



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

Year ended 31 March 2023

15 December 2023



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

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Introduction

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

Our approach

Our work in relation to this review was undertaken between September and November 2023.

Stage 1 – Review of key documents

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

Stage 2 – Further Analysis and Clarifications

We then undertook interviews with key stakeholders in relation to each recommendation to clarify issues identified during stage one and to undertake more detailed analysis. A total of 27 stakeholders have been met during this follow up review.

Our approach is designed to assess:

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

Acknowledgements

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

Additional VfM Code Work

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

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

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



Key findings

Context, background and scope of the review

Context to our VFM approach

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

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

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

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

Background to this review

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

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

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

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

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

On 2 December 2022 we published our follow up report, which related to our 2021/22 Vfm audit. This considered the progress made by the Council against the recommendations set out in our 2021 report. The 2022 report noted significant progress being made by the Council in many areas, but also included new key and improvement recommendations.

This 2023 follow up review, which relates to our 2022/23 Vfm audit, considers what further progress has been made by the Council on our most recent recommendations. This does not represent a review of the Council's Improvement Plan which, as already noted, draws on a wider set of actions than those relating to the recommendations set out in our reports.

This further review, along with other Vfm related activity including a high-level review of Oracle Fusion implementation, has been undertaken in order for us to consider whether there are any significant weaknesses in the Council's arrangements. Our overall Vfm conclusions for 2022/23 will be set out in a separate Auditor's Annual Report.

Overview

Introduction

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

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

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

Our December 2021 report included the following:

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

A further 3 improvement recommendations were added when this report was published in October 2022 incorporating KLOE A8.

Our December 2022 report included:

- 4 key recommendations, and
- 25 improvement recommendations.

This report also retained the three statutory recommendations made in our December 2021 report.

Key Lines of Enquiry

The scope of our original 2021 review covered 17 Key Lines of Enquiry (KLOEs):

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

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

As part of the 2022 follow up review we also considered how the Council engaged with residents and community stakeholders (KLOE B8).

Our findings in relation to KLOE A8 were not included in our December 2021 report, instead they were included in an update to this original report published on 17 October 2022. As a result, our follow up review in 2022 did not consider progress against KLOE A8 recommendations, and these have been considered as part of this 2023 follow up review.

In this section we summarise our key findings on the Council's progress. Our detailed findings relating to each Key Line of Enquiry are set out in a separate section. The following KLOEs were judged in our 2022 report to have appropriate arrangements in place with no improvement recommendations, and so are not reported as part of this follow up: KLOEs, A5, A6, A9, B1 and B3.

Key Findings

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 and December 2022 reports.

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

Key Findings

Our 2022 report noted that the Council had demonstrated a greater corporate grip over improvement, performance and decision making.

This progress has continued over the following twelve months and includes:

- Refreshing the Improvement Plan to reflect further external reviews and align it to the refreshed Corporate Plan.
- The Performance Management Framework has been rationalised to reduce the number of metrics to allow better focus and alignment to strategic priorities.
- Conclusion of the final phase of a widespread review of the Council's governance arrangements and constitution.
- Members have demonstrated their ability to take difficult decisions, such in relation to garden waste and the decision relating to the former Brandhall golf course site.
- Demonstrating agile and decisive decision making to not proceed with the LATC and instead extend the contract with SLT
- Introduction of a Transformation Strategy and Transformation Programme Board, and a Programme Management Office is being created and a programme management framework has been designed to ensure consistency of practice in project management and project governance across the Council.
- Evidence of greater rigour to financial planning and the identification of savings.
- The direction of travel with key partners, such as with Serco and SLT, remains positive.

Corporate grip has continued to improve on some of the service and management issues identified in our original report, including Oracle Fusion, and managing the risk of industrial action in the waste service. There has been less progress in some areas. In particular, there has been slow progress in improving the financial statement process and the finance team continues to rely on interim appointments.

Also, the Council needs to place greater emphasis is required working with SCT on area partnership working, including greater clarity on system leadership, continue to monitor the social worker vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates, and that SCT realises the planned Invest to Save savings targets which will be critical to the Trust meeting its planned revenue budget returning the invest to save payments to the Council .

In addition, there needs to be continued focus on transformation activity to support Medium-Term Financial Planning. The scale of the savings required over the medium-term, alongside plans to provide better value services and enhancing the customer journey, means that the Council's new approach to corporate transformation is critical to the financial sustainability of the Council over the medium-term, and its ability to deliver high quality services. The Council must ensure that these recent changes are concluded and become embedded so that the transformation strategy, transformation business cases, and associated cultural changes planned, successfully result in identifying and realising the organisational changes and savings required.

Good progress has been made in relation to customer journey with a particular focus on the Council "front door". The Council should place renewed focus on its efforts to improve the full customer journey so that this is demonstrated by improved customer metrics and should ensure that appropriate data is available to measure all customer related KPIs.

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

Key Findings

The Council now incorporates lessons learnt in its annual business planning process and has been effective in sharing the lessons from the SEND Transport procurement. The contract management of major contracts with Serco, SLT and SCT is now more effective and lessons have been learned in relation to the initial Oracle Fusion decision being made with no full business case.

Key Findings

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 and December 2022 reports.

Statutory Recommendation 2 Key Findings (cont'd)

The Council has demonstrated greater awareness and responsiveness to identifying and responding to contract management weaknesses, such as those recently identified in housing services.

The development and implementation of a commercial strategy forms part of the Improvement Plan. The Council acknowledges that it needs to organise many of its activities along more commercial lines, including plans to adopt a Corporate Landlord Model for the management of its property estate, and changes to the way some services are managed such as leisure. Progress on an overarching commercial strategy has not progressed and from our stakeholder meetings there appears to be confusion over what the term commercial means. The Council should consider developing an agreed definition of commercial as a way of revitalising the progress of the commercial strategy. Once the strategy has been adopted it will need to align the Council's transformation strategy and MTFP assumptions. Given the difficulties that other councils have encountered with their commercial strategies, where for some it has led to significant financial distress, the Council should be proportionate in setting its commercial strategy and should not expose the Council to significant risk.

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

Key Findings

The Cabinet and Leadership Team are continuing to work well both collectively and via their individual Director and Portfolio Lead roles. There continues to be 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 Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning there still remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this, given financial and other challenges ahead.

The introduction of the One Team Framework provides clarity on how the Council should deliver its organisational values and behaviours to support its ongoing improvement journey.

The Current Position

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

Our December 2022 report noted the Improvement Plan had been key for creating and maintaining a focus on the required improvements, and the Council had made significant progress on many of the recommendations made in our 2021 report, supported by the creation of additional capacity in some key areas. The Council had put in place the foundations to deliver the sustainable improvements that were needed, and significant improvements were already being made.

Those foundations have been built on over the past twelve months and the Council remains on a positive improvement trajectory. The Council will need to demonstrate bold and charismatic leadership to manage its next phase of improvement, with the planned Senior Management restructure presenting some significant opportunities as well as risks to be managed.

The Council has plans to bring in strategic leadership capacity, reduce the number of Directorates and to delayer the number of Director roles to reduce silos and hierarchies, improve joint working and decision making across service lines. It is hopeful that in making these changes that it will accelerate the pace of the implementation of the Council's improvement plan.

These plans appear reasonable. However, we note that this type of change brings risk. These include the use interim Directors during the transition period to the new structure, possible change fatigue and resistance, the loss of corporate memory, and difficulties in retaining key staff during this period of change.

Key Findings (Cont'd)

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 and December 2022 reports.

The Current Position (Cont'd)

The management of these issues and the successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure

The Council's new transformation arrangements will be essential for identifying and realising savings and improving customer value and service quality. The success of the Council's transformation plans are integral to its medium-term financial sustainability. Of equal importance is the embedding of the cultural and behavioural change set out in the One Team Framework.

The Council has made good progress on the customer journey and now needs to expand its focus from first customer contact (the "front door") to measure the full customer experience. The Council should retain corporate focus and attention on key service and operational risks, in particular the implementation of Oracle Fusion, place-based working with SCT, industrial action in the waste service, financial statement production, and reducing reliance on the level of interim appointments in the finance team.

We note that the Council's procedures for the production of its financial statements still require significant improvement. As at 6 December 2023 we had not been provided with the draft financial statements. The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production. If the 2021/22 accounts are not made available for audit by 31 December 2023 or are of poor quality we will need to consider the further use of our statutory powers.

The Council retains a challenging agenda of delivering business as usual alongside improvement and transformation and it must maintain the pace of change so that progress does not plateau or fall backwards. The external environment remains challenging for all councils, including uncertainty on the level of future government funding, a potential change in national government with a general expected sometime during 2024, alongside the impact of the ongoing cost of living crisis on businesses and communities.

Members and the senior leadership have responded to government intervention in a commendable way, and the Council is now more responsive and has a much better understanding of what good looks like. Intervention may conclude at the end of March 2024, which would require the Commissioners to make this recommendation to government, and the Minister to agree. It is therefore imperative that the arrangements now in place ensure continued improvement should intervention cease, and the Commissioners depart their roles.

With changes planned to senior management during 2024, and potential changes to Cabinet during the year ahead, the Council must provide confidence to the Commissioners and to the government that their improvement plans for the coming twelve to eighteen months will be delivered.

