an understanding in services of factors such as unit costs and how they compare to statistical nearest neighbours remains a work in progress. The use of benchmarking has been variable across services.

It remains important for the Council to utilise financial benchmarking tools and data to support the service and financial planning process, in particular to help identify opportunities for efficiencies, savings and service improvements.



KLOE B4: Conclusions and recommendations

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Conclusions and recommendations

Much greater stability can now be seen, both politically and at a senior officer level, and the Cabinet and Leadership Team are working increasingly well both collectively and via their individual Director and Portfolio Lead roles. This is being recognised across the wider organisation.

There is a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees.

The introduction of a PMF is evidence of an improvement in consolidated reporting and provides the Council's leadership with an opportunity for improved evidenced based decision making and monitoring the delivery of the Corporate Plan and Improvement Plan. The Council recognises that the PMF approach requires ongoing refinement to improve how key indicators can be effectively measured and must ensure capacity is created to resolved KPI data gaps.

The Leadership Team has progressed in its corporate approach to managing key issues and challenges but on medium-term financial planning there remains work to do.

Whilst positive progress has been made, the Council remains on an improvement journey and we have identified the following improvement recommendations:

- The Council should consider creating a "golden thread" throughout the organisation, linking the Corporate Plan and other Plan objectives, through to the objectives set for each individual member of staff, as part of the Council's annual performance appraisal process.
- The Council should ensure that capacity is in place to resolve KPI data gaps..
- The Council's Leadership Team must agree medium-term financial objectives and principles to provide a framework for financial planning discussions and ensure that there is a whole organization view of the scale of the financial challenges facing the Council in the medium term and how these are going to be addressed.
- The Council needs to build on the progress being made on member development and conclude the 2022/23 programme including the review of member PDPs and take further steps to finalise arrangements on succession planning for members in SRA roles.

- It remains important for the Council to utilise financial benchmarking tools and data to support the service and financial planning process, in particular to help identify opportunities for efficiencies, savings and service improvements.



KLOE B5: Standards Committee

The purpose of this KLOE was to consider the appropriateness of the work undertaken by the Standards Committee.

Background

Our original review considered the appropriateness of the work undertaken by the Ethical Standards and Development Committee. Our December 2021 report recommended:

- Member training and development programme must play a key role in ensuring members fully understand the expectations and standards relating to their role
- Meetings between senior officers, political group leaders and chief whips should take place to ensure that these stakeholders are able to discuss emerging issues and trends, recognise good behaviours and discuss how to manage behaviours not in line with the Code

KEY FINDINGS

An update on the review of the Member Development Programme (MDP) has been provided in our key findings in relation to KLOE B4.

The MDP which is being delivered during 2022 includes content relating to the role of members on committees and the role of these committees.

The Monitoring Officer, the interim Chief Executive and the Leader were introducing at the time of our review arrangements to meet the political group leaders and chief whips to create a safe space to discuss any behavioural issues that are not in line with the Code of Member Conduct that have been identified.

This arrangement is being put in place to identify emerging issues and trends and agree any actions required to manage inappropriate behaviours. These meetings are also seen as an opportunity to recognise positive examples of member behaviours.

Conclusion and recommendations

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

The Council must ensure that the new arrangements now in place are used effectively to monitor and take prompt action whenever inappropriate behaviour is identified.



KLOE B6: Audit Committee

The purpose of this KLOE was to consider the actions undertaken by the Audit Committee during 2021 in relation to the review into the Wragge report.

Background

Our original review considered the long-standing issues relating to the Wragge and Cox reports.

Our December 2021 report recommended:

Now that the Audit and Risk Assurance Committee has agreed the actions to bring this long-standing matter to resolution, it will be important that – as the Audit and Governance Panel recognised - the Council manages its position so that the matter does not resurface, so that it can move on and focus on its corporate objectives.

KEY FINDINGS

The Audit and Risk Assurance Committee, at its March 2022 meeting, resolved to refer to the Council's Executive the decision on whether a further review was required into the Wragge report or Cox report. A new Chair of the Audit and Risk Assurance Committee was appointed in May 2022 at the start of the new municipal year. We understand that the new Chair of the Committee's position is that they do not seek to re-open the matter. At the meetings of the Committee in May and June the issue of the Wragge or Cox report did not get raised and is not the subject of further review by the Committee.

