

Auditor's Interim Annual Report on Sandwell Metropolitan Borough Council

2021/22

March 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas is set out on pages 14 to 32 Further detail on how we approached our work is included in Appendix B.

Executive Summary

Executive summary - Overview



Value for money arrangements

Introduction

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Under the Local Audit and Accountability Act 2014, in our role as appointed external auditor, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is done through our annual Value for Money (VfM) assessment, which focuses on three themes:

- Financial Sustainability
- Governance
- Economy, Efficiency and Effectiveness

We have now completed our VfM assessment for 2021/22. This comprised our standard VfM work programme, covering the themes of financial sustainability, governance and the 3 E's (economy, efficiency and effectiveness).

To support our 2021/22 VfM assessment and to address significant risks relating to governance identified at the planning stage, we undertook additional risk-based work in the autumn of 2022 that followed up on our Governance review in December 2021. The detailed results of this follow up work were reported to you in December 2022 and should be read alongside this report.

The improvement journey at Sandwell

Over the past year Sandwell Council has made good progress in its journey towards improvement but there remains a lot of work to do to complete and embed new processes and continue to build a strong management culture. This will take some time to complete.

Up to 2020/21 and the early part of 2021/22 the Council had seen deteriorating senior officer and senior member relationships. This had resulted in a breakdown in trust, respect and confidence between those holding governance roles. This limited the Council's ability to look forward and manage the challenges and opportunities facing it. At that point there had been poor progress in resolving service and governance issues, with a significant amount of time being spent responding to internal allegations and complaints. This impacted on the Council's ability to focus on service improvement. The Council had been insular and siloed. Its focus had been on responding to external service-based challenges as well as managing the fallout from previous decisions or investigations. Senior officers and senior members were historically been unable to make the changes required to move away from this organisational culture and focus. We examined these management failings in a detailed review of Governance as part of our VfM work for 2020/21 and this was reported to the Council in December 2021. This report set out three statutory recommendations and a number of other recommendations that were incorporated into the Council's improvement plans.

In our 2020/21 Auditor's Annual Report, we acknowledged that since the appointment of the interim Chief Executive in August 2021, working with the then new Leader of the Council, that many of these matters had started to be resolved. The Council's senior leadership team, the majority of whom are recent external appointments, recognise the challenges and issues and are supporting the interim Chief Executive on an improvement journey. In this report, we also drew attention to the need to closely manage the Council's financial position in what remained a challenging environment for local government.

In the autumn of 2022, we undertook a follow up review of our Governance report and reported the findings to the Council in December 2022. We were pleased to report that good progress had been made over the intervening year and delivery of the Improvement Plan reflected a significant strengthening of governance arrangements and the foundation of a positive management culture. However, the report also noted that there remained significant work to be done before the Improvement journey could be considered to be complete.

This Auditor's Annual Report (AAR) covers the year 2021/22 and brings together the findings of our Governance Review with findings from our assessment of arrangements to deliver VfM across the three key themes of Financial Sustainability, Governance and Economy, Efficiency and Effectiveness.

Executive summary – Summary conclusions



Financial sustainability

The Council continues to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Council has demonstrated will continue to be crucial.

We have made one Improvement Recommendation to draw attention to the concerted effort that is needed from members and senior officers to enact substantial service transformation to address the significant funding gap that is projected for 2025/26, and to protect and rebuild reserves to strengthen the Council's ability to withstand any further financial shocks.

The Council delivered an overall underspend of £4.8m in 2021/22, after transfers to reserves and adjustments for the Revenue Contribution to Capital. Overall, the Council was able to deliver to budget and maintain a stable financial position at the end of 2021/22. It was also able to consolidate and continue to build the level of reserves available to manage future financial risks.

2022/23 have been a challenging period for the Council in terms of its medium term financial planning following the significant economic challenges affecting the global economy. Despite this the Council has been able to report a small underspend of £1.9m. This has been achieved by using £34.9m of reserves but we note that the majority of this c£30.5m relates to the use of Section 31 grant which funded Business Rates income due to COVID. It has drawn relatively little from general fund reserves. The year end reserve balance was £112.5m.

The Council has been able to balance its 2023/24 budget mainly through £21m savings. However, as at end 2025/26 there is a projected funding shortfall of £41m meaning that the latter part of the medium term financial strategy presents a more challenging position and will require a significant contribution from the transformation programme over the next 12-18 months. We note that this is a worse case scenario.

Going into the 2022/23 financial year, the Council's reserves are in line with similar councils and this provided the main contingency against slippage on future savings plans. Despite the challenges, the Council's forecast reserves position remains positive, providing that sufficient savings are delivered by 2025/26.



Governance (Significant Weakness)

Our original 2021 Governance Review identified significant weaknesses in regard to the Governance aspects of VfM relating to corporate performance monitoring and grip, lack of long term planning, officer empowerment and decision making, capacity, experience and skills and changes to senior officers and members. We are pleased to report that in the period since December 2021 the Council has made significant improvements to address these, strengthening financial and governance arrangements and the direction of travel is positive. These measures will take time to fully embed and it will take time to fully address the statutory and key weaknesses we identified in 2020/21. However, we do recognise the substantial progress made in these areas and believe that the Council is progressing in the right direction. There are also two improvement recommendations following our 2021-22 VfM audit work which have been carried forward from last year's audit.

In our follow-up to the Governance Review (Dec 2022) we note that the Council's ability to make informed decisions and manage its risks was no longer an area of significant risk, noting that the appointment of the new Chief Executive was a critical step on the improvement journey. The Cabinet and Leadership team were working increasingly well together. The arrangements in place to manage complaints and the work of the Standards Committee were now in place, along side the new Performance Management Framework (PMF). The new processes will require time to embed and demonstrate their effectiveness. Issues with the engagement with residents and community groups had also been mitigated. Significant improvement was required in the production of annual accounts and a number for legacy issues needed to be resolved as a priority. Other improvements such as strengthening the finance team and implementation of the corporate asset management system would take further time to address.

While we can see progress in a number of areas, we note in particular that the Council's processes for the production of its financial statements remain poor. Our audit of the 2020/21 financial statements is still ongoing and we have identified multiple material errors in the financial statements. We are concerned about the lack of progress in this area. We have identified this as a Significant Weakness in arrangements and we have made a key recommendation that the Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit.

Executive summary – Summary conclusions



Improving economy, efficiency and effectiveness (Significant Weakness)

The Council has made significant progress in addressing the significant weaknesses identified in our original Governance Review in 2020/21 that impacted on Improving economy, efficiency and effectiveness. As with Governance, further time will be required to deliver sustainable improvement and therefore the significant weakness remains in place for 2021/22. However, we did not identify any further risks of significance under this area of the review. We have made a recommendation for improvement in the area of procurement to help ensure that resourcing in that team keeps pace with the improvements that are planned for this area.

In regard to Adult Social Care we note that the Council faces acute challenges with funding, staffing and the provider market that will need to be closely monitored. These challenges have yet to affect the quality of the services being delivered, based on the most recent performance reporting and CQC ratings. However, proposed solutions to challenges around the recruitment of social workers and the financial sustainability of both commissioned and in house care services, have major financial implications for the Council in the medium term that need to be closely monitored alongside service performance levels.

In our follow-up to the Governance Review (Dec 2022), we noted that previously identified weaknesses have been mitigated in regard to Providence Place, SEND Transport SLaP, the MADE Festival and Lion Farm.

We are also pleased to note that significant progress had been made in regard to issues identified in 2021 relating to the Children's Trust, leisure services, the waste service contract with Serco and the Introduction of the new ERP system. We are particularly pleased to note the positive outcome of the recent Ofsted inspection at Sandwell Children's Trust. However, our report noted that further time and effort was required to fully mitigate the significant weaknesses noted in these areas. Additional work around Key Line of Enquiry (KLOE A8) on Governance and Legal Support relating to the Director of Public Health did not identify any further significant risks, but did raise further Improvement Recommendations.

In addition to the ongoing delivery of the Improvement Plan, the Council must continue to closely monitor service outcomes using the new performance management process to ensure that service outcomes are sustained or improved in line with the operational improvements that have been introduced across the Council.

Statutory Recommendations Carried Forward from 2020/21

Our original Governance Review in 2021 highlighted a number of areas that reflect significant weaknesses in the Council's arrangements to secure value for money in its use of resources and made three Statutory Recommendations. Our follow up-report recognised that good progress had been made.

From the perspective of our VfM assessment for 2021/22, we have considered the fact that many of the improvements started part way through the year of assessment and will take further time to embed. Therefore for 2021/22 the Statutory Recommendations will remain in place and the state of completion of the improvement agenda will be re-visited for 2022/23. It is important to note that this should not detract from what has been a strong response on the part of the Council over the past year.

Statutory Recommendations issued under Schedule 7 of the Local Audit and Accountability Act 2014 and must be complied with by law. We are satisfied that the Council is implementing improvements in response to these recommendations and is therefore operating in line with statutory requirements.

The carried forward statutory recommendations are:

- 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.
- 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.
- 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.

Executive summary – Significant Weakness

Key recommendations from 2020/21

In addition to the Statutory Recommendations, our Governance Follow-up Report identified four new Key Recommendations that are also directed at addressing the existing significant weaknesses in arrangements. These supersede the Key Recommendations issued in our original Governance Report. The new Key Recommendations are reproduced on page 37 and will need to be addressed as a matter of urgency in order to fully address the significant weaknesses identified.

In addition to this and as noted above, in 2021/22 we have added an additional Key Recommendation in relation to the significant weakness in the process for the production of annual financial statements.

Other Improvement Recommendations

We have made a number of further Improvement Recommendations both in this report and in the Governance Follow-up report for 2021/22 that will also be important to implement. Progress against the prior year's improvement recommendations are set out in Appendix E.

Reconciling our Governance findings to the VfM themes

The Statutory and Key Recommendations reflect the overarching actions that will be required to address significant weaknesses identified across a wide range of Council operations.

