

Report to Audit and Risk Assurance Committee

28 June 2022

Subject:	Improvement Plan
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1. Recommendations

- 1.1. That Audit and Risk Assurance Committee receive the Improvement Plan agreed by Council on 7 June 2022 and the accompanying risk register as a basis for work planning during 2022-23.

2. Reasons for Recommendations

- 2.1 On 22 March 2022 the Secretary of State for Levelling Up, Housing and Communities announced an intervention package and a set of Directions to ensure the council was able to comply with its best value duty under Part 1 of the Local Government Act 1999. These Directions were in-part influenced by the Grant Thornton report following their Value for Money Governance Review of December 2021.



2.2 On 7 June 2022 Council approved an Improvement Plan that combines the actions to address not only the Grant Thornton Review, but also the findings of the CIPFA Financial Management Review (January 2022) and the LGA Corporate Peer Challenge (March 2022). The Improvement Plan provides the organisation with a clear direction for its improvement journey that will enable the continued delivery of the strategic priorities in the Corporate Plan 2021-2025. As the Improvement Plan is a response to the statutory direction of the Secretary of State, it is the responsibility of Council to formally approve the Plan.

2.3 The Improvement Plan includes mechanisms for governance and assurance. These mechanisms will enable senior officers and members to manage the successful delivery of the Improvement Plan, whilst also providing all staff, members, the public and other stakeholders with assurance on the progress of our improvement journey. It is recognised that the Improvement Plan will be a living document, one that will need to evolve over time to respond to emerging intelligence and situations.

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

3.1. Sandwell Council’s Improvement Plan focuses on the governance arrangements of the council and areas of improvement across the organisation. The underpinning objective of the Improvement Plan is to ensure that the council is able to deliver on the aims and priorities as set out in the Corporate Plan. The deliverables set out in this Improvement Plan will achieve long-term sustainable improvements in how the council operates and is able to make effective decisions focused on improving outcomes for residents and experiences of service users. 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. Background

- 4.1.1. For a number of years, the council has experienced ongoing governance issues that have hindered the organisation from both moving forward and seizing opportunities, despite the desire and ambition to do so.
- 4.1.2. As well as successfully responding to the COVID-19 pandemic to support our residents and businesses, the council has continued to deliver high quality services over the period leading up to the Grant Thornton Value for Money Governance Review and beyond. Significant progress has been made on delivery the strategic priorities set out in the Corporate Plan, as reported to Cabinet on 23 March 2022.
- 4.1.3. Since May 2021, a number of key changes have moved the council forward on its improvement journey including the refresh of the strategic framework in the light of the pandemic, the appointment of an interim Chief Executive in August 2021, and a new Leader in November 2021. The new permanent leadership team structure is now resulting in tangible strides forward and greater stability which was recognised in all of the external reviews.

4.2 Value for Money Governance Review

- 4.2.1 The council's external auditor Grant Thornton conducted a Value for Money Review into the council's governance arrangements over the



period August to October 2021 and reported their findings to Full Council in January 2022. The report is attached at Appendix 1.

4.2.2 Grant Thornton recognised that over the preceding 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.

4.2.3 Grant Thornton identified three statutory and five key recommendations that relate to the overarching governance of the organisation. A further 37 improvement recommendations were identified which related to the individual key lines of enquiry of the review.

4.2.4 In response to the Grant Thornton review Council approved an Improvement Plan in January 2022 to address all 45 recommendations in the report as well as reporting mechanisms to ensure progress is managed effectively.

4.2.5 The first quarterly progress report of the Governance Improvement Plan was made to Cabinet on 13 April 2022. This report demonstrated that the council had taken action to address the urgent issues highlighted in the Grant Thornton review, and were establishing the mechanisms to secure longer-term improvement.

4.2.6 Since the publication of the Improvement Plan to address the recommendations of the Grant Thornton Value for Money Governance Review, the council has also received the findings of the CIPFA Financial Management Review (January 2022) and LGA Corporate Peer Challenge (March 2022).