The Audit Committee has continued to operate throughout the year in an operate manner focussing on significant governance matters.

The Council's Improvement Plan includes actions, such as member training, which have been progressing during 2022, which include content on appropriate behaviour of elected members, their roles and responsibilities.

The Council's Leader will confirm the Executive's position on any further review by the end of December 2022.

Conclusion and recommendation

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks

A final decision needs to be made by the Leader before this matter can be considered formally closed.



KLOE B7: Financial reporting

The purpose of this KLOE was to consider the Council's response to recommendations raised in our 2019/20 audit findings report.

Background

Our original review considered the Council's responses to recommendations raised in our 2019/20 Audit Findings Report (AFR) and further issues identified by our governance review.

Our December 2021 report recommended:

- Management should ensure that the AFR action plan sets out actions and completion dates in relation to all recommendations. It should also identify where the new ERP system implementation and the planned asset management system could cause delays or impacts on planned actions
- Management should ensure that the changes in relation to budget setting and budget management recently introduced are sustained, and take steps to manage any weaknesses not yet addressed.
- Management should ensure the Finance team has appropriate skills and capacity to manage the Council's financial reporting responsibilities.

KEY FINDINGS

Financial statement audit

The audit of the 2020/21 financial statements is still in progress as at November 2022. [The audit has been significantly delayed due to the quality of the financial statements and working papers presented for audit.](#) The audit is drawing to a conclusion and a draft report will be issued to the Council in December 2022. Issues include:

- material errors in the valuation of property plant and equipment and pension fund
- material errors in cash balances and other areas of the financial statements
- uncertainty with regard to credit loss allowances, recognition of payables, and assets and liabilities relating to the SERCO waste contract.

We have not been able to draw a conclusion on a number of these areas and it is uncertain whether they will impact on the reserves available to the Council. It is possible that we will issue a modified opinion on the 2020/21 financial statements.

We have been unable to commence the audit of the 2021/22 financial statements due to the delays in the 2020/21 audit.

Financial systems and finance team

The Council is introducing a new corporate asset management system which is expected to improve fixed asset accounting and therefore mitigate issues relating to the closure of accounts. The new system is due to be in place by the time of the 2022/23 closure of accounts. Additional technical accountant resources have been brought in to support the accounts backlog.

The Finance Team has been restructured with the new structure going live in August 2022. This restructure has been undertaken to provide greater focus on finance business partnering by introducing more finance business partners so that each Director has their own business partner supported by an assistant business partner. Business partners should provide improved focus in supporting departmental and service change and transformation.

There have been some changes in personnel, in particular the financial reporting team and a new post has been created relating to fixed assets. Not all new posts have permanent appointments, for example the new head of technical finance is being filled via an interim, who started in September 2022.

Training for members of the Finance Team was undertaken in February and March 2022, prior to the restructure with a focus on accounts closedown. A skills gap analysis was being undertaken at the time of our review to identify the training needs of members of the restructured Finance Team.

The actions taken so far will take time to complete and successfully embed the necessary changes.

Budget setting and monitoring

The Council's Leadership Team continues to receive a monthly budget morning report. The Cabinet and Scrutiny Board receive budget monitoring reports each quarter.

The star chamber approach introduced during Autumn 2021 for 2022/23 budget setting is being retained for 2023/24 budget setting. Star chambers are to be held for each Directorate with the Director of Resources, the relevant finance business partner, the relevant service director and one of the Commissioners providing challenge on budget pressures and savings proposals.

KLOE B7: Financial reporting (Cont'd)

The purpose of this KLOE was to consider the Council's response to recommendations raised in our 2019/20 audit findings report.

Budget setting and monitoring (Cont'd)

Financial benchmarking continues to be used and the Council has engaged LG Futures to provide ongoing support in this area. In addition, Grant Thornton have provided some financial benchmarking from the CFO Insight benchmarking tool.

The Council's Cabinet continues to be engaged with a number of budget planning sessions having taken place by the time of our review, with plans in place to provide a session for the Labour Group.