Conclusions and recommendations

We are satisfied that the Council has made appropriate progress against the three statutory recommendations, and these can now be lifted.

We found no evidence of any significant weaknesses in relation to 13 of the 18 KLOES that we have reviewed. There therefore remain some matters that represent significant weakness for ensuring that the Council makes informed decisions and properly manages its risks, and we have made four key recommendations, which are set out on the following page. This is followed by our summary findings for each KLOE.

Our detailed findings are set out in the next section of the report. We have identified various improvement recommendations throughout the report, which are summarised at Appendix B.

Key recommendations

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

#	Key Recommendation
1.	The Council must ensure that the changes in train relating to transformation are concluded so that the transformation strategy, transformation business cases, and associated cultural and behavioural changes become successfully embedded and result in identifying and realising the organisational changes and savings required, so that the Council remains financially sustainable in the medium-term. This includes ensuring that the Property Transformation Programme leads to decisions being taken on asset disposals that ensure associated savings targets in the MTFP are realised.
2.	The Council should place renewed focus on its efforts to improve the full customer experience, and this is demonstrated by improved customer metrics, and having appropriate data available to measure all customer related KPIs.
3.	The Council should retain corporate focus and attention on key service and operational risks, in particular the implementation of Oracle Fusion, placed based working with SCT and the effective management of SCT's operational and financial challenges, industrial action in the waste service, putting a clear plan in place for the subsidy to SLT being eliminated, financial statement production, and reducing reliance on the level of interim appointments in the finance team.
4.	The Council will need to manage the risks associated with the Senior Management restructure, including organisational change fatigue and resistance, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure.

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

KLOEs: Summary Findings

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

KLOE	Summary Findings
A1: The Children's Trust	The Council is now much more effective in its approach to and relationships with the Trust, including more effective contract management. The recent Ofsted inspection of adoption services demonstrates a continued positive direction of travel. However, there remain some significant challenges in relation to SCT's ability to deliver planned savings and manage its finances within the contract sum, and for both the Council and SCT in wider system and partnership working.
A2: Sandwell Leisure Trust	The Council now has improved governance arrangements in place, and should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is in line with the Council's MTFP assumptions.
A3: Providence Place	Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. A recommendation was made in relation to the asset management strategy and system whilst good progress has been made, the Council needs to fully implement to realise the planned benefits.
A4: SEND Transport	Our 2022 report noted that this matter has now been actioned and resolved with improved governance arrangements in place. There was one improvement recommendation for the Council to ensure that the lessons learned are shared across other council services so that this learning becomes embedded across the organisation. Our 2023 review has confirmed that appropriate arrangements are now in place, with one improvement recommendation made.
A5: SLaP	Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. There were no recommendations to follow up as part of our 2023 review.
A6: MADE Festival	Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. There were no recommendations to follow up as part of our 2023 review.
A7: Waste Service	Our 2023 review found no evidence of any significant weaknesses in arrangements. The relationships between the Council and Serco remain on an upward trajectory, with how they jointly responded to the industrial action a recent positive example. The Council has taken steps to work more effectively with Serco on areas such as collection policies, and Serco has demonstrated a more effective approach to the annual service delivery planning process. The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council, and the Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated.
A8: Governance and legal support to DPH	Our 2022 report did not follow up on this KLOE due to it being reported in October 2022. Our 2023 review found no evidence of any significant weaknesses in the Council's arrangements. The Council should conclude its plans to introduce a policy for working with local MPs and associated guidance.

KLOEs: Summary Findings (Cont'd)

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

KLOE	Summary Findings
A9: Lion Farm	Our 2022 report noted that the Council had taken all possible actions to resolve this matter and has a clear way forward. There were no recommendations to follow up in our 2023 review.
A10: Introduction of new ERP System	The Council has continued to pay careful attention to the Oracle Fusion implementation, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up during the year to fill identified roles alongside ring-fencing Council staff to assist with implementation tasks. However, there have been further delays and associated increased costs resulting in the decision to phase the go live dates. The risks associated with poor and ineffective implementation remain significant.
B1: Chief Officers	Our 2022 report noted that 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. There were no recommendations to follow up as part of our 2023 review.
B2: Senior Leadership	Our 2022 report noted that 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 new Chief Executive has been appointed and has made a positive impact. The impact of the senior management restructure, including the introduction of interim Directors, is a prelude of the instability and uncertainty resulting from the significant changes planned. The Council will need to manage the risk of change fatigue, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure.
B3: Complaints	Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. There were no recommendations to follow up as part of our 2023 review.
B4: Office and Member Relationships	The Cabinet and Leadership Team are continuing to work well both collectively and via their individual Director and Portfolio Lead roles. There continues to be 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 Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning there still remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this, given financial and other challenges ahead.

KLOEs: Summary Findings (Cont'd)

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

KLOE	Summary Findings
B5: Standards Committee	Our 2022 report noted that 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, and made one improvement recommendation. Our 2023 review identified one improvement recommendation confirmed that appropriate arrangements continue to be in place and no improvement recommendations are made.
B6: Audit Committee	Our 2022 report noted that 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, and made one improvement recommendation. Our 2023 review has confirmed that appropriate arrangements remain in place and no improvement recommendations have been made.
B7: Financial Reporting	The CIPFA follow up Financial Management review identified improvement across various areas of financial management, but significant progress remains for the finance team to become fully effective. In particular, the Council's procedures for the production of its financial statements still requires significant improvement.
B8: Engagement with Residents and Community Groups	Our 2022 report noted that 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. Our 2023 review identified appropriate arrangements remain in place, and the Council should continue to build on the progress that has been made in engaging with residents so that it continues to support greater corporate focus on service quality and customer outcomes.

Detailed Findings

Progress on 2022 Key Recommendations

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

Governance Review

The Council instigated a review of its governance arrangements following issues identified by our 2021 VfM governance review, the LGA Corporate Peer Challenge review and the CIPFA Financial Management review. Our 2022 report provided an update on the first two phases of this review.

The third and final phase was concluded with a report to full Council on 13 December 2022, with changes agreed to the Budget and Policy Framework Procedure Rules, Financial Regulations and Procedure Rules, Remaining Articles, and Responsibility for Functions.

Going forward an annual review of the Constitution will take place.

Phase 3 included an amendment to the key decision threshold which has increased the threshold for delegated decisions, with the virement threshold now £500k for chief officers, between £500k and £1m relevant Cabinet members and over £1m Cabinet. Any delegated decisions still require a report and decision notice. All significant spending decisions, determined as impacting on two or more wards, remains a decision for full Cabinet. We have been advised that this has reduced the number of decisions going to Cabinet, allowing more effective conducting of Cabinet business.

Training on changes to the constitution has been undertaken with officers and members. This has included updates on procurement, contract management and financial regulations.

The Council is also progressing improvements to the workflow of report drafting and approval, using the Modern.Gov system, to ensure that decision making is timely and draft reports receive appropriate reviews.

A change to the approach for electing the Mayor has been agreed. Previously this was decided by the controlling administration, and will now be based on the longest serving councillor, with the deputy mayor being the next longest serving councillor.

The Council has now concluded a comprehensive review of the constitution and governance arrangements with plans in place for an annual review.

Improvement Plan

The Council developed an improvement plan in response to our original VfM Governance review which, as already noted, has been expanded to incorporate the recommendations from the LGA Corporate Peer Challenge review and the CIPFA Financial Management review.

The Improvement Plan was also developed in line with the Secretary of State for DLUHC's Statutory Direction

This single Improvement Plan was agreed by full Council on 7 June 2022 and structured around the following six themes:

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

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

Grant Thornton, CIPFA and the LGA undertook follow up reviews during Autumn 2022. The Improvement Plan was updated to reflect the findings of these follow up reviews in January 2023 and was reported to Cabinet in 2023 as phase 2 of the Plan, which incorporated the recently concluded work on corporate values and behaviours

An Improvement Plan Monitoring Tool has been developed to include both a risk rating for each main action within the Improvement Plan and a progress status rating for all actions, and these form part of the quarterly reporting approach.

The Improvement Plan is monitored monthly, and updates are provided to the Leadership Team and Cabinet on a quarterly basis. An annual report on progress is produced, most recently in May 2023.

The Improvement Plan is intended to be a live document updated to take account of progress and relevant changes. Changes to the Improvement Plan are tracked through programme management mechanism.

The Cabinet approved a revised Corporate Plan and a new Young People's Corporate Plan on 7 June 2023. The Council reviewed and updated the Improvement Plan ensure alignment with the updated Corporate Plan.

Progress on 2022 Key Recommendations (Cont'd)

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

The Improvement Plan (Cont'd)

The first theme of the Improvement Plan is organisational culture and during Autumn 2022 a series of listening sessions were undertaken with staff, with over 500 engaging via attendance at events or the completion of surveys. Feedback was consolidated during November and December 2022, to support the development of the Council's One Team Framework, which sets out the values and behaviours expected. This was approved by Cabinet on 15 March 2023 and the agreed values were:

- We are one team: united and working together with the shared purpose of achieving great results.
- We are customer focused: caring about providing the best possible public service.
- We are inclusive: treating each other with respect and knowing our diversity is our strength.
- We are ambitious: striving for excellence, always looking to get better and making sure everyone can take pride in our borough.
- We are accountable: delivering what we say we will.