These were summarised in the Governance report under seven thematic areas that in turn encompassed 17 'Key Lines of Enquiry' (KLOEs A1 to A7, A9 to A10 and B1 to B8). A further KLOE (A8) was covered in the 2022 Governance Follow Up report, and did not identify any further areas of significant weakness. We have reproduced the progress update against each KLOE in Appendix E of this report.

The adjacent table takes the seven thematic areas set out in our original Governance report (Dec 2021) and reconciles them to the three VfM themes against which this assessment is made under the National Audit Office's Auditor Guidance Note (AGN) 03.

Note that the Significant Weaknesses impact across both Governance (primarily impacted by KLOE B1 to B8 and performance management and oversight elements of A1 to A10) and Economy, Efficiency and Effectiveness (primarily impacted by KLOE A1 to A10).

Thematic areas <i>Identified in the 2020/21 Governance Review (3 December 2021).</i>	Impacting Financial Sustainability	Impacting Governance	Impacting Economy, Efficiency and Effectiveness
KLOE		B1-B8	A1-A10
Corporate performance management and grip		Yes	Yes
Procurement and commercial decision making			Yes
Contract management			Yes
Lack of longer-term planning		Yes	
Officer empowerment and decision making		Yes	
Capacity, experience and skills		Yes	
The impact of changes to senior officers and members		Yes	

Executive summary – Summary conclusions







Our overall conclusion on the Council's arrangements to deliver Value for Money in 2021/22




In 2020/21 our risk-based work on governance identified significant weaknesses in arrangements to deliver value for money in the use of Council resources that impact on both the Governance and Economy, Efficiency and Effectiveness thematic areas of review.

For the purposes of our 2021/22 assessment these weaknesses are assessed to have carried forward into that year while the new arrangements embed and the Improvement Plan continues to be delivered. However, we are pleased to recognise the significant progress that has been made as reflected in the follow up to our Governance Review issued to Cabinet in December 2022.

We will re-assess progress in our 2022/23 VfM review and consider whether progress has been sufficient to have fully addressed our Statutory Recommendations and the Key Recommendations to mitigate the significant weaknesses identified.

Our work on our wider VfM procedures identified one further Significant Weakness relating to the process for the production of annual financial statements. No further significant weaknesses in arrangements were found across the three VfM themes. However, additional improvement recommendations have been made which we set out in this report.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	Risk identified because of the Council's low level of reserves	 No significant weaknesses in arrangements identified but improvement recommendations made	 No significant weaknesses in arrangements identified but one improvement recommendation has been made.
Governance	No risks of significant weakness identified	 Significant weaknesses in arrangements identified and improvement recommendations made	 Significant weaknesses in arrangements identified but improvements being made
Improving economy, efficiency and effectiveness	Risk identified because of the inadequate rating issued by Ofsted in respect of children in care	 Significant weaknesses in arrangements identified and improvement recommendations made	 Significant weaknesses in arrangements identified but improvements being made

-  No significant weaknesses in arrangements identified or improvement recommendation made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendations made.

Opinion on the financial statements



Audit opinion on the financial statements

The Council has yet to issue a draft set of accounts for 2021/22 (due to the impact of the delay in completion of the 2020/21 audit and uncertainty over opening balances). However, it is clear to us that the issues within the finance team are deeper than the additional workload associated with servicing a delayed audit. The finance team is clearly stretched, has experienced some turnover in key personnel and difficulties recruiting interims to fill the gaps in the team. References to concerns in budget reporting and other financial management arrangements is also raised in our governance report.

The 2020/21 external audit has been significantly delayed due to the quality of the financial statements and working papers presented for audit. 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.



Key Recommendation



Governance

Recommendation

The Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit.

Why/impact

Failure to draft and publish Annual Accounts on a timely basis undermines the ability of those charged with governance to ensure good financial stewardship and fails to provide a transparent financial position to the public.

Auditor judgement

Significant Weakness

Summary findings

The Council has yet to issue a draft set of accounts for 2021/22 (due to the impact of the delay in completion of the 2020/21 audit and uncertainty over opening balances). However, it is clear to us that the issues within the finance team are deeper than the additional workload associated with servicing a delayed audit. The finance team is clearly stretched, has experienced some turnover in key personnel and difficulties recruiting interims to fill the gaps in the team. References to concerns in budget reporting and other financial management arrangements is also raised in our governance report.

The 2020/21 external audit has been significantly delayed due to the quality of the financial statements and working papers presented for audit.

Management Comments

The Council has identified a number of historic accounting issues which further delayed the completion of the 2020/21 audit process. These have now been rectified and an improvement plan put in place to address the weaknesses in the Council's financial reporting arrangements. The Council continues to struggle to recruit to key technical posts and the Head of Technical role is out to recruit for a third time. The Council has brought in a number of skilled interims to improve the quality of the 2021/22 and 2022/23 accounts.

The range of recommendations that external auditors can make is explained in Appendix C

Use of auditor's powers

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local Council accounting in the United Kingdom 2021/22

The Council has yet to issue a draft set of accounts for 2021/22 (due to the impact of the delay in completion of the 2020/21 audit and uncertainty over opening balances).

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

The three statutory recommendations issued in 2020/21 continue to apply. However, no further statutory recommendations have been issued.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Not applicable

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Not applicable

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Not applicable

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

Not applicable

Key Findings from our VfM Review 2021/22

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- identifies all the significant financial pressures that ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Planning and Managing Pressures

The 2020/21 and 2021/22 Budget and MTFs were published in February 2020 and March 2021 respectively. The budgets were presented to Cabinet initially and then to full Council. As reported in our 2021 Review of Governance, there were weaknesses in the financial management arrangements in place during 2020/21 and 2021/22 that could have impacted on medium term financial sustainability. In particular, the Leadership Team were not effectively engaged in the budget setting process or medium-term financial planning. Improvements have since been made and the 2022/23 process was significantly better and we note that the Council's financial position continues to be robust despite the challenges previously outlined.

The year 2021/22 and the first three quarters of 2022/23 have been a challenging period for the Council in terms of its medium term financial planning. During 2021/22 the Council continued to experience the financial impact of Covid, most significantly a loss of income due to suspended or significantly reduced services. Key financial pressures continued to be in the areas of Adult Social Care and Children's Services, including SEND Transport. In 2022/23 a number of new financial pressures have arisen, as a result of a sharp downturn in economic conditions in both in the UK and globally, that significantly increased the magnitude of inflationary pressures from the early part of 2021/22, beyond what had been projected when the budget was set.

Assumptions underpinning revenue budgets for 2022/23 and over the medium term, which were agreed only in February 2022, have had to be revised following the significant economic challenges and cost increases affecting the global economy. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices. Some of the most significant levels of inflation are being experienced in the construction sector and the Council has also reacted to heighten the risk in the Regeneration and Capital programmes.

In our discussions with the S151 officer and the Head of finance it has become clear that the Council's new management team have recognised the need to move away from a reliance on short term one off measures.

We are pleased to note from our discussions too that the Council has significantly strengthened its approach and was able to identify £14.6m of savings for the 2022/23 without relying on use of reserves and other one off measures to set a balanced budget.

Overall, inflation and other factors have also led to significant increases in the Council's projected MTFP funding gaps (£41m funding gap in period in 2023/24 to 2025/26). The Council has recently submitted its 2023/24 budget proposal and revised its MTFs in the light of the Local government funding settlement in December 2022. We are pleased to see that the Council is proposing a balanced budget with £21m savings identified to achieve this. This position takes into account the reserves consumed to support the position in 2022/23. The MTFs is kept under regular review and the latest position is shown in the table below.

	2023/24 £000	2024/25 £000	2025/26 £000
Council Net Expenditure	291,847	317,103	332,410
Movements in base position:			
Pay Inflation	12,492	3,582	3,672
Service Pressures	39,803	20,267	17,523
Key Contract Inflation	17,727	5,426	6,892
Changes in Service Grants (Local Government Finance Settlement)	(23,145)	(4,945)	5,259
Approved Savings	(21,429)		
Treasury Changes	(4,942)	(273)	1,194
Changes in Reserves/ RCCO	4,750	(8,750)	0
Revised Council Net Expenditure	317,103	332,410	366,950
Funding:			
Non Ring-Fenced Government Grants	(4,064)	(1,953)	(41,723)
Retained Business Rates (including Top-up, Section 31 Funding & surplus/ deficit adjustments)	(186,501)	(189,080)	(137,330)
Council Tax Income (including surplus/ deficit adjustments)	(127,059)	(132,768)	(138,789)
Total Funding	(317,624)	(323,801)	(317,842)
Net (Surplus)/ Deficit before savings options	(521)	8,609	49,108
Cumulative Transformation, Corporate and Directorate Savings Options		(6,165)	(8,415)
Net (Surplus)/Deficit after savings options		2,444	40,693

Financial sustainability

The Council has been able to balance its 2023/24 budget mainly through £21m savings and a change in Minimum Revenue Provision (MRP) accounting policy which contributes approximately £5m. It can also meet the shortfall at the end of 2024/25 of £2.444m from Reserves without taking these below prudent levels. However, as at end 2025/26 reserves available to deal with potential funding pressures (the Risk reserve and the general fund reserve) total £32.7m to meet a shortfall of £41m. This latter part of the medium term financial strategy is a more challenging position and will require a significant contribution from the transformation programme over the next 12-18 months. Given the nature of transformational savings and bearing in mind the potential gestation period required to realise some of these types of savings, then this makes the challenge even greater for the Council and it will need a sharp focus and regular monitoring to ensure the new savings programme is developed in line with the Council's needs.

In our view the Council has demonstrated via its financial planning that it is well aware and alive to all the prevailing pressures on its finances and has regularly updated its planning accordingly.