4.3 CIPFA Financial Management Review

4.3.1 CIPFA were commissioned by the council to undertake a review of the financial management and governance arrangements using the Financial Management Model. The intention of the review was to contribute to the development of the council's financial management operation and arrangements. It assessed the council's financial management capability, its internal processes, and operations. It also examined how the council plans its future financial management.



4.3.2 The report from CIPFA (Appendix 2) set out that the council at present is financially stable and in recent years has been able to contribute towards reserves through achieving a balanced budget or an underspend, but that the authority has previously lacked ambition and innovation and has a very traditional approach to financial management.

4.3.3 The scoring process generated an overall star rating between one and five, five being the highest. Sandwell achieved an overall rating of two stars and is considered to be a progressive two-star authority with an encouraging direction of travel. CIPFA made 14 recommendations which have been incorporated into the formation of the single Improvement Plan.

4.4 LGA Corporate Peer Challenge

4.4.1 The council invited the LGA to conduct a Corporate Peer Challenge in late January/early February, focused around five areas which are recognised as critical to councils' performance and improvement:

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management; and
- Capacity for improvement

4.4.2 The Peer Challenge Team also took an in-depth look at children's services and the place agenda.

4.4.3 The review found that there is much to be excited about in Sandwell. It recognised that our local operational relationships are well developed, and that these have been reinforced and strengthened during our response to the pandemic. The review also emphasised the positive changes that had already been achieved.

4.4.4 The Peer Challenge report (Appendix 3) included nine recommendations, and raised a series of improvement points for longer term consideration. As with the recommendations of the other reviews, these have been incorporated into the development of the single Improvement Plan.



4.5 Government Intervention

4.5.1 On 22 March 2022 the Secretary of State for Levelling Up, Housing and Communities announced an intervention package and a set of Directions to ensure the council was able to comply with its best value duty under Part 1 of the Local Government Act 1999. The Directions and an explanatory memorandum are at Appendix 4 and 5 respectively.

4.5.2 The intervention package included the requirement for the development and implementation of an Improvement Plan within the first three months following the Directions notice and the appointment of two Commissioners:

- A Managing Director Commissioner, whose responsibilities include, but are not limited to, giving direction and leadership to the delivery of the improvements which the council is required to make; and
- an Assistant Commissioner whose responsibilities include, but are not limited to, overseeing the cultural change necessary at the council.

4.5.3 The Commissioners have powers to make sure that the council “*has made sufficient improvement within the next two years to be able to comply with its best value duty on a sustainable basis*”. The Commissioners will be providing six-monthly reports to the Secretary of State on the progress that the council is making.

4.5.4 The government’s intervention package requires the preparation and agreement of an Improvement Plan that will:

- deliver rapid and sustainable improvements in governance, leadership and culture in the council;
- secure improvement in relation to the proper functioning of the scrutiny and associated audit functions; and
- secure continuous improvement in all services.

4.5.5 The Statutory Directions set out that the council may draw upon improvement plans that have been prepared before the date of intervention.



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

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

4.5.7 Actions to address these areas are incorporated within the Improvement Plan.

4.6 Specific Recommendations from External Reviews relating to Audit

4.6.1 The Statutory Directions set out that the Council must secure improvement in relation to the proper functioning of the scrutiny and associated audit functions.

4.6.2 In the Value for Money Governance Review, Grant Thornton set out specific recommendations relating to audit as follows:

- **Key Recommendation 7:** 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
- **Improvement Recommendation I4:** Officer and Member Relationships – the forward plan of the Cabinet should be shared with the Audit Committee and Scrutiny Board to help structure their agenda planning
- **Improvement Recommendation I34:** Audit Committee – now that the Audit and Risk Assurance Committee has agreed the action to bring this long-standing matter to resolution [*review into the Wragge Report*], it will be important that – as the Audit and Governance Panel recognised – the Council manages its position



so that the matter does not resurface, so that it can move on and focus on its corporate objectives

4.6.3 The CIPFA Financial Management Review and LGA Corporate Peer Challenge did not make any direct recommendations around the role and function of audit.

4.7 Development of the Improvement Plan

4.7.1 The Improvement Plan attached at Appendix 6 has been built on:

- the recommendations from all three external reviews set out in paragraphs 4.2, 4.3 and 4.4;
- the actions already identified within the Governance Improvement Plan approved by Council in January 2022; and
- the specific requirements set out in the statutory Directions to form a single Improvement Plan.