The One Team Framework aims to provide clarity on how the Council should deliver its organisational values and ensure that values and behaviours form an integral part of the Council's People/Workforce Strategy. The Framework sets out the expected behaviours from everyone and from leaders, with an ambition that everyone will behave as leaders.

A network of culture champions has been established to support the launch of the Framework and its ongoing delivery. The Chief Executive met over 400 managers as part of launch across eight staff engagement sessions.

The introducing of clear expectations on values and behaviours is a positive step taken by the Council, and will be critical to support its ongoing improvement journey. Embedding cultural and behavioural change is not straight forward and takes considerable time, focus and effort. [The Council has not yet concluded introducing a "golden thread" that aligns corporate plans to individual's annual performance reviews, and this approach should be progressed to include the behaviours set out in the One Team Framework, so that expected values and behaviours can be monitored and measured \(Improvement Recommendation\).](#)

Medium-Term Financial Planning

The Council has continued the "star chamber" approach to support budget setting, which took place during Summer 2023. This exercise resulted in a basket of savings options being put forward to Cabinet for approval and to consult on further, prior to making formal decisions on the budget in February 2024. These initial savings options amounted to £18m in 2024/25.

For the first time, the Cabinet and Senior Leadership Team held an away day during September 2023 to discuss the MTFP and options for savings and discussed key financial principles, such as council tax levels. We have been advised that members of Cabinet have responded very favourably to the away day and how it has improved their understanding of the financial challenges facing the Council and the options available to manage these challenges. Further budget workshops were taking place at the time of our review.

The Cabinet approved the Medium-Term Financial Strategy (MTFS) for the period 2024/25 to 2026/27, and the associated Medium-Term Financial Plan (MTFP), at its meeting on 15 November 2023, reflecting an estimate of the Council's financial position as at October 2023, and noting that the figures will change as further updating takes place. The Council has commenced a resident engagement exercise through the summer of 2023 and this, together with the Consultation and Engagement Plan forms the Council's proposed approach to consulting during the 2024/25 budget setting process. This was underway at the time of our review. The MTFS and MTFP will be further updated for the meetings of the Executive, Budget Scrutiny and Full Council in January and February 2024.

A new business planning approach has been introduced for 2024-27 which aims to better align service and financial planning to the Corporate Plan and MTFS, drive consistency and continuous improvement across the Council including incorporating lessons learnt, better integrate performance metrics and resident feedback, and embed One Council Values and Behaviours. Business planning workshops were taking place in November and December 2023 to support the budget setting process.

Progress on 2022 Key Recommendations (Cont'd)

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

Medium-Term Financial Planning (cont'd)

The senior leadership team have demonstrated a much greater grip of medium-term financial planning, but there remains further work to do in order to fully understand and agree the principles that underpin the MTFs, for example the approach to reserve levels. **The senior leadership team should make time to agree clear objectives for financial planning, and the financial, organisational and behavioural actions required to achieve these objectives (Improvement Recommendation).**

The position of the MTFP as at October 2023 forecast funding gaps, which represent savings requirements, of 3.8% of the revised net revenue budget in 2024/25 rising to 10.3% of the revised net revenue budget in 2026/27.

	2024/25	2025/26	2026/27
	£m	£m	£m
Current net budget	317.103	317.103	317.103
Budget pressures and adjustments	28.272	49.723	66.727
Revised net budget	345.375	366.826	383.83
Funding	-332.412	-338.158	-344.476
Net deficit before savings	12.963	28.668	39.354
Savings required as % of net budget	3.8	7.8	10.3

These are significant savings targets to identify and deliver, in the context of existing budgetary pressures, and will inevitably require difficult political decision to be made. The majority of the £13m saving required to balance the 2024/25 budget will need to be recurring in nature.

The importance of the Council's transformation programme, alongside its improvement plan, will be critical to ensuring these medium-term financial challenges are effectively managed. The Council's approach to transformation is discussed in the section that follows.

Corporate Transformation

The Council is developing a transformational approach to delivering savings, and a Transformation Strategy has been produced – called Creating a Council for the Future - with the objective of providing better value services and enhancing the customer journey.

The transformation strategy is a blend of key directorate projects and some critical corporate cross-cutting projects. The corporate projects include Oracle Fusion implementation and a review of business support services, a digital strategy, and a customer journey programme. Key directorate projects include SEND, leisure review, waste review, housing repairs, and asset and estate rationalisation. The Council's new values and behaviours are integral to the transformation strategy.

A corporate PMO framework was agreed by the Senior Leadership Team in August 2023. Local Partnerships supported the Council in the framework's development, including sharing best practice adopted by other councils. The framework has been designed to ensure consistency of practice in project management and project governance across the Council.

A corporate transformation board has been established to oversee all transformation projects and monitor the transformation project pipeline, with the Director of Finance as the Senior Responsible Officer (SRO). There are plans to establish sub-programme boards relating to the key transformation themes (corporate, people, assets and place), that will report to the corporate transformation board. Transformation activity will form part of the business planning and performance management workshops that were being undertaken at the time of our review. Quarterly reporting to Cabinet and the Leadership Team is planned.

The Council established a Corporate Programme Management Office (PMO), following slippage to the original timescale, in September 2023. This includes a corporate transformation office to support transformation activity and project assurance across the Council, and new roles have been created which were being recruited to at the time of our review. The Council is further considering how it could augment the skills and capacity of the PMO by the use of external consultants.

The Council has purchased licences to Verto, a project management software system, which at the time of our review had been through user testing and was in the process of being rolled out to those in the Council involved in project management. Verto is expected to support the PMO Framework by providing a standard approach to project management and reporting. The Council's learning and development team are putting in place a training programme for users of Verto, with the go live date for its use planned for April 2024.

Progress on 2022 Key Recommendations (Cont'd)

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

Corporate Transformation (cont'd)

The PMO has introduced a project threshold tool, which assesses the value, risk, capacity and complexity of a project to determine the level of PMO support and governance required across four levels (intense, high, medium or low). All projects, regardless of this level, will be reported on Verto.

The Council has made positive steps to introduce a clear structure, resources, governance arrangements, and related processes to manage its transformation activity, which at the time of our review had not fully concluded.

The scale of the savings required over the medium-term, alongside plans to provide better value services and enhancing the customer journey, means that this new approach to corporate transformation is critical to the financial sustainability of the Council and its ability to deliver high quality services. **The Council must ensure that these changes are concluded and become embedded so that the transformation strategy, transformation business cases, and associated cultural changes planned, successfully result in identifying and realising the organisational changes and savings required (Key Recommendation).**

There is currently no over-arching framework on the use and appointment of external consultants, with services independently making such appointments. **As part of the new transformation arrangements the Council should ensure there is corporate oversight of the use of external consultants, including how such commissions align to the Council's transformation strategy (Improvement Recommendation).**

Performance Management Framework

On 12 April 2022 the Council approved a Corporate Performance Management Framework (PMF) to monitor delivery of the Corporate Plan. Our previous report set out the structure of the PMF. On a quarterly basis, the Council gathers and analyses a wide range of data and information to understand how effectively its plans are being implemented and whether the strategic outcomes contained in the Corporate Plan are being achieved.

As already noted, the Cabinet approved a revised Corporate Plan on 7 June 2023, and the PMF was reviewed and updated to align to the new Corporate Plan. There were 244 measures in the corporate performance indicator set, and these were revised to 208. The intention is that by having a smaller, more aligned, and focused number of corporate performance indicators, reporting of the PMF will better highlight performance matters in the key areas of strategic importance and what action is being taken, or needs to be taken, in response.

The new corporate performance indicator set will be reported quarterly to the Leadership Team and Cabinet in a corporate performance report alongside the quarterly Corporate Plan monitoring reports. Each directorate business plan contains a set of Corporate Plan commitments and each directorate business plan has also been realigned to support the revised Corporate Plan.

A new role of corporate performance manager has been created and filled. There is now much greater organisational and leadership focus and understanding of service and financial performance and associated risks. The rationalisation of the corporate performance indicator set should help improved this focus as the PMF continues to embed across the organisation.

Commercial Strategy

The development and implementation of a commercial strategy forms part of the Improvement Plan. The Council acknowledges that it needs to organise many of its activities along more commercial lines, including plans to adopt a Corporate Landlord Model for the management of its property estate, and changes to the way some services are managed such as leisure.

The Council commissioned C.Co to draft a commercial strategy, which has resulted in a narrow focus, covering three specific service areas where commercial income opportunities may exist. Progress on an overarching commercial strategy has not progressed and from our stakeholder meetings there appears to be confusion over what the term commercial means.

Other councils that have developed a commercial strategy have often first worked to agree a generally accepted definition of commercial, recognising the term can have different interpretations. For example, for some commercial means being business-line in relation to all council activity, however mundane, such as the efficient conducting of meetings, whilst for others it has a more specific meaning such as being entrepreneurial with a focus on commercial investments and/or trading activity. It is important that the Council has a shared understanding of what commercial means for Sandwell.

The Council should consider developing an agreed definition of commercial as a way of revitalising the progress of the commercial strategy. Once the strategy has been adopted it will need to align the Council's transformation strategy and MTFP assumptions (Improvement Recommendation).