Savings plans

In response to the projected deficits for 2022/23 and 2023/24 the Leadership Team developed a draft Transformation Savings Programme, which has identified cross-cutting, transformational projects that will deliver service improvements and either reduce costs or generate more external income. This programme forms an established baseline from which the larger projected deficits outlined above will now be closed. The Council therefore benefits from already having established transformation arrangements in place and is not having to develop a programme from scratch. The current enhanced savings programme for 2023/24 to 2025/26 forms part of the MTFs. We have discussed the savings proposals in detail with the S151 and Head of Finance and the main components are:

- Directorate savings (£9.6m) are being managed via the Directorate governance boards so Directors are being held to account for delivering their savings. Quarterly reporting to the Leadership Team meeting updates the Leadership team on progress.
- Increase in fees income (£1.5m) - we note that the Council commissioned LG Futures to carry out a comprehensive review of the Council's Fees and Charges policy and levels. This has resulted in an increase in a number of fees and charges and additional income generation of up to £1.5m and is supported by detailed analysis.

- It is also planning to make £1.3m savings via its "making best use of assets" programme. This involves increasing income and reducing expenditure on a number of its properties.
- Corporate and technical savings (£3.25m) - £1m is from applying a consistent vacancy turnover rate of 3% to all salary budgets, £2m from using Public Health (PH) grant to fund additional pressures in Adults and Children's where they meet PH grant criteria to enable longer term savings plans to be delivered in those areas and £250k of increased Treasury income.
- Sustainable Delivery model savings (£0.9m) - Review of Waste and Fleet Service (£300k), Review of Vol Sector Grants (£600k)
- The remaining savings include a Pensions Triennial valuation

Our discussions with the AD for Transformation and the S151 have confirmed these savings (apart from the Directorate savings which are monitored separately) are being monitored and tracked via the Corporate Transformation Board. We also note that the Council include sufficient headroom within the savings plan to allow for slippage of up to 25%.

Our review of the savings plans proposed by the Council are that they are challenging but robust and the Council has put in place strong governance arrangements to ensure the savings are closely monitored and tracked. Some of these arrangements are in their early stages of development so it will be critical to ensure these bed in quickly and provide the necessary challenge required in a savings programme of this nature. But our overall view is that the Council has taken some important steps to secure future financial sustainability.

As reported previously, our 2021 Governance Review had highlighted a general lack of engagement of Directors and Portfolio Holders in 2020/21 and early in 2021/22, in budget setting discussions and the MTFs development process. We note that this improved for the 2022/23 budget and savings proposals were subject to some limited consultation with third party stakeholders who would be impacted, in addition to detailed review and scrutiny by members. For example, there was consultation with 3rd sector partners in receipt of Council grants. We note that further improvement has been made through a comprehensive budget consultation with service users and the public, to support the 2023/24 financial planning process. This is explored further in our governance section.

Financial sustainability

Managing Financial Resilience and Reserves

As noted previously, 2022/23 has been a particularly difficult year in which to plan Council finances. Underspends from 2021-22 were carried forward into reserves and its relatively strong opening reserves position have been used to smooth the overspends that have arisen during 2022/23.

Going into the 2022/23 financial year, the Council's reserves are in line with similar councils and this provided the main contingency against slippage on future savings plans. We note that a new Financial Planning earmarked reserve of £2.5m was created as part of the 2022/23 Budget setting and MTFs process to help manage any slippage during the year and any in-year cost pressures, particularly in relation to inflation. The Council's most recent forecast reserves position is shown in the table below:

	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
	£m	£m	£m	£m	£m
Ringfenced Grants/Income	34,919	32,268	24,122	16,665	9,927
Risk	24,686	21,188	19,159	18,879	17,047
Capital and Regeneration	24,126	21,076	16,953	14,611	4,225
Service related and future projects	23,413	14,395	11,338	10,115	9,319
NNDR S31	30,896	0	0	0	0
COVID Risk and Recovery	16,931	0	0	0	0
Total Committed Reserves	154,971	88,927	71,572	60,270	40,518
General Fund Balance	14,699	15,158	15,679	15,679	15,679

Despite the challenges, the Council's forecast reserves position remains positive, however we note that by 2025-26 when a General Fund deficit of £40.7m is forecast. It is imperative that ahead of this financial year the Council strengthens its savings programme with a view to both meeting the funding shortfalls and also building back reserves used to fund future shortfalls. The unallocated general fund reserves position at the end of the current MTFs cycle is still within CIPFA guidelines in terms of a % of net revenue spend (£15.7m unallocated reserves on net spend of £366m = 4.3%) though the Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience. The savings identified as part of the MTFs in 2022/23 are in the main recurrent savings so will contribute to the longer term management of funding gaps. However, the Council does need to develop plans to rebuild those reserves back such that they are in a position to be able to manage any future financial challenges.

Improvement recommendation: The Council should focus its Medium Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them to strengthen financial sustainability beyond 2023/24.

Financial Performance in 2021/22

The Council delivered an underspend of £7.9m on service budgets in 2021/22. After transfers to reserves and adjustments for the Revenue Contribution to Capital, the Council was able to deliver an overall underspend of £4.8m. Within this position, most services, including Adults were able to deliver a surplus. Children's Services demonstrated a relatively small net overspend of £0.4m overspend. This was due to an overspend of £1.531m against SEND transport offset by one-off savings across the directorate. COVID emergency funding was brought forward into 2021/22 and this was used to offset short term COVID related costs as part of the financial plan and this contributed to the underspend position in 2021-22.

Overall, the Council was able to deliver to budget and maintain a stable financial position at the end of 2021/22. It was also able to consolidate and continue to build the level of reserves available to manage future financial risks.

Financial Performance 2022/23

The Council has reported an underspend for the General Fund of £1.917m. This has been achieved by using £34.9m of reserves but we note that the majority of this c£30.5m relates to the use of Section 31 grant which funded Business Rates income due to COVID. It has drawn relatively little from general fund reserves. The year end reserve balance was £112.5m.

Children's services remain an area of continued pressure with an overspend of £3.5m (£2.78m after use of reserves). This is due to SEND transport costs and out of area care placements. Adult social care underspent by £7.4m and this money has been set aside for future projects. The HRA made a surplus of £7.3m due to an underspend on capital financing costs. As with other councils, there was significant pay inflation with the average pay award being 7%. Salary costs were £5.6m above budget.

We recognise that in line with councils across the UK, the economic and inflationary pressures exceeded what could reasonably have been projected when the budget was set in February 2022. Excluding section 31 grants the Council has not needed to draw significantly on reserves. The fact that the Council has been able to effectively manage its outturn for 2022/23 and set a balanced budget for 2023/34 is indicative of robust financial management arrangements. The Council will need to continue to adapt and strengthen its financial planning processes to address the heightened level of financial challenge expected to persist over the medium term.

Financial sustainability

Managing financial risks

The Council manages risk through its Corporate Risk Strategy and the Audit and Risk Assurance Committee provides oversight of the process. Service directors undertake an Equality Impact Assessment on all identified service changes and policy amendments.

We note that under the new Chief Finance Officer, the risk narrative in the budget and MTFS papers for 2022/23 (Feb 2022) is significantly more comprehensive than in the prior year. It includes an analysis of specific financial risks, such as a resurgence of COVID, assesses the likelihood and impact, and then sets out mitigation or options to manage the risk through reserves. This reflects an improved process to better enable Cabinet to discuss how financial risk is being managed and reflected in the MTFS.

Financial management arrangements

As we noted in our 2020/21 Annual Audit Report, the Council's financial management arrangements were subject to a detailed review by CIPFA during 2021. CIPFA scored the Council as a 'progressive' 2 stars out of 4 overall, indicating that CIPFA felt the Council had an outdated financial management culture, lacked clear engagement and leadership from members on budgeting, and has some poor processes in place, particularly around contract management. CIPFA followed up their original report in 2021 with a review in November 2022 and their summary comments in the main areas of focus were;

- Leadership - a positive direction and improvement for Sandwell. The Director of Finance is well respected.. Messages about the Council's need to get a grip on its finances and achieve savings are increasingly robust and heard. The MTFS is now much stronger. The positive progress we have encountered is extremely welcome, evident, and represents a step change in under a year. It is to be commended.

- The principal improvement in the people position is the finance restructuring and the emphasis on business partnering. In the main, the changes have been broadly welcomed and indicate a positive response to the issue raised in our previous review. They are plainly part of a coherent agenda and programme of financial reform and are linked to the positive leadership position. Again, this is real progress and to be commended.
- Process - improvements in the provision of financial data and support to Directorates in their financial monitoring and forecasting were noted as were positive reform of the procurement and contract management processes
- Stakeholders - positive intent noted on budget consultations and plans for customer journey work.

The overall conclusion was positive noting the good progress made though emphasising the need to maintain this trajectory. The CIPFA resilience index continues to indicate that the authority at present is financially stable and CIPFA acknowledged that in recent years the Council had been able to contribute towards reserves through achieving a balanced budget or an underspend. The Annual Internal Audit Report for 2021/22 concludes that there is reasonable assurance that the council has adequate and effective internal control processes.

In our view, the Council's financial management arrangements are improving in line with the Council wide Improvement Plan and have proved adequate to ensure financial sustainability in the medium term.

Financial sustainability

Capital investment

In 2021/22 we note that overall, the Council underspent on its original planned capital budget of £150.4m, eventually delivering £137.8m in year. In the context of delivering under difficult economic conditions, this reflects reasonable performance. We note that in regard to two of the largest projects from the core programme (Rowley Regis Adult Social Care facility and the Sandwell Aquatic Centre) delivery was ahead of schedule, which compensated for slippage on a number of smaller projects.

The 2022/23 capital programme was agreed in February 2022 and subsequently updated for the Childrens' Services investment. The budget for the year was £171m. The council was awarded £67m from the government's Towns Fund initiative, to undertake 16 regeneration projects across West Bromwich, Smethwick and Rowley Regis. The acquisition of Kings Square was treated as a separate report. Due to the timing of the acquisition and its strategic importance to the wider West Bromwich Masterplan, this was recommended that this purchase was progressed prior to final confirmation of Towns Fund funding being secured. The latest forecast as at Q3 2022-23 of the Council's capital budget (£155.3m) is a small overspend of £2.2m, relating to Housing projects.