The Council commissioned Eventure Research to undertake a public consultation exercise on the Council's budget. The results, which were based on a survey completed by 1,070 residents, were reported in September 2022. This was the first such consultation exercise for several years. The consultation has provided the Council with representative views on areas such as: the most valued services, options for closing the budget gap, service provision, the level of Council Tax, and access to services on-line. The results of this exercise are being used as part of the 2023/24 budget setting process.

Conclusion and recommendations

The Council's procedures for the production of its financial statements require significant improvement. We note that there are a number of legacy issues from prior years that continue to have an impact on the timeliness and accuracy of the accounts and are undermining the quality of the financial statements. Whilst we note that actions have been taken over the past twelve months to address these issues, improvements are not likely to start to be seen until the 2021/22 accounts. We consider that this needs to be an area of priority for the Council, including managing the recruitment challenges that have been experienced. Until these matters are resolved there will remain some uncertainty over the Council's financial position.

The other improvements that are in train will take time to embed, reflecting the lack of a corporate asset management system and an appropriately resourced and skilled finance team, which had not received appropriate development and training in prior years.

The Council must successfully implement the new corporate asset management system to timescale, ensure all key finance roles have permanent appointments, and prioritise the recruitment to, and training and development of, the Finance Team so that the role and behaviour changes planned become embedded.



KLOE B8: Engagement with residents and community stakeholders

The purpose of this KLOE was to consider how the Council engages with residents and community stakeholders.

Background

Whilst not a key line of enquiry for our original review we have agreed with the Council's management to consider how the Council engages with residents and community groups to supplement our understanding of the Council's improvement journey.

This has included a sample of two community consultations:

- West Bromwich Masterplan.
- Walker Grange, an extra care facility owned by the Council.

We have also considered wider resident engagement surveys.

KEY FINDINGS

Resident engagement

The Council has introduced an annual residents survey and are considering additional mechanisms to improve resident engagement, such as resident panels and focus groups.

Eventure Research were commissioned by the Council to undertake a resident and wellbeing survey. A survey was conducted with 1,062 respondents throughout the borough, with quotas set on age group, gender, disability, ethnic group and area of the borough. The survey was conducted in July and August 2022. Some of the questions are also asked by the LGA in their national tracker survey, allowing national comparisons. The results included:

- 78% of respondents are satisfied with their local area as a place to live.
- Just over a quarter (27%) of respondents had been in contact with Sandwell Council recently.
- Housing, missed bin collections, reporting anti-social behaviour, and council tax queries are the most common reasons for contacting the Council.
- Satisfaction with the Council is slightly higher than the national average (66% compared to 62%),
- Three in five (60%) think Sandwell Council acts on the concerns of local residents, compared with 52% nationally.
- Three in five (60%) think Sandwell Council keeps residents informed about services and benefits it provides, compared with 57% nationally
- Trust in the Council is higher amongst Sandwell residents than nationally (67% and 58% respectively)

- Council services receiving higher than national satisfaction ratings were waste, street cleaning, road and pavement maintenance, sport and leisure services and services to support children and young people.
- Services where satisfaction is lower than national satisfaction ratings are library services, services to support older people and parks and open spaces.
- Respondents are most concerned about the cost of living increases and inflation, NHS waiting lists and having a family that is healthy.

The Council also commissioned Eventure Research to undertake a public consultation exercise on the Council's budget, which is discussed in the section on KLOE B7. The Council has also undertaken a public consultation on the electoral cycle.

Undertaking this resident engagement survey is a positive step for the Council, and the results will need to be used to inform service and financial planning. The changes being made via the Improvement Plan and the corporate Performance Management Framework [the Council needs to ensure that it continues to engage with residents and that this engagement supports greater corporate focus on service quality and customer outcomes.](#)

Community consultation: West Bromwich Masterplan

The 5 February 2020 Cabinet approved the development of the masterplan to provide a vision for the future of the town centre, including the need for public consultation to support the masterplanning process. In November 2020 the Council commissioned Savills as the lead consultant which included a community consultation role. Mott MacDonald were engaged to undertake viability work, and Benoy to lead on the design.