Given the difficulties that other councils have encountered with their commercial strategies, where for some it has led to significant financial distress, the Council should be proportionate in setting its commercial strategy and should not expose the Council to significant risk.

Progress on 2022 Key Recommendations (Cont'd)

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

Customer Journey

A customer journey programme board was established in early 2023, supported by the corporate transformation office. The board provides updates to Cabinet on customer performance and progress on customer journey activity, alongside PMF updates on customer focussed metrics which are reported quarterly.

During 2023 the Council refreshed its website to make it more user friendly, including usability on mobile devices and the provision of more up-to-date content. Enhancements to the website include:

- My Sandwell: for residents and businesses to register a My Sandwell account. This account can be used to council tax, benefits, business rates or housing balances, make payments, request services, report problems and track any enquiries made to the Council, together with information on key Council services.
- Citizen Space: a new consultation hub where residents can subscribe to news on Council consultations and other engagement activity, and a section called “we asked, you said, we did” which provides updates on the outcomes of how consultation and engagement activity informed Council decisions.

Members use the My Councillor portal as their case management system to manage queries and complaints from residents. There is target to respond to complaints in 10 days and performance remains variable. The Council’s complaints team have undertaken work on the timeliness and quality of responsiveness and the information governance team are working with services where performance and responsiveness to complaints need to improve.

The Leadership Team and informal Cabinet have developed customer standards reporting on service areas such as call waiting times and responsiveness to complaints, and for those services where there is a high volume of customer engagement such as responsiveness to fly tipping, pot-hole repairs, benefits claims, homeless triage and general repairs. The 2023/24 quarter one report covered 13 KPIs and of these the performance was rated red for seven, amber for three, green for two, and for one (housing applications) there was no data available.

Whilst good progress has been made to improve how the Council engages with its residents and businesses and improves the customer journey and experience, these key customer standards metrics indicate that there is more work required by the Council to improve its performance in relation the customer journey.

The Council should place renewed focus on its efforts to improve the full customer journey so that this is demonstrated by improved customer metrics, and should ensure that appropriate data is available to measure all customer related KPIs (Key Recommendation).

The Council is considering further improvements to the customer journey, including introducing a new telephony system and rationalising customer contact centres. We note that customer journey related performance metrics currently focus on the Council’s “front door” - the responsiveness to an initial customer contact - and the Council should consider enhancing these metrics to measure its performance through full customer journeys including the customer experience and satisfaction (Improvement Recommendation).

Asset Management Strategy

The Corporate Asset management strategy (CAMS) was approved by Cabinet in November 2022. The strategy acknowledges that the Council is committed to maintaining an effective and efficient property portfolio which supports the delivery of services to residents, provides value for money, reduces environmental impact and maximises opportunities to generate value.

Workstreams have been established to oversee delivery of the strategy on groupings that include community centres, office rationalisation, commercial estate, climate change, corporate landlord, and regeneration.

The strategy is underpinned by the disposal of surplus assets and the associated savings and, as at October 2023, the £1.6m savings target for 2022/23 is expected to be achieved. This includes the disposal of Providence Place to the Department for Levelling Up, Homes and Communities. There are further savings targets of £2.5m in both 2024/25 and 2025/26.

The Council acknowledges the need to organise many of its activities along more commercial lines, including adopting a Corporate Landlord Model for the management of its property estate. As part of this a Property Transformation programme is being developed to develop further options for asset disposals.

The savings plan relating to assets is dependent on the Council taking decisions on assets identified for disposal, and at the time of our review there was a savings target variance of £1.86m for 2024/25 and £2.05m for 2025/26. The Council should ensure that the Property Transformation Programme leads to decisions being taken to realise the balance of these planned savings and appropriate ambition is taken on asset disposal plans (Key Recommendation).

Progress on 2022 Key Recommendations (Cont'd)

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

Asset Management System

At the time of our review the implementation and roll out of the Council's new corporate asset management information system (Techforge), which will replace the Atrium system, was in final project closedown stage.

Phase 1 is due to go live in December 2023. Phase 2 of the asset management system implementation includes consideration of modules relating to capital accounting, and a fixed asset register, to support accounts production. An initial meeting is due to place in January 2024 to agree workstreams, leads and timescales for this phase.

The new system should provide a single, dedicated database for asset information, system linkage to Oracle Fusion and improved creation and monitoring of capital accounting reporting. The Council plans to identify workstreams, leads and timescales in January 2024. It is unclear if there is a definitive go live for phase 2.

The Council must ensure that the new asset management system is fully implemented and planned benefits are realised and both phases are operational for 1 April 2024. (Improvement Recommendation).



KLOE A1: Sandwell Children's Trust

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

Background

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

Our December 2022 report recommended the Council:

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

KEY FINDINGS

Ofsted inspections

Our previous report noted that the July 2022 Ofsted inspection report on children's services rated services as 'require improvement to be good', an improvement on the previous inspection which rated services as inadequate. At that time Ofsted reported that the pace and trajectory of improvement had increased over the year preceding the inspection, and we noted that children's services in Sandwell have been rated inadequate for over a decade, so this inspection reflected a positive direction of travel.

In February 2023 Ofsted published their report on the voluntary adoption agency managed by SCT, with the inspection having taken place in December 2022. The overall rating was 'good', compared to the previous inspection in January 2019, which rated the service 'requires improvement to be good'. We note that the most recent Ofsted inspection on fostering services, from 2021, also provided a rating of 'good', following a 'requires improvement to be good' from the previous inspection in 2019.

In July 2023 Ofsted and the Care Quality Commission (CQC) undertook an area inspection of children and young people with special educational needs and/or disabilities (SEND), which was reported in September 2023..

The Council, SCT and NHS Black Country Integrated Care Board are jointly responsible for the planning and commissioning of services for children and young people with SEND in Sandwell.

These area inspections do not provide an overall rating, and the report noted a number of areas of positive progress, but the overall conclusion was that the local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with SEND, and the local area partnership must work jointly to make improvements set out in the report. The areas for improvement identified were:

- strengthening of multi-agency working across the partnership,
- develop co-production so that children and young people play a key role in developing improvement strategies and plans, and
- there should be an increase in the number and range of short break opportunities to support the needs of children and young people with SEND.

Multi-agency early intervention and prevention strategy

The early years strategy, developed by the Council working with SCT and other key stakeholders from the public and third sectors, had been launched in March 2022. It was recognised that it would take up to 18 months to embed across the early help system.

A year on event for all partners in the system was held in March 2023 and it is recognised by the Council and SCT that there is work still to be undertaken across the partnership before all partners fully recognise their responsibilities in relation to the strategy. Our work identified that some tensions have emerged between the Council and the SCT on system leadership responsibility for driving effective system working.

The early intervention and prevention strategy is critical to all key partners including the Council and SCT, including a strong inter-dependency with the early help invest to save savings target of the Trust, which is discussed later in this section.

Considering the outcome of the recent Ofsted and CQC area SEND review and the multi-agency early intervention and prevention strategy challenges, it is clear that there is greater emphasis required by the Council and SCT on progressing area partnership working, including greater clarity on system leadership.

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

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

SCT Workforce challenges

The Strategic Partnership Board (SPB), at its meeting on 22 September 2023 noted that all but one of the Trust's 15 Key Performance Indicators (KPIs) were within contract tolerance, with the exception being the vacancy rate of social workers which in March 2023 was a 42%. Sickness rates had dropped to the lowest they have been since the Trust was established and stood at 7%. The vacancy rate across SCT as a whole was 20-29%.

The recruitment rate was not at a net gain and the Trust continues to find it difficult to stabilise teams, and an ongoing strategy was in place to slow the rate of leavers, but this had not stopped people wanting and choosing to leave. The Trust reported that ongoing workforce pressures are a symptom of a national crisis relating to the recruitment and retention of social workers, with a stated view that this issue can only be solved at a national level.

In February 2023, the government published a new strategy to transform children's social care: Stable Homes, Built on Love. This strategy included the government's response to the MacAlister Independent Review of Children's Social Care. The strategy recognised the national challenges facing social worker recruitment and retention. At the time of this VfM review, the government had not published its response to its consultation on the child and family social worker workforce, which is due to set out plans for national rules on the use of agency social workers, with the intention that these rules will help mitigate children's social care workforce challenges nationally.

Notwithstanding this national context, the Council's Cabinet agreed at its meeting on 12 July 2023 to increase the contract sum to SCT in relation to the Sandwell Deal. The Sandwell Deal is expected to provide an incentive for children's social workers to apply to roles in Sandwell and sets out career pathways and associated support to help manage retention. Incentives include market supplements and retention payments for all case holding social workers. The additional contract sum comprised a maximum of £260k to pay market supplements, the cost of retention payments of a maximum of £310k in 2023/24 rising to £1.1m in 2025/26, and a maximum of £556k to recruit overseas social workers in 2023/24. This was to be funded from the Council's Social Care Earmarked Reserve. This decision followed an options appraisal that included consideration of a regional benchmarking exercise undertaken in March 2023 which identified that without these recruitment and retention policies Sandwell would be in the lowest quartile of the 14 local authorities / children's trusts that were benchmarked.