The 2023/24 budget proposal and MTFs includes a capital programme for 2023/24 of £186m of which £77m is HRA. The capital strategy 2022-23 – 2026-27 sits alongside the Medium-Term Financial Strategy and feeds into the annual revenue budget as part of an integrated revenue and capital financial strategy. The ongoing implications for the revenue budget strategy are fully considered before any capital funding decisions are confirmed.

Major new capital investment within Sandwell supports the Council's wider strategy and includes:

- New and significant new investment in Council housing, including investment in council housing stock to deliver improved energy efficiency
- An expanded schools programme
- the new Sandwell Aquatic Centre that was used for the Commonwealth Games in 2022
- Investment in the transport infrastructure and electric vehicle charging points
- Investment in Climate Change through Heat Pump Technology and other initiatives
- Towns Fund programme;
- Other investment in ICT, Oracle Fusion and Workplace Vision strategies.

Borrowing Position

The Council's borrowing position in its latest Treasury Management strategy (presented to cabinet in Feb 2023) is shown in the table below.

Operational Boundary £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	481.593	475.588	530.653	568.430
Other long-term liabilities (PFI)	71.910	68.525	65.164	60.942
Total	553.503	544.113	595.817	629.372

On the basis of its current capital plans the Council's borrowing will increase by c£80m in the next 4 years. This is primarily driven by investment in housing projects. While the cumulative balance is comparable to other similar Council's it is important that the Council balances its capital programme and borrowing against the impact on revenue budgets of increased interest payments.

Conclusion on Financial Sustainability

The Council continues to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Council has demonstrated will continue to be crucial.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council should focus its Medium Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them to strengthen financial sustainability beyond 2023/24.

Why/impact

The reserves position at the end of the current MTFS cycle is still within CIPFA guidelines in terms of a % of net revenue spend (£15.7m reserves on net spend of £366m = 4.3%) though the Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience. The savings identified as part of the MTFS in 2022/23 are in the main recurrent savings so will contribute to the longer term management of funding gaps. However, the pressures in the next 3 years are significant so the Council does need to develop plans to rebuild those reserves back such that they are in a position to be able to manage any future financial challenges.

Auditor judgement

Improvement recommendation

Summary findings

While the council's reserves position is relatively strong, future pressures indicate that they will come under much pressure and they need to be refreshed to ensure continuing financial resilience.

Management Comments

The Council is developing a Transformation Strategy and a Transformation Savings Programme to underpin the MTFS. A number of workstreams have been identified and some corporate, cross cutting initiatives are already underway and expected to deliver savings from 2024/25. The budget process for 2023/24 made provision to increase risk-based reserves to ensure the Council has a sufficient level of reserves to aid future financial planning.



The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Leadership and Committee effectiveness

As identified as part of our Governance Review, the Council's Scrutiny Boards and Audit & Risk Assurance Committee were viewed as needing improvement in order to effectively hold decision makers to account. As a result, the Council are working with the LGA to develop an updated member training programme with a focus on scrutiny and audit roles. Additionally, there is a need to ensure that members of the scrutiny and audit committees are aware of their governance roles including how to interrogate reports and ask the right questions. We would also encourage these committees to invite officers to attend the committees to present on key internal audit responses, particularly where there may be successive delays in implementation, to fully understand key risks and stimulate responsive action

Historically, there have been a number of findings relating to the Council struggling with clear communication and the need to further involve key stakeholders and run regular consultations. Grant Thornton has recognised the significant progress in this area. The Council has consulted extensively with residents in preparing the 2023-24 budget and the latest MTFS document and engaged an external communications partner to carry out detailed research with residents. This has then been used to help inform and formulate the financial plans for next year and the 4-year period covered by the MTFS.

Last year's value for money report highlighted that as a result of the historical issues and behaviour, the decision-making is underpinned by a cautious approach and risk averse culture. As reported in the Governance Follow up report in December 2022 much progress has been made with greater stability, both politically and at a senior officer level.

The Cabinet and Leadership Team are working increasingly well both collectively and via their individual Director and Portfolio Lead roles. There is a more mature engagement between senior management, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees.

There is good evidence that the Council is moving away from its insularity with improved focus and engagement with regional and national bodies. The changes implemented by the Leadership team provide an opportunity for Cabinet agendas to focus on issues of strategic priority and have resulted in a significant improvement in the culture and effectiveness of committees.

In our follow-up to the Governance Review (Dec 2022) we note that the Council's ability to make informed decisions and manage its risks was no longer an area of significant risk, noting that the appointment of the new Chief Executive was a critical step on the improvement journey. The Cabinet and Leadership team were working increasingly well together. The arrangements in place to manage complaints and the work of the Standards Committee were now in place, along side the new Performance Management Framework (PMF). The new processes will require time to embed and demonstrate their effectiveness. Issues with the engagement with residents and community groups had also been mitigated.

We also reported that significant improvement was required in the production of annual accounts and a number for legacy issues needed to be resolved as a priority. Other improvements such as strengthening the finance team and implementation of the corporate asset management system will take further time to address.

In particular, the report noted that 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.

Governance

Risk management

We discussed this with the Head of Internal Audit and he confirmed that during the year 2021/22, the Council had in place a risk management framework that includes the Strategic Risk Register (SRR) which is used to manage the Council's longest standing risks. The register is collated from an underlying template which is sent to each directorate to update quarterly from their own risks monitoring, before risks are assembled by the Risk Management & Assurance team (sitting under the Head of Internal Audit) and input into the SRR. The SRR is presented to the Audit Committee on a quarterly basis and details each risk along with an associated action plan.

There were no significant gaps noted, the register is sufficiently detailed and outlines the mitigating actions that have been developed to counteract the risks to the Council and also current actions being taken. There were clear links to the Corporate Plan and the direction of the risk score and risk owners were named for each risk. The Audit Committee have also invited risk owners to attend in order to explain further how specific risks are being managed, as well as deep dives taking place into particular areas of concern. Some of the key risks from the June risk register were:

- Risk 6b - Business Continuity Management has increased to red risk due to the further actions required as a result of the learning from the recent incident within the ICT room which resulted in the temporary loss of access to council systems.
- Risk 63 – Interim and Future Management of Nine of the Council's Leisure Centres – this risk has reduced from red to green as a result of an agreement being reached between the council and Sandwell Leisure Trust in respect of the provision of services during the interim period, while arrangements are put in place to secure the delivery of a sustainable future leisure model
- Risk 56 – Towns Fund Programme- this risk reflected the risk of not meeting the deadline for the submission of full business cases for all of the projects within the programme by the due date in March 2022. Following the timely submission of all business cases, this risk is being closed.

Policies and Procedures

We commented on the Council's policies in our report last year and a number of policies are out of date and require updating. Additionally some of the links on the Council website to policy documents are broken, such as that to the Code of Corporate Governance. The Council should ensure there is a process in place to review and update policies on a timely basis, and ensure these are added to the external and internal webpages as appropriate. This will help to prevent policies from becoming redundant or no longer following regulatory guidelines or recommended best practice. We have noted in our review of prior year recommendations on page 40 that action is still required to address this recommendation.

Budget Setting

During the year 2021/22, the Council has improved their budget setting process with wider engagement, to ensure that alternative proposals and scenarios are considered before the final budget is presented to Cabinet. Through planned engagement work on the refresh of the Corporate Plan, members and other stakeholders were asked to consider a wide range of options around budget savings. The Council has also performed an extensive consultation exercise, and the outcomes from these workshops fed into the budget proposals, and the 2023/24 Transformation Savings Plan.

The Council has adopted a two-way process for budget setting where each of the directorates are encouraged to flag their priorities to highlight those areas where budgets are changing. These flow into the Corporate Centre and the Leadership Management Team (EMT) level so that they can be adapted into the corporate level modelling. This allows the corporate centre to understand what the overall financial gap is likely to be. The size of that gap is then communicated back to directorates with suggestions and requests for a review of priorities to make savings and close the funding gap.

Despite this, the LGA Peer Review highlighted that there is a desire within the organisation for managers and budget holders to be more involved in budget setting. During the year 2021/22, there has been an effort towards greater involvement in budget setting at a manager level and there are plans in place to implement it at a budget holder level.

Governance

The Council has introduced benchmarking analysis as part of the budget setting process during the year 2021/22. As we reported in last years VfM report, the Council uses trend analysis, utilising forward projections to understand trends in place, numbers and unit costs as part of the budget planning information. This data is then extrapolated into future years creating future estimates. The Council also utilises variance analysis, and when these are flagged, they are fed to the corporate centre to understand the overarching financial gap. Once estimated, this is communicated back to the directorates with suggestions or requests for priority reviews to make savings and narrow the gap. This has been confirmed through interviews with key officers including the Head of Finance.

In relation to external stakeholders, the Council has performed an extensive consultation exercise with a representative sample of residents. This exercise was performed by Eventure research and the data obtained from this report has been considered as part of identifying spend pressures and savings for the 2023/24 Transformation Savings Plan and the budgeting process by the Cabinet and Leadership team.

Budgetary Control

The Council operates a Finance Business Partners model and they work with the directorates to review financial performance and identify variances on a monthly basis. The Council is currently working towards moving to a self-service approach to budget monitoring, so that budget holders have access to all the information they need on a real time basis. The Oracle Fusion implementation is a key feature of this approach and will be incorporated as part of the move to the new financial system.

Monthly finance reports are also produced at Directorate level and presented to each Directorate Management Team. It is in these forums that budget holders are held to account for any variances, and development of appropriate mitigating actions. As it stands there is no regular updated training for budget holders to help manage their resources. Following our recommendation from last year, the Council is planning to develop an updated training programme to help ensure budget holders fully understand all elements of their role and to embed accountability across the organisation.

