

Report to Cabinet

15 December 2021

Subject:	External Audit Report – Value For Money Governance Review
Cabinet Member:	Leader of the Council Cllr Kerrie Carmichael
Director:	Interim Chief Executive Kim Bromley-Derry
Key Decision:	No
Contact Officer:	Strategic Lead – Service Improvement Kate Ashley Kate1_ashley@sandwell.gov.uk

1. Recommendations

- 1.1. That Council be recommended to receive Grant Thornton's Value for Money Governance Review report.
- 1.2. That the Leader of the Council and the Interim Chief Executive develop an action plan to address the statutory, key and improvement recommendations of the Governance Review for approval by Council on 18 January 2022.

2. Reasons for Recommendations

- 2.1. Under sections 20 and 21 of the Local Audit and Accountability Act 2014 auditors must determine whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion and is reported publicly. As the council's external auditors, Grant Thornton have conducted a review into the council's governance arrangements and will be reporting their findings of this review to Full Council in January 2022.



2.2. At that stage the report must include the council's management response to the statutory and key recommendations. As the recommendations span the governance arrangements across the whole council, the action plan that supports this response must be developed by the Leader of the Council and the Interim Chief Executive to ensure corporate wide improvements are delivered and sustained.

3. How does this deliver objectives of the Corporate Plan?

3.1. The scope of the report focused on the governance arrangements of the council and areas of improvement across the organisation. Therefore, this impacts on the council's ability to deliver all the objectives in the Corporate Plan.

	Best start in life for children and young people
	People live well and age well
	Strong resilient communities
	Quality homes in thriving neighbourhoods
	A strong and inclusive economy
	A connected and accessible Sandwell



4 Context and Key Issues

4.1 Governance Review – Background and Scope

- 4.1.1 In their role as the council's external auditors since 2019, Grant Thornton's monitoring of the governance arrangements in place led to concerns around the council's ability to look forward and manage the challenges and opportunities that all local authorities currently face.
- 4.1.2 In July 2021, Grant Thornton gave notice of their intention to conduct a Value for Money Review of the council's governance arrangements in order for them to fulfil their responsibilities as external auditor and reach a satisfactory conclusion to their audit on Value For Money. The purpose of this review was for Grant Thornton to draw conclusions on a number of key lines of enquiry and determine the extent to which further action is required by the council if necessary.
- 4.1.3 The scope of the review covered seventeen key lines of enquiry, split into two categories of:
- Services and Management; and
 - Meetings, Complaints and Relationships



4.1.4 The review was conducted between August and October 2021 through a document review and interviews with a range of elected members, officers and external stakeholders.

4.1.5 The draft report was issued on 23 November 2021 to enable the council to consider the recommendations and develop a response that will be included in Grant Thornton's final report to Full Council in January 2022. The final version of the report was issued to the council on 03 December 2021 and is attached at Appendix 1.

4.2 Recommendations of the Review

4.2.1 Grant Thornton have identified three statutory and five key recommendations that relate to the overarching governance of the organisation. The council will need to include a response on how it will address these recommendations within Grant Thornton's final report when it is presented to Full Council. The current version of the report includes space for the council's response, which will be developed as set out in section 4.3 below.

4.2.2 The report also identified 37 further improvement recommendations which relate to the individual key lines of enquiry of the review. These will be addressed through an Improvement Plan that will also include the management response to the statutory and key recommendations of the Review.

4.3 Management Response - Improvement Plan

4.3.1 Grant Thornton have recognised that over the last few months the council has made progress towards resolving matters and improving the governance arrangements in place, and it is important that these changes are embedded. Therefore, the council's Improvement Plan will formally map out those actions already in place that will address the recommendations made by Grant Thornton as well actions to address any gaps.

4.3.2 An example of the key actions already in place includes:



- Established and currently implementing strategies to address the service issues highlighted in the Grant Thornton report, including SEND Transport, Lion Farm and the ERP system. Reports are scheduled for Cabinet in December 2021 and early 2022 to make key decisions on the way forward for these issues.
- Work has commenced on the development of a Corporate Commercial Strategy and training programme, bringing in expertise from CIPFA to ensure the council maximises the opportunities available
- Developing a performance management framework that underpins the delivery of the Corporate Plan and provides Leadership Team and members of collective oversight of progress towards the strategic outcomes in the Corporate Plan
- Regular meetings between Cabinet Members and Leadership Team held to discuss key issues and development opportunities
- Establishing a member working group to review and refresh the Member Development Programme, incorporating support from the LGA

4.3.3 These and other actions have contributed to Grant Thornton's view that there are 'green shoots of recovery. They also show a commitment on the part of the council's leadership to move the organisation forward.

4.3.4 Work will take place over December 2021 and January 2022 to further develop the Improvement Plan and the reporting mechanism that will ensure that senior officers and members have oversight of progress. This work will be led by the Leader of the Council and the Interim Chief Executive and will be presented to Full Council in January 2022 when Grant Thornton present their report.



5 Alternative Options

- 5.1 The Governance Review was undertaken as part of the external auditor's role to provide assurance on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and therefore the report is a public document and must be reported to Full Council. As the report includes statutory recommendations the council has a legal obligation to respond appropriately. There are no alternative options to consider.

6 Implications

Resources:	The development of the Improvement Plan will be carried out within existing resources. Additional resources may be required to implement agreed actions to address the recommendations in the Governance Review.
Legal and Governance:	<p>The Governance Review was conducted under Sections 20 and 21 of the Local Audit and Accountability Act 2014, and therefore the report must be presented to Full Council as a public document.</p> <p>The council is legally required to respond to any statutory recommendations made by the external auditor, and demonstrate action is being or will be taken to address issues raised in the report.</p>
Risk:	If the Council fails to take appropriate action to address the recommendations of the Governance Review, or the external auditors do not have sufficient confidence that appropriate actions are being taken, then the council risks not having effective governance arrangements in place to manage current and future needs of the organisation and the borough. This could lead to increased costs, damage to reputation and government intervention.



Equality:	The recommendations of the Governance Review considered the council's governance structures as a whole. Any changes to policies as a result of the recommendations will require Equality Impact Assessments during the development to ensure the implications of any proposals are fully understood before decisions are made.
Health and Wellbeing:	
Social Value	

7. Appendices

Sandwell Metropolitan Borough Council: Value for Money Governance Review – FINAL Report (03 December 2021)

8. Background Papers

List source/background documents



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