In March 2020 the Council discussed their vision for West Bromwich with the Government's High Street Task Force, which identified the need for more effective community engagement.

A consultation and engagement plan was developed in April 2021, to support the Towns Fund deal for West Bromwich, and this was used for the masterplan consultation.

KLOE B8: Engagement with residents and community stakeholders (Cont'd)

The purpose of this KLOE was to consider how the Council engages with residents and community stakeholders.

Community consultation: West Bromwich Masterplan (Cont'd)

Consultation was then undertaken with various groups and organisations including regional stakeholders such as the LEP, West Midlands Combined Authority, the West Midlands Growth Company, West Midlands Police, West Bromwich Town Members Board, West Bromwich Town Deal Board, Sandwell College and Lyng Primary School.

Workshops were then held with the Council's Cabinet in June 2021 to discuss findings before a four-week public consultation exercise was undertaken with residents, local businesses and landowners during July and August 2021. This included physical events and virtual events, and the use of the website questionnaire.

The consultation responses were fed back to the external consultants in a consultation outcome plan which was also reported to Cabinet on 9 February 2022. The Cabinet approved the West Bromwich Interim Planning Statement and West Bromwich Masterplan at this meeting. Consultation feedback was used to inform changes to the masterplan and these changes were highlighted in the Cabinet report. Some issues raised by the consultation could not be met by the masterplan, such as crime and anti-social behaviour and these responses were shared with the police.

This is an example of a well-structured approach to community consultation. The Council believe that the consultation process has significantly improved and strengthened relationships with local business and community groups.

Community Consultation: Walker Grange

Walker Grange is an extra care supported housing accommodation for people aged 55 years or above who require care and/or support to live independently. The facility, which has capacity for 39 residents, is owned by the Council and was built in the 1980s. It was proving unsuitable to meet the changing care and support needs of some individuals and the Council was considering its closure and the transfer of residents to other extra care accommodation in the borough.

On 1 September 2021 the Council's Cabinet agreed to a consultation exercise in advance of taking decision on the future of the facility. A twelve-week consultation period was approved for consultation with stakeholders including tenants, their families and carers, day care users, staff of the facility and trade unions

The consultation received a lot of interest locally, on social media and from ward councillors and local MPs, in part due to a view that the Council had already taken a decision to close the facility.

From the consultation, a clear message from tenants, their families and staff were that they valued and wanted Walker Grange to continue to provide services to the current cohort of people and potentially develop and promote the service further. During the consultation period it became clear that further investment, rather than purely maintenance, could potentially provide the Council with a resource to provide additional support to vulnerable adults through extra care provision.

The Cabinet considered the consultation outcomes at its meeting on 18 November 2021 alongside three options for the future of Walker Grange:

- Do nothing: continue to provide Extra Care Housing at Walker Grange.
- Look at the closure of Walker Grange & the transfer of Tenants to other suitable Extra Care Housing provision
- look at upgrading Walker Grange building to ensure it is fit for purpose to provide Extra Care Housing.

The Cabinet agreed to the third option of investing in the current facility to ensure that it is fit for purpose. This is an example of where the Council has engaged with and listened to the views of local residents and stakeholders to improve its decision making.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified one improvement recommendation:

- The Council needs to ensure that it continues to engage with residents and that this engagement supports greater corporate focus on service quality and customer outcomes.

Appendices

Appendix A: The scope of the auditor's work on value for money arrangements

Revised approach to value for money work for 2020/21 onwards

- On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of value for money.
- There are three main changes arising from the NAO's new approach:
 - A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
 - More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria
 - Auditors undertaking sufficient analysis on the local authority's value for money arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Appendix B: Improvement recommendations