At the Operational Partnership Board (OPB) meeting on 5 December 2023 it was reported that the social worker vacancy rate had been on a reducing trend during 2023/4 and stood at 23% at October 2023.

The report further noted that for first time in many years, the vacancy rate KPI had been met, however some of the permanent staff were non-qualified social workers.

The Council should continue to monitor the vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates.

Invest to Save

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

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

These two invest to save areas are monitored via the Operational Partnership Board (OPB) and SPB, with the later chaired by Council's Chief Executive. The Council and SCT finance directors have regular informal discussions including on financial and operational challenges, and monitor the impact of invest to save investments.

The Strategic Commissioning Invest to Save savings target for 2023/24 is £269k. This focuses on strengthening and developing an evidenced based commissioning programme to improve value for money. At the meeting of SPB on 22 September 2023 it was reported £21k savings had been confirmed by the end of July 2023 with plans in place to realise the balance of the savings target.

The Early Help Invest to Save savings target for 2023/24 is £229k. This focuses on fewer referrals into the Trust which in turn will lead to a reduction in children in need and children in care. £20k savings had been confirmed by the end of July 2023, with plans in place for the realisation of the balance of the savings target. The challenges, already noted, in relation to the multi-agency early help and intervention strategy will impact on this invest to save target if the planned system changes do not become effectively embedded.

In summary, progress to date across both Invest to Saves indicates £41k had been delivered by the end of July 2023. Other actions taken are expected to deliver a total of £225k of savings during 2023/24, due to the timing of the savings being implemented not resulting in a full year effect until 2024/25. This leaves a further £273k of savings to be delivered during 2023/24.

Realising these planned savings will be critical to the Trust meeting its planned revenue budget and the contract sum increases relating to the invest to save can be paid back to the Council.

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

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

Contract sum and financial performance

The contract sum agreed between the Council and SCT for 2022/23 was £70.4m, an increase on the prior year of £2.4m or 4%. The original budget set for the Trust for 2022/23 was £68.527m, so the contract sum agreed was intended to create an in-year surplus of £1.9m. The Council's Medium-Term Financial Plan (MTFP) for 2022/23 incorporated the planned surplus to be off-set against the cumulative over-spend from previous financial years.

The forecast 2022/23 outturn was an overspend of £1.9m compared to the annual budget for the Trust and breakeven position when compared to the contract sum received. The cumulative deficit including prior year deficits was forecast to be £7.3m as at 31 March 2023. This was against a MTFP forecast position of £5.3m, because the forecast surplus during 2022/23 was not realised. The Trusts latest MTFP indicates that the deficit will be fully repaid by 2027/28.

The budget for 2022/23 incorporated the impact of the Trust's Cost Savings Action Plan which required the Trust to achieve savings of £2.3m in year. The Trust had fully identified and commenced actions that were expected to deliver £1.8k of savings. The remaining £538k related primarily to the stepping down of high-cost placements and the increase in internal foster carers. The Trust had developed a further cost saving plan which has identified specific actions designed to deliver fully against the shortfall in the delivery of the original plan by the end of the year.

The contract sum agreed for 2023/24 totalled £74.5m and the SCT revenue budget assumed a year end surplus of £742k. The contract sum is an increase of £2.5m of 3.5% and reflected the ongoing impact of inflation. As at September 2023 the forecast outturn was an overspend of £797k, resulting in a £1.539m variance to budget. The reasons given for this variance include:

- Continued pressure within the placement market due to a high demand for places and the impact of inflation.
- Higher than anticipated increase to Regional Fostering Framework prices for 2023/24.
- Continued pressures within the social worker labour market and the consequent over reliance on high costs agency staff.
- Complexity and co-ordination associated with delivering the savings programme and associated transformation of services.

SCT has implemented a Budget Accountability Framework with accountability to the Trust's Finance and Infrastructure Committee where there is scrutiny and challenge on a quarterly basis. The Trust Board provides direction and oversight with regard to the overall financial position of the Trust.

At the time of our review the Council and SCT had commenced discussions on the 2024/25 contract sum, but these discussions had not been concluded. The Council has also begun considering the options for investing capital expenditure in the construction or acquisition of assets to be used as a residential children's home, in discussion with SCT, as part of broader plans to reduce placement costs.

The KPIs used to monitor the performance of SCT were being reviewed at the time of our audit, but had not been approved. It is anticipated new KPIs will be in place from January 2024.

Conclusions and recommendations

Following the 2022 Ofsted inspection Sandwell entered a period of 'transition from intervention', but the current statutory direction will remain in place until DfE is assured of the long-term trajectory of sustainable improvement.

Senior stakeholders from the Council and SCT are generally positive about working relationships and the governance arrangements in place, and the Council is now much more effective in its approach to and relationships with the Trust, including more effective contract management. The recent Ofsted inspection of adoption services demonstrates a continued positive direction of travel.

However, there remain some significant challenges in relation to SCT's ability to deliver planned savings and manage its finances within the contract sum, and for both the Council and SCT in wider system and partnership working.

We have made the following improvement recommendations:

- Greater emphasis is required by the Council and SCT on progressing area partnership working, including greater clarity on system leadership.
- The Council should continue to monitor the vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates.
- Realising the planned Invest to Save savings will be critical to the Trust meeting its planned revenue budget and the invest to save payments can be repaid to the Council.

KLOE A2: Sandwell Leisure Trust

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

Background

Sandwell Leisure Trust (SLT) was formed by the Council in 2004 due to underperformance of the in-house leisure service. SLT was contracted via a Management and Funding Agreement (MFA) for a 30-year period: 2004 to 2034. SLT operate all council leisure facilities, other than West Bromwich Leisure Centre, which is operated by Places Leisure under a separate agreement.

At the time of our 2022 review the Council was progressing the establishment of a local authority trading company (LATC) to take over responsibility for leisure provision delivered by SLT.

Our December 2022 report recommended that the Council will need to:

- ensure a business case is produced for the new leisure LATC so that there is a clear financial case for the commercial viability of the new arms' length company.
- be clear how it effectively discharges its role whilst allowing the company the freedoms and flexibilities to operate and to deliver the planned financial and service benefits
- effectively manage the transition of the Aquatics Centre so that it is operational to the planned timescale and that there is a clear business case which sets out how the centre will be managed to become commercially viable and provide financial returns to the Council as part of the leisure LATC arrangements.

KEY FINDINGS

Local Authority Trading Company

At their meeting 9 February 2022, Cabinet resolved to not approve SLT's business plan and to serve notice of termination; this notice was served for SLT's operation of the leisure centres to cease on 1 May 2023. At their meeting 22 June 2022, Cabinet resolved to progress the establishment of a Local Authority Trading Company (LATC) to operate the Council's leisure facilities.

The Chief Operating Officer of the proposed LATC started in role in January 2023, and LiveWell Leisure Limited, the LATC, was incorporated on 6 February 2023 as a company limited by guarantee, with the Council as the sole member. At that time the new LATC was due to commence operations on 1 May 2023.

Business planning was undertaken in relation to the LATC, with the Council engaging Continuum and Prominent Leisure Services to support this work. This included costing the transfer of the Aquatics centre to the LATC and the impact of the closure of the Langley and Smethwick leisure centres.

The Council also progressed due diligence and planning for the overall transfer of service delivery from SLT to the new LATC, including the TUPE of staff from SLT to the LATCO, and contract novation.

Recognising that leisure centres are large consumers of energy, and in the context of UK wide increases in utility costs, the Council decided to pause their plans to better understand the impact of these increased costs. It was established that in 2021 – pre-energy cost increases – that SLT had entered longer-term energy supply contracts, which insulated them from the increases in energy tariffs: gas to September 2026 and electricity to March 2027.

A legal options appraisal was undertaken that identified that the SLT energy tariffs could not be novated to the LATC without significant risk. The cost pressure of losing the fixed tariffs for the nine centres in the SLT portfolio (reducing to seven centres during 2023) was estimated in January 2023 as £3.42m over the next two years. It was also recognised that utility tariff stability is beneficial over the coming three years, given market instability and the scale of Sandwell's leisure estate.

Based on the cost pressure identified, and an improved relationship with SLT, the termination notice with SLT was extended for the period covered by SLT's fixed tariffs; an extension of 3 years and 11 months from 1 May 2023 to the end of March 2027.

A Deed of Variation (DoV) to the MFA with SLT has been agreed to formalise the change in governance arrangements. A key change in the DoV is that any operating surplus achieved by SLT will be retained by the Council rather than SLT. The Council obtained counsel opinion in relation to the Subsidy Control Act 2022 (the replacement to EU State Aid regulations) and, based on this advice, Council officers determined that no subsidy or economic advantage would accrue from the extension to their contract with SLT.

Regular briefings took place with informal Cabinet prior to Cabinet taking the decision to extend arrangements with SLT. Progress continues to be reported, most recently at to the Safer Neighbourhoods and Active Communities (SNAC) Scrutiny Board on 12 Sept 2023 and to Cabinet on 13 October 2023.

SLT amended its Articles of Association that coincided with the DoV. This has resulted in a change to the requirements of the composition of the SLT Board. Previously there was a requirement for a member of the Council to be a board member which has been removed.