At the Committee level, budget monitoring is presented to the Budget & Corporate Scrutiny Management Board, the Audit Committee and Cabinet on a quarterly basis. This provides a high level overview of outturn for the period with explanation for any significant variances compared to budget. Finance reports are sufficiently comprehensive with a high level and detailed level analysis of costs.

Internal Audit

In our discussions with the Council's Head of Internal Audit we confirmed that the Internal Audit, Counter-Fraud and the Risk Management & Assurance Teams at Sandwell Council continue to be managed under the same management portfolio. The Counter Fraud Team provide regular updates to the Audit Committee on the progress of their work. The Council and Internal Audit team have made progress on providing training sessions regarding fraud. During the year 2021/22, the Council provided a fraud training for members, School Fraud Awareness Bulleting for staff, Blue Badge fraud training for the wardens and training sessions for the tenancy fraud officers . Furthermore, there are plans in place to reintroduce some wide staff training sessions during the upcoming months.

The Head of Audit produces an Annual Report each year and we confirmed that for 2021/22 the audit opinion was that, as a result of a number of key governance issues raised during the year (predominantly the ones highlighted in the Grant Thornton VfM Governance review) and the actions taken by the Government in appointing commissioners for the Council, Internal Audit were unable to provide reasonable assurance that the Council had fully adequate and effective governance processes. Nevertheless, they were able to provide reasonable assurance that both risk management and internal control processes remain adequate.

Some of the key areas highlighted by Internal Audit in the year were:

- Delays in the 2020/21 and 2021/22 Statement of Accounts and Annual Governance Statement. This has also been commented on by the Grant Thornton audit team and in the Governance report
- Procurement and Contract Compliance – 5 areas were highlighted for improvement including the approvals process, the completion of appropriate forms , the use of exemption reports and a lack of awareness across the Council with regards to the complexities, regulations and legal requirements involved in procurement activity. As such it was recommended training is needed for key staff involved in procurement exercises
- Disposal of Land and Property -The Disposal of Council-Owned Land and Buildings protocol was out of date and had not been formally reviewed or updated since it was introduced in 2016 . A new protocol for the Disposal of Council-Owned Land & Buildings has now been prepared

Governance

Significant Weakness - Production of the Annual Financial Statements

This is our third year of audit and the second year when there has been a substantial delay to completion of our work. We recognise that the council is large and complex and there are technical issues within the accounts as a result. However, the extent of challenge and the number of adjustments to the accounts is much greater at Sandwell than we are seeing at other comparable authorities. Some of the audit challenges have been around relatively complex, technical matters such as property valuation and infrastructure valuation. However, some matters, such as weakness in evidence to support accruals and absence of standard management information to support arrears and to inform the provision for bad debts, is standard information that we would expect to be readily available. This, combined with the excessive time taken to respond to routine audit challenges and queries, is of significant concern to us given the size and capacity of the Council.

The Council has yet to issue a draft set of accounts for 2021/22, (due to the impact of the delay in completion of the 2020/21 audit and uncertainty over opening balances). However, it is clear to us that the issues within the finance team are deeper than the additional workload associated with servicing a delayed audit. The finance team is clearly stretched, has experienced some turnover in key personnel and difficulties recruiting interims to fill the gaps in the team. References to concerns in budget reporting and other financial management arrangements is also raised in our governance report.

We acknowledge that management has recognised a need to train and improve the technical strength of the team. Training is being rolled out along with a finance team restructure, with the objective of strengthening the team and better supporting council financial management. We are also aware that the team has had some additional temporary support to help deliver both the 2021/22 and 2022/23 accounts and support the audits.

It is critical that the finance team has in place a robust resourced delivery plan for the next two years accounts and that this is monitored by the audit committee.

We have identified this as a Significant Weakness in arrangements and we have made a key recommendation that the Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit.

The 2020/21 external audit has been significantly delayed due to the quality of the financial statements and working papers presented for audit. Issues include:

- material errors in the valuation of property plant and equipment
- 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.

We have made a key recommendation as follows:

The Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit.

Governance

LGA Peer Review Follow Up

We note that the LGA followed up their report of March 2022 with a progress review in Autumn 2022. The LGA have recognised the significant progress that has been made in a number of key areas to the good governance and management of the council. The LGA also stressed that the Council is on a journey that will take time and there is still a long way to go to embed the improvements required.

The report commented specifically on the following areas of focus:

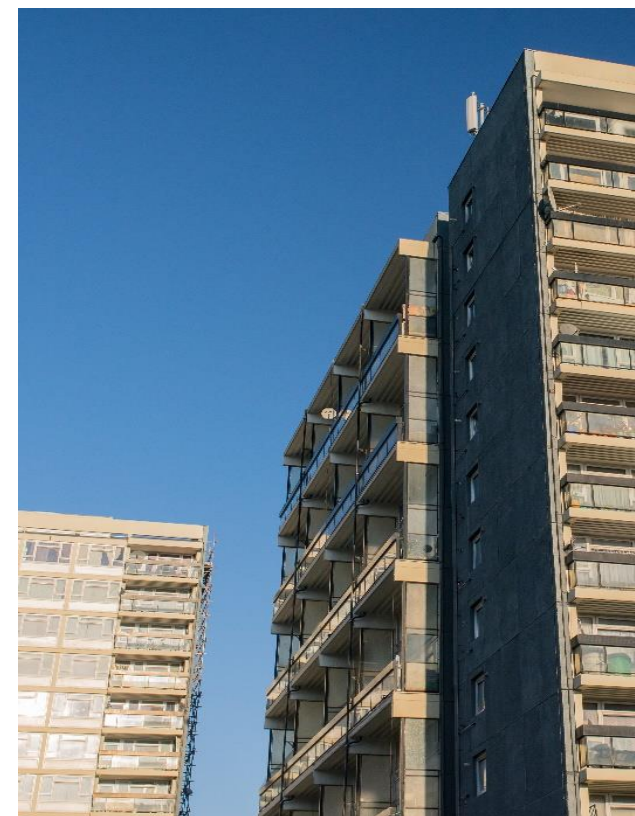
- Corporate Oversight and Strategic Direction – better stability and improved senior leaders working relationships have led to better communications across the whole council and the cabinet is starting to take the difficult decisions required. Capacity was highlighted as still a key issue
- Governance and Decision Making – Much improved relationships with officers and members was highlighted, scrutiny is improving and the forward work planning and programming across the different committees is improving. Responsiveness to customer issues and casework was highlighted as an area to improve
- Customer Journey and Organisational Culture - There is a long way to go in the work on the customer journey and organisational culture . The customer journey, Equalities Diversity and Inclusion, and organisational culture are major pieces of inter-related work that are fundamental to future success. They require a clear plan and sense of deliverability.

Governance – Overall conclusion

During our Governance Review, significant weaknesses were identified in this area relating to corporate performance monitoring and grip, lack of long term planning, officer empowerment and decision making, capacity, experience and skills and changes to senior officers and members. Furthermore, our prior year value for money work also identified a number of improvement recommendations.

The Council has made significant improvement to address these, strengthening financial and governance arrangements, but will take time to embed fully. We recognise the progress made in these areas and believes that the Council is progressing in the right direction.

While we can see progress in a number of areas we note in particular that the Council's processes for the production of its financial statements remain poor. Our audit of the 2020/21 financial statements is still ongoing and we have identified multiple material errors in the financial statements. We are concerned about the lack of progress in this area.



Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

Performance Review, Monitoring and Assessment

Our Governance Review in December 2021 highlighted that the Council's lack of a performance management framework was a key area of weakness. We are pleased to report that the year 2021-22 saw the development and introduction of the Council's new Performance management Framework (PMF). The PMF is a type of "balanced scorecard" covering the Council's financial organisational health, customer experience and improvement activity and performance and it was formally approved on 12 April 2022. The PMF is structured across four components as set out in the diagram below.



Through the weekly leadership team meetings, one per month is set aside for corporate oversight and this is where performance issues and reports are discussed. Currently the process for collating the financial data for these reports is affected by limitations in the old finance system though the new Oracle Fusion system is expected to improve the process.

The financial plans of the Council are aligned to the Corporate Plan and PMF. Our assessment is that this is a very positive approach and its development is to be encouraged as it will allow a much more rounded assessment of the Council's performance by senior management on a regular basis. There remains work to do to complete the implementation of strong performance management processes. Our Governance Follow-up report in December 2022 noted that 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.

As we reported in our audit report in 2020-21, the Council has restarted the process of upgrading the ERP system which should help provide more reliable information to the Finance team and budget holders across the Council on financial performance. This has moved forward at pace and has been commented on in the Governance Review Update report in December 2022. Additionally the Oracle Fusion system implementation has been integrated as part of the Council's Transformation programme and is being managed via that process. Ultimately this system will provide enhanced financial and performance reporting to support the Council's ongoing monitoring process.

Service evaluation

Since the original Governance review in 2021, the subsequent follow-up report in December 2022 and the ongoing reviews and monitoring of the Council by externally appointed Government commissioners, the Council has been able to re-position itself and establish a firmer strategic grip.

Through its Improvement Plan it is addressing the identified shortcomings from the report and has developed a structured approach to which it is working closely. At the same time it has set in place a strategy to manage the funding shortfalls over the next 4 years and has established a Transformation programme which is identifying opportunities for the Council to improve its services and manage its costs. A detailed programme of savings has been included in the latest MTFS (Feb 2023) which has involved a review of all service costs. We have covered this programme in detail in the section on Financial Sustainability (see slide 15).

As we noted in our 2021/22 Auditors Annual Report, during 2021/22 the Council asked CIPFA to complete a review of financial management and engaged in the LGA Peer Review in order to understand performance in comparison to others. This identified that improvements can be made throughout the organisation that have been incorporated into the Improvement Plan. Officers have been engaged throughout the process and our interviews continue to demonstrate that the Council is willing to make progress against the improvement plan actions and learn from other local authorities.