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
KLOE A1: Sandwell Children's Trust		
1	The Council will need to ensure that the SCT accelerates its progress on this improvement trajectory so that the position does not plateau, including sharing good practice on case work across the various SCT social work teams.	22
2	The Council will need to continue to closely monitor the implementation of the early help strategy to ensure planned objectives and outcomes are realised.	22
3	The Council must continue to work with SCT to mitigate and reduce the level of vacancies and use of agency staff and take steps to ensure the associated KPI does not lead to contract failure.	22
4	The Council should continue to monitor the progress of SCT against these invest to save activities to ensure that SCT is able to generate the savings and efficiencies required for the contract sum to be reduced.	22
KLOE A2: Sandwell Leisure Trust		
5	The Council will need to: <ul style="list-style-type: none"> ensure a business case is produced for the new leisure LATC so that there is a clear financial case for the commercial viability of the new arms length company. be clear how it effectively discharges its role whilst allowing the company the freedoms and flexibilities to operate and to deliver the planned financial and service benefits. 	24
6	The Council will need to effectively manage the transition of the Aquatics Centre so that it is operational to the planned timescale and that there is a clear business case which sets out how the centre will be managed to become commercially viable and provide financial returns to the Council as part of the leisure LATC arrangements.	24

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
	KLOE A3: Providence Place	
7	The Council will need to conclude the finalisation of its asset management strategy and asset management database to better manage its asset portfolio including asset disposals.	25
	KLOE A4: SEND Transport	
8	The Council must ensure that the lessons learned from the SEND Transport procurement are shared across other council services so that this learning becomes embedded across the organisation.	27
	KLOE A A7: Waste Service	
9	The Council must work with Serco to urgently finalise all associated plans and schedules which remain outstanding.	33
10	The Council should confirm with Serco if there will be changes to the waste and recycling or garden waste collection policies.	33
11	The Council should resolve the delays and formally agree replacement timescales for the waste fleet and the financing of replacement costs and supplier lead in times with SERCO. Clarity should be sought over the use of previous capital payments in relation to the Council's accounts.	33
12	The Council should take steps to demonstrate to Serco how the fleet maintenance service provides value for money.	33

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
	KLOE A10: Introduction of new ERP System	
13	The Council must ensure that all expected benefits are defined, and that governance arrangements, including assigning accountabilities, are in place to ensure benefits are realised.	38
14	The Council must ensure that the central transformation team is appropriately resourced and integrates all transformation and change activity being undertaken across the Council.	38
15	The Council must ensure that the ERP System implementation programme becomes aligned to other improvement and change initiatives being undertaken or planned by the Council, so that synergies and economies in delivery can be identified and duplication removed.	38
	KLOE B4: Officer and member relationships	
16	The Council should consider creating a “golden thread” throughout the organisation, linking the Corporate Plan and other Plan objectives, through to the objectives set for each individual member of staff, as part of the Council’s annual performance appraisal process.	47
17	The Council’s Leadership Team must agree medium-term financial objectives and principles to provide a framework for financial planning discussions and ensure that there is a whole organization view of the scale of the financial challenges facing the Council in the medium term and how these are going to be addressed.	47
18	The Council should ensure that capacity is in place to resolve KPI data gaps.	47
19	The Council needs to build on the progress being made on member development and conclude the 2022/23 programme including the review of member PDPs and take further steps to finalise arrangements on succession planning for members in SRA roles.	47
20	It remains important for the Council to utilise financial benchmarking tools and data to support the service and financial planning process, in particular to help identify opportunities for efficiencies, savings and service improvements.	47

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
	KLOE B5: Standards Committee	
21	The Council must ensure that the new arrangements now in place are used effectively to monitor and take prompt action whenever inappropriate behaviour is identified.	48
	KLOE B6: Audit Committee	
22	A final decision on the Cox report needs to be made by the Leader before this matter can be considered formally closed.	49
	KLOE B7: Financial Reporting	
23	The Council's procedures for the production of its financial statements require significant improvement. We note that there are a number of legacy issues from prior years that are undermining the quality of the financial statements. We consider that this needs to be an area of priority for the Council. Until these matters are resolved there will remain some uncertainty over the Council's financial position	51
24	The Council must successfully implement the new corporate asset management system to timescale, ensure all key finance roles have permanent appointments, and prioritise the training and development of the Finance Team so that the role and behaviour changes planned become embedded.	51
	KLOE B6: Engagement with residents and the community	
25	The Council needs to ensure that it continues to better engage with residents and that this engagement supports greater corporate focus on service quality and customer outcomes.	53



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