KLOE A2: Sandwell Leisure Trust (Cont'd)

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

Relationships with SLT

Our 2021 report noted that relationships between the Council and SLT had broken down. Since our 2022 review there have been changes to some key roles at both SLT and the Council. This includes the departure of the SLT Chief Executive, some changes to the SLT Trustees including a new acting Chair, and the Chief Operating Officer appointed for the LATC has been seconded to the role of Chief Executive at SLT from 1 May 2023 for the duration of the extended contract period. The Council's lead officer responsible for leisure services has also seen a change in personnel.

Senior representatives of the Council and SLT have had their first joint strategy day, which took place in August 2023, and are demonstrating much more effective collaborative working and mutual understanding, for example SLT's understanding of Council funding pressures, and the Council's understanding of SLT's charitable regulations and challenges with their leisure estate.

The Council and SLT are promoting a culture of open dialogue, no surprises, and honest conversations, which if successfully embedded will be a step change from previous relationships.

A shared goal of service transformation has been agreed, which has provided an opportunity to reset the relationship. Stakeholders from the Council and SLT have advised that the culture of the relationship is now one of partnership with more informal contact beyond the formal governance related meetings, with much more effective engagement and, from SLT's perspective, greater clarity on Council lines of responsibility and it will be important that there is now continuity in these Council roles.

SLT Finances

The management funding agreement for SLT has been agreed for 2023/24 of £3.4m. This was based on financial modelling undertaken as part of the annual business planning process and the planning for the new LATC. This included benchmarking, which identified that Sandwell spends more on leisure per capita than neighbouring councils, which is considered to relate to the number of leisure facilities in operation in Sandwell, compared to other councils.

The agreed 2023/24 management fee, whilst lower than the original sum proposed by SLT, is an increase compared to 2022/23 and reflects additional costs relating to the launch of Sandwell Aquatics Centre. The Council's business planning modelled a number of scenarios based on risk and ambition. The £3.4m agreed represented the low-risk scenario, with the medium-risk scenario modelling costs of £2.5m.

We have been advised that SLT is operating marginally under forecast budget in 2023/24, and at the time of this review SLT were agreeing restructure proposals to improve the organisation's commercial experience, alongside ongoing technology and system enhancements, and operational changes, including a review of the leisure estate. To support plans for meeting user number and income targets and improving cash flow.

The Council should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is in line with the Council's MTFP assumptions. Furthermore, the Council should ensure that SLT builds on its more commercial approach and sets out a plan for the timeframe when the Trust's financial position requires no subsidy from the Council.

Governance arrangements

There are monthly contract meetings, quarterly finance meetings, and quarterly operational performance meetings between the Council and SLT. The governance framework has been updated:

- Quarterly Leisure Contract Review Board the strategy forum for the services which will agree the strategic development of the service, based on requirements of Cabinet and SLT Board.
- The Quarterly Finance Reconciliation to review the SLT accounts and commentary from the previous quarter, identify any substantial variances to budget and – in partnership with the Monthly Contract Management Meeting – propose corrective action.
- The Quarterly Property / Estates Update to review property and estates issues including compliance works, planned preventative maintenance, significant defects and energy consumption.
- The Monthly Contract Management the principal forum to support the effective and efficient operation of the service.

The Council has continued to improve its contract management of SLT and the interim CEO of SLT has introduced greater rigour in relation to performance management alongside a greater commercial focus.

KLOE A2: Sandwell Leisure Trust (Cont'd)

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

Sandwell Aquatics Centre

Following the hosting of the Commonwealth Games during the Summer of 2022, the Council became responsible for adapting the Aquatics Centre before it was due to be transferred to the new LATC when it would become open to public use. This formed part of the Commonwealth Games legacy arrangements

Following the hosting of the Commonwealth Games during the Summer of 2022, the Council became responsible for adapting the Aquatics Centre before it was due to be transferred to the new LATC when it would become open to public use. This formed part of the Commonwealth Games legacy arrangements.

Due to the decision to not proceed with the LATC, the aquatics centre was transferred to SLT. The centre opened to the public on 23 July 2023, a week after the centres in Langley and Smethwick closed, providing users of these centres the opportunity to use the new aquatics centre. The Council are considering plans for the disposal or alternative use of the two former leisure centres.

The aquatics centre, at the time of conducting this review, had 4,600 gym members, more 2,000 learn to swim programme members, and 15,500 weekly attendances, which has exceeded forecast KPIs.

The launch outcome demonstrates effective arrangements being in place for project and transition management and pre-sales and marketing activity.

Whilst the aquatics centre is a community resource, its facilities mean that it can be used for national events, for example it is due to host the British Diving Championships in 2024.

Notwithstanding membership and activity following the launch, the current business plan for the aquatics centre forecasts operational losses for its first ten years of operation, of approximately £1m per annum, with some forecast fluctuations over each of these ten years. **The Council must ensure that SLT sets out a clear and deliverable plan to eliminate this deficit.**

Conclusion and recommendations

The Council has demonstrated that it was able to pause and review a key decision in light of changed circumstances. It demonstrated agility in changing its decision to introduce the LATC by extending its contact with SLT, with value for money being a key driver.

Relationships between the Council and SLT have significantly improved, leading to much greater mutual understanding and respect. These relationships, and the new leadership of SLT provide optimism that leisure services in Sandwell are now on an improved footing, which was reflected in the successful opening of the aquatics centre.

The Council must ensure that the more commercial approach of SLT is further developed and there is a clear plan in place so that SLT requires no subsidy, and that the aquatics centre trading losses are eliminated.

. We have made the following improvement recommendations:

- The Council should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is line with the Council's MTFP assumptions.
- The Council should ensure that SLT builds on its more commercial approach and sets out a plan for the timeframe when the Trust's financial position requires no subsidy from the Council, including a clear and deliverable plan for eliminating operational losses at the aquatics centre.

KLOE A3: Providence Place

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

Background

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

In our December 2022 report we concluded that this matter has now been actioned and resolved with improved governance arrangements in place.

This report identified the following improvement recommendation:

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

KEY FINDINGS

Providence Place has now been disposed of to the Department of Levelling Up, Homes and Communities.

The asset management strategy and asset management system are discussed in the Key Recommendations section of this report

Conclusion

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



KLOE A4: SEND Transport

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

Background

The Council's Special Education Needs and Disabilities Passenger Transport (SEND Transport) contract expired at the end of August 2021 and the decision on the new contract award was deferred by the Council's Cabinet at its meeting on 16 June 2021. The contract was retendered, going live on 1 September 2022.

Our December 2022 report concluded that this matter had now been actioned and resolved with improved governance arrangements in place, and made the following recommendation:

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

KEY FINDINGS

Lessons Learned

Lessons learned sessions have been held with Directors and Assistant Directors on the original SEND Transport procurement. These sessions involved key staff from project management, finance, procurement, travel assistance, legal and internal audit teams involved in the initial 2021 and re-run procurement in 2022. In addition lessons learned have been shared with all officers involved in procurement activity, including frequently asked questions.

At the time of our review the Council was preparing for the next SEND Transport procurement, using the governance arrangements put in place for the 2022 procurement and adopting the lessons learned from the 2021 procurement, such as adopting realistic procurement timescales, and has a procurement business partner allocated from the outset, along with a project manager.

Procurement and Contract Management

At the time of our review the Council was reviewing the structures relating to central procurement and contract management resource, as part of the introduction of the Programme Management Office, to replace procurement business partners with category managers, creating a single procurement function to support directorates and a corporate procurement board. A compliance manager is being proposed to monitor procurement activity below £100k which is the responsibility of Directorates. The next SEND Transport procurement has been identified as a pilot for the approach to high value procurements.

Training has been provided to over 170 officers involved in contract management, following the review and updates to the Council's constitution, and contract management procedures and templates are available on the Council's intranet. At the time of our review a new procurement strategy had been drafted by an external consultant pending review by officers, and a review of procurement and commissioning functions was planned as part of the Council's transformation strategy.

Oracle Fusion provides an opportunity for greater standardisation, monitoring, reporting and approval of procurement activity when the procurement module goes live in April 2024. The procurement pipeline is currently maintained on a spreadsheet, and at the time of this review services had been asked to provide details of all planned procurements over the next three years, with the pipeline to be transferred to Oracle Fusion. The pipeline should support the Council's resource prioritisation decisions, to be considered by a new procurement board which is due to be introduced in January 2024.

SEND Transport finances

The SEND Transport budget overpent by £3.836m during 2022/23 and is forecast to overspend by c £2m in 2023/24. This has been explained as a result of demand pressures and complexity of need. [The next SEND Transport procurement should consider how services can be commissioned to manage significant and ongoing budgetary pressures.](#)

Conclusion and recommendations

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

We have made one improvement recommendation:

- The next SEND Transport procurement should consider how services can be commissioned to manage ongoing significant and ongoing budgetary pressures.

KLOE A7: Waste service

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

Background

The waste and street cleansing contract was awarded to Serco in November 2010 for a period of 25 years.

Our December 2022 report recommended:

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

KEY FINDINGS

Finalising plans

Serco's Service Delivery Plan (SDP) for 2023/24 was approved by the Waste Partnership Board in June 2023. The Council have advised that the quality of the plan was much improved on the prior year and the process was more straightforward, with the approval taking place to timescale. Serco have advised that planning for the 2024/25 SDP has already commenced.