Improving economy, efficiency and effectiveness

Partnership Working

Our 2021 Governance review highlighted that the Council had been insular and siloed and the LGA Peer Review noted that the Council have been an absent partner for many of their partnerships, while noting that local operational relationships feel better developed and these have been strengthened during the pandemic. We note that, while further work is needed to embed new arrangements, the Council has made significant strides towards better partnership working during 2021/22 and 2022/23.

The Council has been working more collaboratively with the Sandwell Childrens Trust (SCT). Our Governance report Update report in December 2022 found that that 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. The LGA Peer Review also highlighted that the Council and Children's Trust work together with schools and partners across the Borough and these are recognised as being strong.

Our Governance Update Report also comments on other key partnerships including the Waste Services arrangement with Serco. We found that 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.

In regard to the Leisure services partnership the Governance Update Report stated that 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 now needs to successfully progress its plans for the new local authority trading company for Leisure Services which is planned to start operating in March 2023.

In regard to other key partnerships, Sandwell is one of seven constituent members of the West Midlands Combined Authority (WMCA). The WMCA is made up of 18 local authorities and three Local Enterprise Partnerships (LEPs). It aims to drive economic prosperity across the region and is one of our key partners for bringing forward opportunities both in Sandwell and for Sandwell people across the West Midlands. The Council works in close partnership with the Black Country Local Enterprise Partnership (BCLEP). The BCLEP is a joint private and public sector body created to drive forward economic development in the Black Country. It is focused on increasing employment and improving the levels of business and enterprise. The Council is working with the WMCA, BCLEP and business partners to deliver the key regeneration priorities contained within their Corporate plan. WMCA awarded £757k to Sandwell Council for the Black Country 50 plus partnership to plug gaps in support for residents aged 50 and over.

The Council now participates in multiple decision making forums of WMCA including the CA Board, Economic Growth Board, Housing Board etc. Specific projects where the Council is working closely with WMCA are:

- A legally binding Joint Venture Agreement to develop a challenging brownfield site in the Borough (Friar Park) that could deliver 630 new homes including 25% affordable homes; £9m has been allocated by the WMCA to support this project to come forward.
- £6.99m of UK Shared Prosperity Funding from the WMCA for investment in business support, skills and specific place based projects especially in one of the most deprived areas of the Borough.
- Prioritisation process for the £70m underspend of the Commonwealth Games 2022 that has been allocated to the West Midlands Region by DCMS, including a £2m proposal to support the significant increase in utility costs at the Sandwell Aquatics Centre over the next two financial years.

The Council is also working closely with WMCA and the six other LA Constituent members to negotiate a Trailblazer Devolution Deal with Government that could see devolution of significant new funding and powers to the Region to increase housing delivery, net zero, homelessness, digital and skills levels.

Improving economy, efficiency and effectiveness

Partnership Working (continued)

The Council is also part of the NHS Black Country Integrated Care Board (ICB) and as part of this the Sandwell Health and Care Partnership is a partnership of health, social care, voluntary and community organisations who are working together to improve people's life chances and health outcomes. They aim to work more closely together to support communities in Sandwell and reduce the widening gaps in health inequalities by focusing on not just health but the wider determinants such as employment, education, lifestyle, housing and the local environment. The partnership includes:

- The Voluntary sector, represented by Sandwell Council for Voluntary Organisations (SCVO)
- Healthwatch Sandwell
- Primary Care Networks (General Practice)
- Sandwell and West Birmingham NHS Trust
- Sandwell Metropolitan Borough Council (Adult Social Care, Children's Services, Public Health, Housing)
- Black Country Healthcare NHS Foundation Trust
- NHS Black Country Integrated Care Board

The purpose of the Sandwell Health and Care Partnership (SHCP) is to improve health and wellbeing and reduce health inequalities for all people who live and work within Sandwell's rich, diverse and multicultural communities.

Procurement, Commissioning and Contract Management

In 2020/21 we identified significant weaknesses in procurement and contracting arrangements in our Governance Review. We raised both statutory and improvement recommendations in relation to these areas, which are re-iterated in the Executive Summary of this report. Many of the issues related to outsourced contracts and cover a number of areas including procurement and contract management.

Our Governance Follow up report in December 2022 commented that 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.

In regard to services Commissioned from the Sandwell Children's Trust, the most recent Ofsted inspection of children's services has seen the rating move from 'inadequate' to 'requires improvement to be good' which represents significant improvement.

The Council is focusing strongly on procurement and is in the early stages of developing a new procurement strategy. An initial draft has been developed by an external consultant, and has gone to the FD/S151 for review in January 2023. Current activity is being led by an experienced Interim Procurement professional and involves:

- developing a revised process using the new contract and procurement regulations passed by the Council in 2022
- restructuring the procurement team
- developing a comprehensive contracts register by contacting all Executive managers in Directorates to confirm their current contracts' details
- developing a Training programme for both Procurement staff and Directorate staff involved in procurement
- The Head of Procurement is in the process of liaising with other neighbouring Councils and the West Midlands Combined Authority with a view to learning from their procurement processes and practices.

It is early days in the development of the new procurement team and process but the team is being well led and all the activity is appropriate and necessary. There are potentially issues re capacity as there is much to do and the Council needs to ensure that it resources the team appropriately.

Improvement recommendation: The Council should ensure that the procurement team is appropriately resourced as it embarks on a transformation of the service over the next 12-24 months.

Tender waivers are listed in a waivers register and there do not appear to be any questionable waivers. The Council also monitors the number of payments for which there is no Purchase Order. These totalled 255 for the year reflecting a comparatively low proportion of total payments.

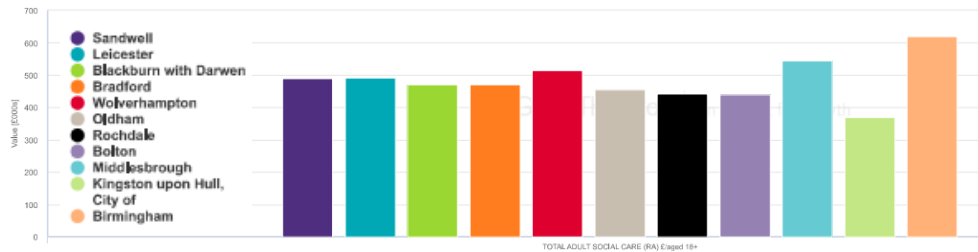
Improving economy, efficiency and effectiveness

Assessing Value for Money in the services

As part of our review we made use of the Grant Thornton data analytics platform CFO Insights to benchmark Sandwell Council against other local authorities in relation to spend per head this used the most recent available data (2022/23 RA Return). This compared the Councils submitted budget data for 2022/23 to other similar councils. The results of this indicated that the Council were not an outlier for high spend for any service area.

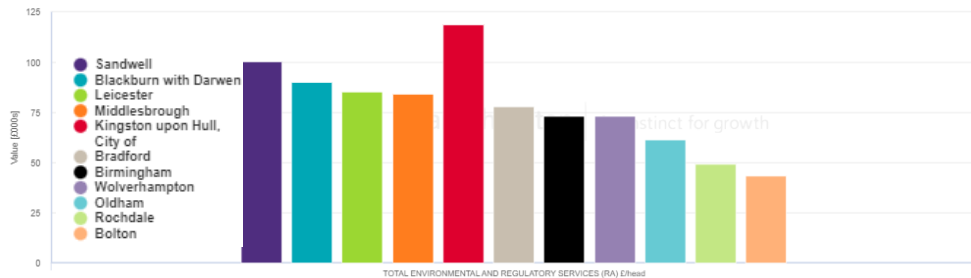
We note that in our previous Auditors Annual Report for 2020/21, we reported that Sandwell benchmarked very high for Adult Social Care, but in the more recent 2022/23 budget data, while still comparatively high, the Council was in line with other comparable councils.

Unit Cost Analysis - Total Adult Social Care (RA) £/aged 18+



During our review, we also noticed a higher expenditure on Environmental and Regulatory Services when benchmarked against comparable councils. After analysing the data, we have concluded that it relates to the contract awarded to Serco for waste management service. This issue is being addressed by the Council – see our Governance Review Report and follow up (KLOE A7) for details. However, it should be noted that the figures used pre-date the impact of inflationary pressures that have been seen in provider costs during 2022/23.

Unit Cost Analysis - Total Environmental and Regulatory Services (RA) £/head



Improving economy, efficiency and effectiveness

Adult Social Care

Sandwell's adult social care responsibilities absorb a significant proportion of the Council's total service budget, with net expenditure of £75.8m for 2021/22. As we reported for 2020/21, the Council has been reviewing aspects of the service with key cost implications such as the transition from Children's Services the complexity of cases, and the level and intensity of packages which are currently delivered. The Directorate is in the process of shifting the focus to look at what can be provided to families to help them meet their own needs or for options for needs to be met by wider community initiatives and reablement models. Workforce continues to be a key concern, and the directorate continue to have recruitment problems, which has resulted in a reliance on agency staff.

We note that 2022/23 has been an especially challenging year for Adult Social care (ASC). Cost of living pressures and inflation have combined to make the market for recruiting staff acutely difficult and the recent Fair Cost of Care review has highlighted acute funding pressures on the service over the medium term.

Externally adult social care services appear to be performing well, with CQC reports continuing to be favourable. However internally, enhanced performance management is still being embedded in the directorate through the new Adult Social Care Outcomes Framework.

Service leaders are very aware of the challenges they face and are now under the direction of the new leadership team developing responsive action. There are a number of key issues facing the service.