4.7.2 Following a review of all the recommendations from the external reviews, key themes have been identified that set the focus for the council's improvement journey:

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

4.7.3 Each theme has a clear set of objectives, milestones, deliverables, and measures of success which will be used to track our progress against expected timescales and achievements.

4.7.4 Supporting each theme is a detailed delivery plan setting out activity to achieve the deliverables, responsible officer and timescales. The delivery plan also sets out how specific actions address recommendations in the various external reviews, thereby enabling direct reporting for different audiences as required.



4.7.5 In recognition that there are elements of activity that require more design before confirming our approach, that there will be other issues arising that will feed into the Improvement Plan, and the need for more detailed engagement, a phased approach has been taken to developing the Improvement Plan:

- The Phase One Improvement Plan - captures the known actions and deliverables to date and provides a foundation for the council's improvement. This is the Improvement Plan that was submitted to Council and approved on 7 June 2022.
- The Phase Two Improvement Plan – will build on the Phase One Plan and identify additional areas for improvement that arise. It will be informed by engagement with staff and members and include detailed deliverables and milestones to embed the desired organisational culture. The approach and timescales for this workstream is set out in the following section.

4.8 Audit Actions within Improvement Plan

4.8.1 The Improvement Plan contains a workstream focusing on the role and function of scrutiny and audit within the decision-making theme.

4.8.2 In relation to audit, the Improvement Plan sets out actions around managing the position on historic issues through Officers working with the ARAC Chair, and the completion of ARAC recommendations in relation to governance issues raised around SEND Transport.

4.8.3 A measure of success within the Improvement Plan is for there to be evidence that audit input is driving assurance and improvement across the Council.

4.9 Governance and Assurance Mechanisms

4.9.1 Effective programme management arrangements, robust monitoring processes, and clear roles and responsibilities will be key to Sandwell's successful delivery of this Improvement Plan and achievement of sustainable change. A Programme Management Office has been established to manage the delivery of the programme on a day to day basis.



- 4.9.2 Progress will be monitored monthly by Leadership Team through considering progress of the actions and milestones within the delivery plan, and management of risks, issues, and dependencies. A focus on embedding sustainable improvement will be maintained through the ongoing capture of evidence of success.
- 4.9.3 Members will have oversight of progress through formal reporting to Cabinet quarterly. This will continue until all actions within the plan have been completed and government intervention has been lifted.
- 4.9.4 Existing member-led committees, such as the Governance and Constitution Review Committee, Audit and Risk Assurance Committee and Scrutiny Committees, will be used for decision making and maintaining oversight of the actions and implementation of the Improvement Plan.
- 4.9.5 The Improvement Plan is intended to be a live document updated to take account of progress and relevant changes. These changes will be tracked through the programme management mechanisms and may include the addition of new workstreams or objectives, or the amendment of timescales for delivery of actions. Cabinet will retain oversight of these changes through the regular formal reporting of progress.
- 4.9.6 External assurance will also play a part in our improvement journey. Grant Thornton, CIPFA and the LGA will be invited back in Autumn 2022 to monitor our progress in addressing the recommendations in their reviews. Any recommendations from these checkpoint reviews will also offer a steer for the next phase in our improvement journey.
- 4.9.7 A risk register will be maintained for the duration of the Improvement Plan which will underpin the council's strategic risk relating to the council's Improvement Plan (59a 02/22). This will be reported monthly to Leadership Team and quarterly to Cabinet. The current risk register is attached as Appendix 7
- 4.9.8 The main risks are associated with:

- **Resources** – for delivery of key components of the plan including the performance management framework, asset management system implementation and culture change programme. The



financial resources required have been identified and were approved by Council in June.