Changes to collection policies

In November 2022 Cabinet agreed to introduce a subscription-based service for garden waste collection. A contract change notice was issued to Serco and the new approach was implemented within 4 months of the decision being made. Approximately 40,000 residents have subscribed, with a cost to each household of £35, which is below the national median for councils charging for this service nationally, generating additional income to the Council of £1.4m. The Council will review increases to this charge as part of each year's budget setting approach and is reviewing payment options for residents.

The Council is working with Serco to change the recycling methodology from co-mingled to dual stream recycling, which reduced processing costs. At the same time the Council has established a working group to consider alternate weekly collections (AWC). Should this decision be taken savings have been forecast to be between £4m and £5.4m.

Vehicle replacement

Serco have managed the fleet replacement in three phases, based on the ages of vehicles. The second phase has been progressed, with 19 new vehicles due to arrive for service by January 2024.

Serco, with the Council's agreement, have paused the third phase of vehicle replacement pending the outcome of the AWC and dual waste decision, which could have an impact on the specification and number of vehicles required.

Approximately 40 of the Serco fleet will be electric vehicles following phase 2 and the Council, using climate change related funding, is installing electric vehicle charging infrastructure into the depot used by Serco.

Serco will be required to return the fleet to the Council following the conclusion of the 25-year contract. The Council's financial modelling for the repayment of the cost of the waste fleet includes assumptions on fleet renewal. The model had not been updated to reflect changes to the timing of the fleet renewal, impacting on the associated accounting treatment. The Council's assumptions have now been updated to reflect the current Serco fleet replacement plans and the accounting issue has been resolved.

Waterfall Lane Workshop

The Council has commissioned a review of its fleet which will include maintenance work undertaken at the Waterfall Lane Workshop, which maintains the Council and Serco vehicles. This was delayed by industrial action, and part of its purpose is to confirm to Serco the value for money of the Council's maintenance of the Serco fleet. The Fleet Vehicle Steering Group with Serco will consider the reviews findings in early 2024. Maintenance charges are impacted by the age of vehicles, and charges should reflect the ongoing cycle of Serco fleet replacement. **The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council.**

KLOE A7: Waste service (Cont'd)

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

Industrial Relations

The Serco workforce are members of three trade unions, and those who were members the GMB union undertook strike action between 5 and 30 June 2023, before Serco reached a pay settlement with their workforce. GMB members represent 46% of the Serco workforce in Sandwell. The impact of the industrial action was as follows:

- From 5 June to 20 June Serco were able to maintain refuse and garden waste collections effectively. Residents experienced delays, with refuse typically running a day behind, but collections were not missed.
- From 20 June Serco were unable to issue vehicles from the Shidas Lane Depot due to a picket blockade, which left at around 1pm each day, leaving most of the crews with only 1-2 hours of their shifts remaining. From 20 June to 28 June only garden waste and targeted clearance of high-rise accumulations were undertaken, and street cleansing was also impacted for the first time.
- Following the police clearance of the blockade on 28 June, collections increased 29 June to 1 July with continued collection of garden waste and communal bins, plus some collection of household refuse.
- Will the full workforce returned, refuse, food and garden waste collections were undertaken 3 July to 7 July including the clearance of the refuse backlog. Recycling and bulky waste collections remained stood-down to allow crews to focus on clearance of the backlog of refuse. The backlog of refuse was largely cleared by 9 July.
- From Monday 10 July a full normal service resumed with all commodities being collected.

Both the Council and Serco have commented on the effectiveness of their joint response to this strike, including emergency response bronze group daily meetings, communications to residents, and liaising with the police so that the picket line was legally compliant. This included working to prioritise high risk areas for collection, such as high-rise flats. Garden waste collection continued through the period of the industrial action.

For most of the strike Serco vehicles were able to access the depot and other sites, but for a ten days the depot was blockaded by union activity. This was deemed aggravated trespass and, whilst challenging for the Council and Serco, was resolved by the police who created a silver tactical command group and applied resources to secure access after the Council had confirmed legal title to the entrance.

The Council, Serco and police undertook a debrief following the conclusion of the strike, to share any lessons learned. **The Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated.**

Other Findings

The governance and contract management arrangements reported as part of our 2022 review remain in place, other a decision taken that the Enforcement Liaison Group is no longer required to meet.

The Serco contract for 2022/23 was valued at £31.79m, and this increased by £2.98m for 2023/24 due to inflationary pressures. This increase reduced to £1.09m due to performance penalties imposed on Serco, with the balance of the increase being mitigated by earmarked reserves corporately and at service level.

Conclusions and Recommendations

The relationships between the Council and Serco remain on an upward trajectory, with how they jointly responded to the industrial action a recent positive example. The Council has taken steps to work more effectively with Serco on areas such as collection policies, and Serco has demonstrated a more effective approach to the annual service delivery planning process.

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

We have made the following improvement recommendations:

- The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council.
- The Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated.

KLOE A8: Governance and Legal Support to the DPH

The purpose of this KLOE was to consider the Council's governance and decision-making arrangements relating to the alleged harassment of the Director of Public Health (DPH) by an external blogger, and the governance arrangements relating to the introduction of a local contact tracing service and changes to shielding arrangement during Summer 2020.

Introduction

Our findings relating to this KLOE were uncoupled from our 2021 report and were reported separately in October 2022. This meant KLOE A8 did not form part of our 2022 follow up review.

Unlike the other KLOEs, KLOE A8 had a particular focus on the governance arrangements relating to one director of the Council.

Our improvement recommendations in relation to this KLOE were:

- Should the Council find itself in a similar scenario in the future, it would be prudent to obtain external legal advice on the specific circumstances under consideration, before any final decision on an indemnity is made.
- The Council should make various changes to its management arrangements relating to its social media policy and the arrangements for monitoring and managing social media activity, introduce a policy for working with local MPs, and confirm arrangements relating to media interviews.
- To review the Emergency Plan to ensure that change following the demise of PHE are reflects and ensure all relevant COVID-19 communications from local MPs and DHSC should be promptly forwarded to the DPH should it be evident that the DPH has not received them directly.
- Ensure decisions made to introduce new services, or materially changing existing services, are properly reflected in the minutes of the body responsible for making such decisions.
- Any future lessons learned reviews undertaken by the Council should be undertaken in a collaborative and transparent way with the key stakeholders concerned.
- The Council should review its processes and decision-making arrangements following a change in government guidance or policy to ensure that local updates are made in a timely manner.

KEY FINDINGS

The officer in the role of DPH at the time of our original review left the Council in December 2022. However, our recommendations related to the organisation and did not relate to this specific individual. We set out our findings below on progress made by the Council on these recommendations.

Social Media, Media and Local MPs

The Council's social media policy was reviewed, updated and re-published in August 2023. The policy is now jointly managed by the Council's Communications and HR teams. The revised policy:

- Provides greater clarity and guidance on social media for personal and professional use, including recommend Council employees keep their personal and professional use of social media separate. The policy also advises Council employees not to use their personal social media accounts to share professional advice or opinions.
- Now contains content on cyberbullying, what actions people need to take if they experience this, the support the Council will provide in such circumstances, and signposts to additional external guidance.
- Provides clear expectations for Council employees and councillors on appropriate social media use, in particular in relation to leaking information to outside persons for the purpose of criticising, abusing or professionally undermining officers on social media platforms.
- Is clear that failure to observe the standards of conduct set out in the policy may result in disciplinary action.

The revised policy was communicated to all staff and is available on the Council's intranet. We have been advised there has been one breach of the new policy and that arrangements were in place to identify and manage the incident.

Members use of social media continues to form part of the Members Code of Conduct. The social media policy for members was revised and updated by the Ethical Standards and Member Development Committee on 22 March 2022 with minor changes. Social media training has been provided, with 25 members attending training in December 2022.

KLOE A8: Governance and Legal Support to the DPH

The purpose of this KLOE was to consider the Council's governance and decision-making arrangements relating to the alleged harassment of the Director of Public Health (DPH) by an external blogger, and the governance arrangements relating to the introduction of a local contact tracing service and changes to shielding arrangement during Summer 2020.

Social Media, Media and Local MPs (Cont'd)

Arrangements in relation to media interviews have been strengthened, with the role of the Council's communications team re-emphasised, which has brought greater control to the Council's management of requests from media for interviews, and the communications team being made aware of all interview requests.

A policy for working with local MPs forms part of the Council's improvement plan, but **has not yet been introduced** and we have been advised forms part of the plans to refresh the Council's overall communications strategy. Council Directors offer briefings to local MPs and interactions with MPs are discussed by the Council's leadership team. Overall, relationships with local MPs are managed by the Council's Chief Executive who has quarterly meetings with MPs. [A protocol for working with MPs was an improvement recommendation in our previous report and the Council should conclude its plans to introduce this protocol, and associated guidance.](#)

Emergency Plan and COVID-19 Communications

The schedule of contacts used by the Local Resilience Forum has been updated to include those relating to the UK Health Security Agency following the demise of Public Health England. The Council's Emergency Plan is due to be updated in 2024 as part of its regular review cycle, and this will include updating the names of government agencies and departments in the Plan.