Adult Social Care - Fair Cost of Care Review

The Government's Fair Cost of Care (FCoC) initiative was announced on 16 December 2021 and established a fund of £1.3bn to support Council's in meeting the additional costs that would arise. The primary purpose of the fund was to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care. Local Authorities were required to collate data on the cost of care in their area. The results of the Sandwell FCoC review was due to be published in February 2023 for Care Homes and for Home Care. Although the Government announced a delay in the implementation of the initiative to Autumn 2025, in line with other councils. Sandwell have continued to assess the impact of the proposed reform on their financial budgets. Our discussions with the Director of Adult Social Care confirmed that the work was being presented to Cabinet in February 2023 with the conclusions indicating that the financial impact for Sandwell of the review is an implied increase in the rates for ASC staff from £16 per hour to £20ph. The Council has calculated that the impact of each additional £1 per hour is very significant and this has formed part of the discussions on pressures feeding into the development of the revised budget and MTFs in February 2023.

Adult Social Care - Recruitment

Staffing pressures have seen a 20% reduction in ASC staff over the past year and competition from Agencies has exacerbated this as staff are looking to the higher wages available to help them deal with the "Cost of Living crisis". The Council have also found themselves out-spent by neighbouring councils who have been offering additional pay and "Golden hello" offers to suitably qualified Council staff. Work is progressing to try and address the staffing challenges and the DASC presented a paper on market supplements to the cabinet on 15 February. If accepted this is expected to go part of the way to relieving staffing pressures though there still remains capacity issues in the sector in general.

Whilst the Council have some Council run care homes, like many local authorities they also rely on the private provider market which can be expensive. Additional cost pressures have come from these providers some of whom have increased their costs by up to 48%. Pressure is also coming from the NHS to take additional patients who have been discharged from hospitals to relieve the pressures on bed capacity in local Hospital trusts. Additional funding of £600k has been received from central Government but this has to be used by 31 March 2023 and cannot be rolled forward.

Improving economy, efficiency and effectiveness

Adult Social Care – Managing Funding Pressures

The Local Government funding settlement announced in December 2022 settlement included additional funding for Social Care, and Adult Social Care in particular through both the Social Care Grant and specific ring-fenced ASC grants. During 2022/23 the Council has been undertaking a ‘Cost of Care’ exercise as required by the Department for Health and Social Care to better understand the sustainability of fee rates within the care sector. A draft Market Sustainability Plan was submitted to DHSC in October 2022 and the final plan is due to be submitted in March 2023. A full report on the results of this exercise and the financial implications was presented to Cabinet in February 2023. The Plan sets out a 3-year forecast of social care fee uplifts which are required to ensure the sector remains sustainable. The total estimated cost in 2023/24 is £17.4m, rising to £27m in 2024/25 and £34m in 2025/26. There is also demographic growth and existing fee uplifts taking the total budget pressure to £22.675m in 2023/24. Some of these pressures were included in the draft budget report but the MTFs assumed that any further pressures as a result of the Cost of Care exercise would be funded by additional grant, which was the government’s intention. The additional Social Care Grant in the settlement will therefore be used to fund these costs.

In summary it appears that ASC is in a “perfect storm” of issues combining to put significant pressure on service delivery. Throughout 2021/22 and 2022/23 the service has continued to deliver its services but is under increasingly severe pressure. It is critical that the leadership team and members continue to focus on mitigating the challenges faced by ASC including the significant financial challenge facing the service over the short and medium term.

Improvement recommendation: The Council should ensure that it monitors the ASC funding issue very closely and puts in place a long term strategy for managing any funding shortfalls. In addition, the Council should put in place a clear process for identifying potential failure in areas of service that may be affected by the recruitment and provider funding issues, so that these can be detected and prompt remedial action taken to mitigate any risks identified.

Progress on addressing Significant Weaknesses in operational activity

In our original 2021 Governance Review we highlighted a number of Significant Weaknesses relating to specific transactions and service areas that fell under Economy, Efficiency and Effectiveness for the purposes of our VfM assessment. In our follow-up to the Governance Review in December 2022, we noted that significant weaknesses have been substantially mitigated in regard to Providence Place, SEND Transport, SLaP, the MADE Festival and Lion Farm.

Significant progress had also been made in regard to Sandwell Leisure and the Introduction of the new ERP system. However, further time and effort was required to fully mitigate the significant weaknesses noted in these areas.

In regard to Sandwell Children’s Trust (SCT), 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.

The Council has also 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.

Additional work around Key Line of Enquiry (KLOE A8) on Governance and Legal Support relating to the Director of Public Health did not identify any further significant risks, but did raise further Improvement Recommendations.

Conclusion on Improving Economy, Efficiency and Effectiveness

Other than the ongoing significant weaknesses identified in the 2021 Governance Review, we did not identify any further risks of significant weakness in relation to improving economy, efficiency and effectiveness. We have made a recommendation for improvement in the area of procurement, set out overleaf. In addition, it is clear that ASC will be a significant and continuing pressure for the Council which needs to be kept under very close scrutiny to identify and act to mitigate any potential impact on service levels.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation

The Council should ensure that the procurement team is appropriately resourced as it embarks on a transformation of the service over the next 12-24 months

Why/impact

It is early days in the development of the Procurement team but there are potentially issues re capacity given there is still much to do to develop the service into a really effective unit. Given procurement is an area where savings can be garnered both pre and post contract then the Council needs to prioritise this discipline and ensure that it resources the team appropriately.

Auditor judgement

Improvement recommendation

Summary findings

The Council's procurement service is undergoing a period of transformation and there is much to do to ensure it is delivering value for money. It will need to be adequately resourced if it is to ensure this.

Management Comments

The Director of Finance and interim Head of Procurement have prepared a restructure to address the capacity and recruitment issues within the team. The structure will also incorporate contract assurance resources. The Assistant Director – Procurement will be recruited to first and this is now out to advert. This post will then be able to lead the restructure of the team.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation

The Council should ensure that it monitors the ASC funding issue very closely and puts in place a long term strategy for managing any funding shortfalls. In addition, the Council should put in place a clear process for identifying potential failure in areas of service that may be affected by the recruitment and provider funding issues, so that these can be detected and prompt remedial action taken to mitigate any risks identified.

Why/impact

The Council is under increasing funding pressures in its ASC budget. In addition significant issues in recruiting staff and in managing provider costs which are being raised due to inflation point to a pressing need to continually monitor and manage the ASC budget. The Fair Cost of Care report promises to have a major impact on ASC costs and early identification of strategies to deal with the fallout from the report will be critical for longer term financial viability of the service

Auditor judgement

Improvement Recommendation

Summary findings

Funding shortfalls and recruitment and provider issues putting pressure on costs mean that the Council is under significant pressure in delivering its Adult Social care service

Management Comments

The MTFS makes assumptions about ASC funding and the likely impact of the Fair Cost of Care. Vacancies are being closely monitored and a joint recruitment drive is being considered as part of the Council's Place Based Partnership. ASC also has a comprehensive workforce strategy in place.

The range of recommendations that external auditors can make is explained in Appendix C.

Progress on Statutory Recommendation 1

In the follow up to our Governance Report issued to Cabinet in December 2022, we reported the following progress against the three Statutory Recommendations:

Recommendation			
	Statutory recommendations	Key Findings	Status
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.	<p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p>	In progress

Progress on Statutory Recommendation 2

In the follow up to our Governance Report issued to Cabinet in December 2022, we reported the following progress against the three Statutory Recommendations:

Recommendation			
	Statutory recommendations	Key Findings	Status
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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>As already noted, there remain challenges to progress in some areas, in particular in relation to waste services.</p>	In progress

Progress on Statutory Recommendation 3

In the follow up to our Governance Report issued to Cabinet in December 2022, we reported the following progress against the three Statutory Recommendations:

Recommendation			
	Statutory recommendations	Key Findings	Status
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.	<p>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.</p> <p>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.</p> <p>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.</p>	In progress

Progress on 2020/21 Key Recommendations

In the original Governance Report issued to Cabinet in December 2021, we reported the following five Key Recommendations in response to the significant weaknesses identified. These have now been closed and superseded by four new Key Recommendations (see overleaf):

Recommendation			
	Key recommendations	Key findings	Status
4.	The Council's leadership needs be relentless in its focus in delivering and embedding sustainable change, and use its past history as a reference point when focusing on improvement.	Sufficient progress has been made for the recommendation to be closed and superseded by four new Key Recommendations issues in December 2022.	Closed and superseded
5.	Critical to embedding the transformation and change required will be the appointment of the right permanent Chief Executive. The Council must ensure an effective recruitment process, including attracting a pool of appropriate candidates.	Sufficient progress has been made for the recommendation to be closed and superseded by four new Key Recommendations issues in December 2022.	Closed and superseded
6.	The Council should ensure that a corporate performance framework is agreed so that the implementation of the Corporate Plan can be effectively monitored, and there is collective corporate responsibility rather than silo working.	Sufficient progress has been made for the recommendation to be closed and superseded by four new Key Recommendations issues in December 2022.	Closed and superseded
7.	Members in key statutory roles, in particular in relation to Cabinet, scrutiny, standards and audit, need to be provided with effective induction and ongoing development, training and support. The member development programme should be reviewed to ensure corporate governance forms part of the training for members with governance roles.	Sufficient progress has been made for the recommendation to be closed and superseded by four new Key Recommendations issues in December 2022.	Closed and superseded
8.	The Council should develop and agree an action plan in relation to the statutory, key and improvement recommendations included in this report, ensuring that they are specific, measurable, attainable, realistic and time-bound.	Sufficient progress has been made for the recommendation to be closed and superseded by four new Key Recommendations issues in December 2022.	Closed and superseded

Revised Key Recommendations 2021/22

In the follow up to the Governance Report issued to Cabinet in December 2022, we reported the following four revised Key Recommendations in response to the significant weaknesses identified:

Recommendation		
	Key recommendations	Status
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.	Agreed and in progress
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.	Agreed and in progress
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.	Agreed and in progress
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.	Agreed and in progress

Follow-up of Prior year Improvement recommendations (AAR)



