

Report to Council

18 January 2022

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| Subject: | External Audit Report – Value For Money Governance Review and Improvement Plan |
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1. Recommendations

- 1.1. That Council receive Grant Thornton’s Value for Money Governance Review report.
- 1.2. That Council approve the Improvement Plan to address the recommendations made by Grant Thornton and the proposed reporting mechanisms to ensure progress is managed effectively.

2. Reasons for Recommendations

- 2.1. Under sections 20 and 21 of the Local Audit and Accountability Act 2014 auditors must form a Value for Money (VFM) conclusion, having determined whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. As the council’s external auditors, Grant Thornton have conducted a review into the council’s governance arrangements and have a legal duty to report their findings publicly to Council.
- 2.2. Within their report, Grant Thornton have made a series of statutory and key recommendations and the council is legally required to provide a response that sets out how it will address the recommendations.



2.3. The council recognises and accepts all of the recommendations within Grant Thornton’s report. As the recommendations span the governance arrangements across the whole council, the action plan that supports this response reflects corporate wide improvements that must be 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 whole organisation. Therefore, this impacts on the council’s ability to deliver all the objectives in the Corporate Plan.

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|  | 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 council welcomed the review and the opportunity to demonstrate the improvements that have been made in many areas that were examined by Grant Thornton.

4.2 Recommendations of the Review

- 4.2.1 Grant Thornton issued their final report to the council on 03 December 2021 (Appendix 1). Within the report, Grant Thornton have made three statutory and five key recommendations that relate to the overarching governance of the organisation. The report also identifies 37 further improvement recommendations which relate to the individual key lines of enquiry of the review.



4.2.2 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.

4.3 Management Response - Improvement Plan

4.3.1 The council recognises and accepts all the recommendations made by Grant Thornton as a result of their Governance Review. In many areas, steps had already been taken to begin to address the issues examined by the external auditors and the council is committed to prioritising and embedding sustainable improvements across the organisation.

4.3.2 The council has developed an Improvement Plan to address all of the recommendations made by Grant Thornton. To ensure that improvements already made are embedded into future practice, this Improvement Plan will formally map out those actions already in place as well new actions that address any gaps.

4.3.3 The Improvement Plan is attached to this report at Appendix 2. As well as named lead officers responsible and timescales for delivery, the Improvement Plan also includes measures of success so that the council can track the impact of our activity and ensure our actions are addressing the issues identified by the Governance Review.

4.3.4 A summary of the actions to address the statutory and key recommendations is set out below. As these recommendations are overarching, the majority of actions taken to address these will also address the improvement recommendations that have been identified for specific key lines of enquiry. Therefore, the Improvement Plan at Appendix 2 lists all the recommendations and identifies where one action will address multiple recommendations.

4.3.5 Statutory Recommendations:

S1 - 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.



Council's response will include:

- Implementing strategies to address the service issues highlighted in the Grant Thornton report. Decisions on a number of these issues have already been taken by Cabinet or are scheduled for reporting in the first quarter of 2022, enabling officers to implement the agreed approaches.

S2 - 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.

Council's response will include:

- Refreshing key corporate governance documents to ensure they reflect the learning from this review, including Procurement & Contract Procedure Rules, Financial Regulations and Scheme of Delegations. This will be followed by comprehensive corporate governance training for officers to ensure changes made and lessons learned are embedded across the organisation.
- Develop or refresh strategies to ensure commercial decisions and procurement reflect the council's priorities and objectives, including the Corporate Asset Management Strategy, Procurement Strategy and Housing Revenue Account Strategy.

S3 - 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.

Council's response will include:

- The council will review its values, codes and procedures to ensure they are fit for purpose and focus on building the organisation of the future. Following this review, a behaviour framework will be developed that sets out the expectations of managers and officers and is aligned with the appraisal and performance management framework.



- The Member Development Programme will be refreshed to address knowledge and skills gaps to enable a focus on delivery of the Corporate Plan. This will include the induction process for new members, specific training for those with key governance related roles, and regular meetings between Cabinet Members and Leadership Team.

4.3.6 Key Recommendations:

K4 - 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.

Council's response will include:

- As well as the regular monitoring of progress against actions in this Improvement Plan, the council will ensure it develops and implements any improvement plans as a result of other external reviews such as the CIPFA Financial Management Review.
- We will also develop a Continuous Improvement Plan to ensure that we capture and understand lessons learned and embed that learning into our appraisal and performance management framework.

K5 - 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.

Council's response will include:

- We will conduct a robust recruitment process for the permanent Chief Executive designed to attract the best candidate for Sandwell who can continue to drive the progress to date and sustain the improvements made



K6 - 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.

Council's response will include:

- Key to ensuring that progress is made, and improvement is sustained, will be to develop and embed a corporate performance management framework that provides Leadership Team and members collective oversight of progress on the Corporate Plan, key operational level intelligence, organisational health and improvement activity. This will be supported by the development and monitoring of directorate and service level business plans that focus on the delivery of the Corporate Plan.

K7 - Members in key statutory roles, in particular in relation to Cabinet, scrutiny, standards and audit, need to be provided with effective 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.

Council's response will include:

- As well as the Member Development Programme referred to above, the council will need to continue with regular meetings between senior officers and members to facilitate discussion and resolution of issues as they arise.

K8 - 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.

Council's response will include:

- The Improvement Plan at Appendix 2 sets out how the council will address the statutory, key and improvement recommendations in Grant Thornton's report. The Improvement Plan includes timescales, responsible leads and measures of success so that we



can monitor whether our actions are making the appropriate level of impact. In order to ensure delivery of this Plan, paragraph 4.4. sets out the proposal for reporting progress against actions.

4.4 Reporting Mechanisms

- 4.4.1 Actions within this Improvement Plan have been embedded within directorate business plans. This provides clear lines of accountability for delivery of these actions and ensures resources can be focused on priority areas.
- 4.4.2 To ensure that senior officers and members have oversight of delivery against this Improvement Plan, progress will be monitored by Leadership Team monthly and reported to Cabinet quarterly. This will continue until all actions have been completed, or changes have been embedded into business as usual.
- 4.4.3 Grant Thornton will review progress against this Improvement Plan within six months and at 12 months. However, Grant Thornton reserve the right to increase monitoring activity should they identify any concerns through their normal business activity.

5 Progress to Date

- 5.1 The Grant Thornton report highlighted that there were ‘green shoots’ of recovery in a number of areas, showing a commitment on the part of the council’s leadership to move the organisation forward.
- 5.2 The Improvement Plan includes an update on these key actions, including:
- Decisions on the key service issues highlighted by the Governance Review taken by Cabinet in December 2021 or scheduled for decision in early in 2022, enabling the council to implement the agreed strategies
 - Commencing work on the 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
- Holding regular meetings between Cabinet Members and Leadership Team 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

6 Alternative Options

6.1 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

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| 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> |



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| 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: | The recommendations of the Governance Review considered the council's governance structures as a whole. Any improvements to those structures will set out how they will strengthen the council's ability to deliver services that will improve the health and wellbeing of Sandwell. |
| Social Value | The recommendations of the Governance Review considered the council's governance structures as a whole. To address some of the recommendations, the council plans to develop its Social Value Policy in order to maximise the opportunities for Sandwell gained from our procurement spend. |

7. Appendices

- 1) Sandwell Metropolitan Borough Council: Value for Money Governance Review – FINAL Report (03 December 2021)
- 2) Governance Review - Improvement Plan

8. Background Papers

None