- **Organisational Culture** – If the organisational culture doesn't change, this will limit the improvements that can be made. A theme within the Improvement Plan focuses on organisational culture. It includes plans for a comprehensive engagement programme with staff and members to define a collectively owned culture. We will then embed the conditions for this culture to thrive.
- **Communication** – to ensure everyone is aware of their respective roles and responsibilities. A detailed communication plan will be developed to ensure effective and timely communication with stakeholders
- **Governance Policies and Procedures** – key corporate governance documents are being reviewed and once approved, will provide an important foundation for improvement.
- **Performance Management Framework** – to ensure that we can effectively monitor progress and evidence improvement. Each theme includes an outline of how success will be evidenced. Processes for monitoring progress and evaluating evidence of improvement will be developed.
- **Historic Issues** – if there is a continued focus on and resource directed towards historic issues this will hinder improvement. The improvement plan contains actions to bring historic issues to a conclusion and embed lessons learnt.
- **Progress Monitoring and Risk Management approach** – if assessment of progress and risk assessment contains optimism-bias, this will prevent an accurate and realistic view of progress. Assurance mechanisms will help manage this risk

5 Implications

Resources:	Resources to deliver the Improvement Plan have been allocated from within existing commitments in the majority of cases. Where one-off funding is required to deliver improvements, this will either be funded from the Improvement and Capacity Fund or from earmarked reserves created from 2021/22 underspend position. Where funding is required for longer-term change, this will be incorporated into the Medium-Term Financial Strategy.
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	<p>There are no land or building implications associated with the Improvement Plan as a whole.</p>
<p>Legal and Governance:</p>	<p>On 22 March 2022, The Secretary of State for Levelling Up, Housing and Communities issued Directions under Section 15(5) and (6) of the Local Government Act 1999 (the 1999 Act) in order to ensure that the council can comply with the requirements of Part 1 of the 1999 Act. Failure to comply with these Directions may lead to further intervention measures for the council.</p> <p>The development and approval of this Improvement Plan will mean that the council has achieved one of the elements within the Directions within the specified timescales.</p> <p>The delivery of the Improvement Plan and achievement of the desired outcomes will meet the remainder of the Directions.</p> <p>Ultimately, the changes made through the Improvement Plan will enable the council to effectively deliver its strategic priorities and ensure it is delivering value for money for Sandwell.</p>
<p>Risk:</p>	<p>If the Council fails to take appropriate action to meet the requirements set out in the government Direction, or the Commissioners appointed by the Secretary of State do not have sufficient confidence that appropriate actions are being taken to implement and sustain the required improvements, then the council risks not having appropriate arrangements in place to comply with its best value duty under Part 1 of the 1999 Act. This could lead to further government intervention, increased costs and damage to reputation.</p> <p>A risk register will be maintained for the duration of the Improvement Plan which will underpin the council's strategic risk relating to the council's</p>



	Improvement Plan (59a 02/22). This will be reported monthly to Leadership Team and quarterly to Cabinet.
Equality:	The successful delivery of this Improvement Plan will require the development and review of many of the council's policies and procedures. These changes will build in consideration of the impact on equalities throughout the development and will include an Equality Impact Assessment where appropriate.
Health and Wellbeing:	The underpinning objective of the Improvement Plan is to ensure the council is able to achieve the strategic priorities as set out in the Corporate Plan. These priorities focus on improving the health and wellbeing of our residents and tackling health inequalities in a multi-faceted way. Therefore, any improvements to the council's governance structures will strengthen the council's ability to deliver services that will improve the health and wellbeing of Sandwell.
Social Value	Within the Improvement Plan, the council is committed to developing its Social Value Policy in conjunction with the refresh of the Procurement & Contract Procedure Rules. Through strengthening our asks of contractors through this Social Value Policy and linking them to the Corporate Plan objectives, the council will be able to maximise its social value return.

6 Appendices

1. Grant Thornton Value for Money Governance Review Report December 2021
2. CIPFA Financial Management Review Report January 2022
3. LGA Corporate Peer Challenge March 2022
4. Sandwell Directions under Section 15(5) and (6) of the Local Government Act 1999, 22 March 2022
5. Sandwell Directions - Explanatory Memorandum
6. Sandwell Council Improvement Plan
7. Improvement Plan Risk Register June 2022



7. Background Papers

Sandwell Council Governance Improvement Plan

- [Adopted January 2022](#)
- [Quarterly Monitoring April 2022](#)

Sandwell Council Improvement Plan [Report to Council 7 June 2022](#)