Financial sustainability

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Improve coverage of commercial investment performance and group entities in the MTFS narrative and analysis	Improvement	July 2022	There is a limited amount of commercial investment that the Council engages in with the main one being the partnership with Sandwell Children's Trust. The latest MTFS includes sufficient narrative around this	Yes	N/A
2	Develop and provide narrative on the use of savings plan headroom and budgeted contingencies to provide further flexibility to manage slippage.	Improvement	July 2022	There is sufficient narrative and detail about the savings required to balance the MTFS going forward	Yes	N/A
3	Consider incorporating an analysis of discretionary and statutory spend to help members consider and approve savings schemes.	Improvement	July 2022	The Council commissioned a report by LG Futures to review the discretionary v statutory spend of the Council. The report was presented in October 2022 so the Council has not yet had the opportunity to effect its recommendations in its accounts as yet	Yes	N/A
4	Develop a longer planning horizon for its published capital programmes.	Improvement	July 2022	The Council has a Regeneration programme with a 25-year horizon and is also putting its shorter term capital programme onto a 5-year cycle	Yes	N/A

Follow-up of Prior year Improvement recommendations (AAR)



Financial sustainability (continued)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed ?	Further action ?
5	Complete the programme of improvement in financial management arrangements, to address the weaknesses identified in the CIPFA FM report.	Improvement	July 2022	CIPFA recently followed up on their review in 2021. Their summary conclusion was <i>“The review and scoring indicate improved statement and question scores from the previous review and therefore a score of 2.36 which represents a progression to a 3* rating (there is a threshold of 2.25 for achieving the 3* rating). Our detailed findings are now more positively within the 2* range. Indeed, few further improvements should take Sandwell Council towards a strong 3* score”</i> .	Yes	No
6	Improve the way that the revenue costs associated with the capital strategy are analysed and disclosed in the MTFS.	Improvement	July 2022	Revenue costs associated with the capital programme are clearly disclosed in the MTFS	Yes	No
7	Incorporate the use of scenario planning to convey financial risk to members in the MTFS.	Improvement	July 2022	The latest MTFS contains more detail in terms of sensitivity analysis especially with regard to the impact of differing levels of inflation and assumptions around funding	Yes	No

Follow-up of Prior year Improvement recommendations (AAR)



Governance

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed	Further action?
1	Improve the level of benchmarking and sensitivity analysis used to support the MTFS assumptions	Improvement	July 2022	The Council has introduced benchmarking analysis as part of the budget setting process. Nevertheless, through the interviews conducted, Grant Thornton has been able to conclude that the Finance team believes that the use of benchmarking should be further implemented. Furthermore, the Council has utilised sensitivity analysis when taking into consideration the different assumptions for the MTFS.	Yes	No
2	The Council should embed consultation with residents into the budget setting process for future years	Improvement	July 2022	The Council has improved significantly on this aspect. The Council has consulted extensively with residents in preparing the budget and the MTFS document, and engaged an external communications partner to carry out detailed research with residents.	Yes	No
3	Introduce counter-fraud training and awareness sessions for staff and members	Improvement	July 2022	Peter Farrow – Head of Internal Audit – has confirmed that the Council has addressed this recommendation. During the year 2021/22, the Council provided a fraud training for members, School Fraud Awareness Bulleting for staff, Blue Badge fraud training for the wardens and training sessions for the tenancy fraud officers . Furthermore, there are plans in place to run some wide staff training sessions during the upcoming months.	Yes	No
4	Undertake a review of all directorate risk registers to ensure that risk management is fully embedded among each of the directorates	Improvement	July 2022	The Council has implemented a risk management framework that includes a SRR. There has been work conducted to ensure that the directorate risk are fully managed. Grant Thornton has reviewed the SRRs for Q1 and Q2 and has not noted any significant gaps or deficiencies, and confirm that the directorate risks are included within the report.	Yes	No
5	Ensure there is a system in place for the timely review of Council policies and procedures to prevent policies becoming redundant or no longer following regulatory guidelines or recommended best practice	Improvement	July 2022	The Council confirmed that HR policies, procedures and guidance are reviewed in rotation and in accordance with their policy review schedule. This review happens typically once every 3 years, however it may be sooner in the event of legislative changes. In respect of other Council policies we have been unable to identify the development of a system within the Council to address updating these so recommendation carried forward.	No	Yes

Follow-up of Prior year Improvement recommendations (AAR)



Improving economy, efficiency and effectiveness

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed	Further action?
1	It would be beneficial for the Council to develop a Corporate Data Strategy which outlines how data should be captured and stored across the organisation, as well as guidance on technology and information governance	Improvement	July 2022	Not moved forward due to capacity, but it is included within the Corporate Plan. Business development lead has been appointed and is expected to start in February 2023 and has a background in data strategy so is well placed to take this piece of work forward. To carry forward recommendation to next year's audit	No	Yes – to follow up in VfM audit of 2022-23
2	Use of national and regional benchmarking should be used when available and appropriate, as part of the performance management arrangements to help the Council understand their position in relation to other local authorities	Improvement	July 2022	Through our interview process, Grant Thornton has confirmed the introduction of national and regional benchmarking to understand the performance of the Council. However, the executive team confirmed that there is significant improvement still required on benchmarking.	Yes	Yes
3	Council should continue to develop and engage with partners, particularly at the corporate and regional level	Improvement	July 2022	The Council has actively developed and engaged with several partners at both corporate and regional level, including the SCT, Serco and STL. Moreover, there has been greater collaboration with other councils and the West Midlands Combined Authority in order to understand and implement best practices in several areas – i.e. procurement.	Yes	No
4	Update the Procurement Strategy, which was last updated in 2010	Improvement	July 2022	The Council is in the early stages of developing its procurement strategy. An initial draft has been developed by an external consultant, and has gone to the FD/S151 for review in January 2023.	Yes	Yes – work is ongoing and this should be checked in 22-23 VfM audit
5	As part of the review of procurement practices, the Council should consider alternative tools for reliable, accurate procurement pipelines	Improvement	July 2022	The council is in the process of developing a procurement strategy, re-structuring its procurement team and developing processes and tools to support a more proactive and managed procurement service	Yes	No

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability - no significant weaknesses identified	N/A	N/A	N/A
Governance - significant weaknesses identified	Follow up of Governance Report	Significant weakness still in place	Good progress has been made in implementing Statutory Recommendations
Improving economy, efficiency and effectiveness - significant weaknesses identified	Follow up of Governance Report	Significant weakness still in place	Good progress has been made in implementing Statutory Recommendations

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	Pages 7, 33, 34, 35
Key	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’.	Yes	Pages 10, 36 and 37
Improvement	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.	Yes	Pages 19, 31, 32

Appendix D – Sources of evidence



Staff involved

- Simone Hines, Director of Finance/S151 officer
- Rebecca Mather – Head of Finance
- Rashpal Bishop – Director of Adult Social Care
- Fiona Mclaughlin – Interim Head of Procurement
- Kate Ashley – Strategic lead, Performance
- Peter Farrow, Head of Internal Audit
- Tome Rennie – AD Transformation Programme
- Helen Green – Transformation programme, Customer Journey Workstream Lead
- Vickie Lee – Director of HR



Documents Reviewed

- 1. Sandwell_MBC_Draft General Fund Budget 2022-23_Feb_2022
- 2. Sandwell_MBC_Appendix A Spend pressures summary_2022-23_Budget_Feb_2022
- 3. Sandwell_MBC_Appendix B Draft General Fund Budget 2022-23_Feb_2022
- 4. Sandwell_MBC_Budget Report_&-MTFS (p79) and Appendices 16 November 2022
- 5. Sandwell_MBC_2021-22 Financial Outturn
- 6. Sandwell_MBC_2021-22 Financial Outturn_Appendix A
- 7. Sandwell_MBC_Q3 Budget Monitoring 2021-22
- 8. Sandwell_MBC_Q3 Budget Monitoring 2021-22_Appendix_A
- 9. Sandwell_MBC_Q3 Budget Monitoring 202122 Consolidated Appendices Q3 V2
- 10. Sandwell_MBC_Appendix 8 - Treasury Management Report 2021-22
- 11. Sandwell_Corporate_Plan_2021_Final
- 12. Sandwell_MBC_Performance Framework_Q1_2022-23
- 13. Performance Management Framework for the Council_April_2022
- 14. PMF_Appendix 1-3 Organisational Health Customer Experience and Finance Contracts Measures
- 15. Sandwell MBC VfM Governance Review Follow Final for issue 021222



Documents Reviewed (continued)

- 16. Sandwell MBC Governance Review - FINAL 031221 for client issue
- 17. Sandwell_MBC_Performance Management Framework - Q2_2022-23_ Monitoring
- 18. Sandwell_MBC_Strategic Risk Register Update Report_June_2022_ARAC
- 19. sandwell_MBC_Appendix 1 Strategic risk register summary as at June 2022
- 20. Sandwell_MBC_TMSS Mid Year Review 2022-23 Cabinet 18.01.2023
- 21. Sandwell_MBC_TMSS Mid Year Review 2022-23 Cabinet (Appendix A)
- 22. Sandwell_MBC_TMSS Mid Year Review 2022-23 Cabinet (Appendix B)
- 23. Sandwell_MBC_TMSS Mid Year Review 2022-23 Cabinet (Appendix C)
- 24. Sandwell MBC - CIPFA FM Model Review Follow Up Review - Final Report Jan 23
- 25. SMBC Workforce Strategy - outline for LT 24.01.23
- 26. Statement_of_Accounts_2020_21____Draft
- 27. Part Officers Code of Conduct Officers Gifts and Hospitality revised 2018
- 28. Procurement - follow up documentation.zip
- 29. Elected Members Training Session – Fraud
- 30. Appendix A - School Fraud Awareness Bulletin
- 31. Cabinet Meetings Minutes

Appendix E
Update on Governance
Review Follow-up

Governance review (December 2022) Progress on Key Lines of Enquiry

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.

Governance review (December 2022) Progress on Key Lines of Enquiry

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.

Governance review (December 2022) Progress on Key Lines of Enquiry

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.