The DPH role is currently held on an interim basis and the Council is recruiting to a permanent role. The job description for the new permanent DPH has been reviewed and updated to make clear that, whilst the DPH will have a key role within the Council's corporate resilience, emergency planning and business continuity arrangements, and will perform duties allocated to the post in Emergency Plan and Business Continuity Plan or allocated to by the Chief Executive. The expectation of the Chief Executive is the DPH will not have autonomy in their external communications including with local MPs.

Approach to providing legal support to officers

The Council recognises that it has a duty of care for its staff, including where they may be subject to harassment via social media or cyberbullying. The Council has advised that they have considered potential cases since our last review and, whilst the officers concerned did not request legal support, the Monitoring Officer judged that the threshold for defamation was not met. The Monitoring Officer will continue this role, where other incidents occur.

Governance relating to new or changed services

The Council has advised us that the scenario identified in our previous report has not occurred again. At the time of our review business planning workshops were taking place and we have been advised that these will consider responsibilities for ensuring that decisions relating to new or materially changed services are properly reflected in the minutes of the body responsible for making such decisions.

Lessons learned reviews

The Council has advised us that no lessons learned reviews have been undertaken that are of a similar nature to the one considered in our previous report, but should this be the case the Chief Executive will ensure that it will be undertaken in a collaborative and transparent way with the key stakeholders concerned.

More generally, the Council has introduced a lessons learnt template as part of its service and business planning process. This has been designed as a tool that can help to document the knowledge obtained from a piece of work or project. The template includes guidance on when lessons learnt reviews should be undertaken, and how lessons can be learnt and shared.

Changes in government policy

The Council has advised us that the scrutiny of decision making, and the decision-making thresholds in place, should ensure that any future changes in government policy or government guidance in the context of emergency or major incident response, will ensure that local updates are made in a timely manner. The Council has also confirmed that appropriate processes are in place in relation to business continuity planning, emergency planning, and working with the Local Resilience Forum.

Conclusions and recommendations

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

We have made the following improvement recommendations:

- The Council should conclude its plans to introduce a policy for working with local MPs and associated guidance.

KLOE A10: Introduction of new ERP System

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

Background

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

Our December 2022 report recommended:

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

KEY FINDINGS

System Implementation

We have undertaken a separate high-level review of Oracle Fusion implementation as part of our 2022/23 VfM work. This scope of this review included data migration, go live planning, security, training, system and user acceptance testing, business readiness and governance structures budgets and resource plans. The findings from this work will be reported separately, and are summarised here.

The Council has continued to pay careful attention to the Oracle Fusion implementation, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up during the year to fill identified roles alongside ring fencing Council staff to assist with implementation tasks.

Due to delays in finalising the design specifications of HR and payroll the Oracle Fusion Steering Committee has taken the decision to split the programme into two phases in order to ensure there is sufficient time to perform the build and system testing stages:

The two phases comprise:

- Phase 1 includes finance, procurement and core HR functionality to support finance processes. This is due to go live from April 2024.
- Phase 2 includes payroll, HR, expenses, absence, time and labour modules. This is due to go live by the end of June 2024.

The phased approach will lead to increased costs due to the additional resources required to deliver phase 2 and these need to be accurately reflected in the project budget and monitored. However, the phased approach increases the likelihood of the Council successfully implementing phase 1 by April 2024 and priority should be focussed on delivering this phase to avoid further delays.

The Council has introduced a more robust and appropriate governance arrangements which has provided improved connections between the Programme Board, process workstreams and cross-cutting groups such as data migration. The Steering Board receives fortnightly reports on workstream progress, risks and issues to actively challenge the Council's implementation partner, project management and workstream leads.

This separate review has made a number of recommendations:

- The Council needs to extend the licences and associated support for both Oracle EBS and Fusion as they are due to expire in April 2024 and October 2024 respectively. The timing of extensions needs to be based on accurate user forecasts. Future cost savings could be made if a rebalancing clause is introduced into the Oracle contract.
- The Council currently has no capability to manage user roles and identify segregation of duty breaches. The Council should acquire a risk and compliance tool to monitor the appropriateness of security privileges rather than the current use of spreadsheets. A review to identify segregation of duty conflicts should be factored into the overall project timescale. Oracle Risk Cloud or a similar monitoring tool should be implemented before the go live date
- The Steering Committee should challenge any change that affects the overall cost, resources and timelines for phase 1 go live.
- The Steering Committee should continue to evaluate the progress of designing and testing custom reports across each functional areas to ensure progress remains on track.

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

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

System Implementation support (Cont'd)

- The Council should review the mix of training sessions to be delivered to ensure that key user and professional user training is not over reliant on the user performing their own learning through on-line modules and self-study. The timing of the training should be brought forward to allow sufficient time before go live.
- While efforts are being made to meet the phased go live dates, the programme needs to outline the contingency plans in the event further slippage occurs. It is critical that the Steering Committee monitors missed milestones and challenge the likelihood of recovery time.

Given high the high-profile issues experienced by other councils, such as Birmingham City Council, in relation to their Oracle Fusion implementation, **the Council must ensure that it responds effectively to these recommendations set out in our separate Oracle implementation report.**

Oracle Fusion Benefits

Strategic objectives have been agreed and initial work has been undertaken to define high level benefit targets, which have been reported to the Programme Board. Benefits were reviewed and updated at the end of the design stage to ensure they were measurable. Change and learning and development leads continue to work with working group leads and service users to finalise the planned non-financial benefits.

Financial benefits are being defined separately via a Heads of Service working group. At the time of our review initial assumptions had been made on the key changes that will trigger financial benefits. Whilst the Council's base budget assumes £250k of savings resulting from the implementation of Oracle Fusion, further work is required to fully define financial benefits and incorporate them in the Council's MTFP. The Council plans to conclude this for phase 1 by the end of January 2024, and for phase 2 by the end of March 2024.

The Council's investment in Oracle Fusion provides a significant opportunity to transform organisational design, streamline business processes, remove duplication, improve productivity and generate efficiencies and savings. **Oracle implementation must be used to realise clearly financial and non-financial benefits and it remains critical for the Council to conclude its work in defining these, and that those selected are measurable and can be effectively tracked.**

Alignment with Corporate Transformation

Key officers on the Oracle Programme Board also sit on the Council's Transformation Board, with both boards considering interdependencies between their respective areas of responsibility. As already discussed, the Council is introducing a new project management system which plans to take account of the changes that will take place as a result of implementing Oracle Fusion.

At the time of our review the Council was considering new governance arrangements to ensure that all ICT investments have more effective corporate oversight, with the introduction of an ICT approval panel. This should also ensure a better alignment between ICT investments and the Council's transformation activity.

Conclusion and recommendations

The Council has continued to pay careful attention to the Oracle Fusion implementation, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up during the year to fill identified roles alongside ring-fencing Council staff to assist with implementation tasks.

However, there have been further delays and associated increased costs resulting in the decision to phase the go live dates.

The risks associated with poor and ineffective implementation remain significant. The Council must ensure that:

- It responds effectively to the recommendations set out in our separate Oracle Fusion implementation report before the go live date.
- Work on defining financial and non-financial benefits, and that benefits identified and agreed are measurable, and can be effectively tracked and the transformational opportunities of the new system are fully realised.

KLOE B2: Senior leadership

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

Background

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

Our December 2022 report concluded that 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.

This report further noted that 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.

KEY FINDINGS

Senior Management Restructure

The new Chief Executive started in role in January 2023, and following a review of the Council's senior leadership, which was supported by West Midlands Employers, proposed a restructuring of senior management, which was approved by the Chief Officers Terms and Conditions Committee on 11 October 2023, and approved unanimously by full Council on 24 October 2023. The proposals will:

- Reduce the number of Director posts from eight to three with the creation of three new Executive Director posts: for People, Place, and Finance and Transformation.
- Designate the post of Assistant Director (Law and Governance) as the Council's Monitoring Officer and Deputy Electoral Registration Officer (both currently held by the post of Director of Law and Governance) with this new role reporting to the new post of Executive Director of Finance and Transformation.
- Designate the new post of Executive Director of Finance and Transformation as the Section 151 Officer, and Senior Information Risk Owner (SIRO).

The posts of Director of Public Health, Director of Children and Education and Director of Adult Social Care will retain their statutory designation.

The five Director roles to be deleted are Finance, Housing, Law and Governance, Borough Economy, and Regeneration and Growth.

The rationale for the restructure is positive, which includes bringing in strategic leadership capacity, reducing the number of Directorates and delayering the number of Director roles to reduce silos and hierarchies, improve joint working and decision making across service lines to accelerate the pace of the implementation of the Council's improvement plan.

At the time of our review the consultation process with officers affected by the restructure had concluded, and the Council was advertising the new Executive Director roles. Appointments of the new Executive Directors are expected to be made in early February 2024. There are expectations that, following the embedding of the planned senior leadership changes, the new Executive Directors will review the management layers in their directorates.

Two of the five Directors (Finance and Housing) impacted by the change had already left the Council with interims currently in these roles, with the other three either being made redundant or having an opportunity to apply for an alternate role. The changes now in train will undoubtedly lead to a period of uncertainty and instability for the Council, and could impact over the short-term on the pace of change.

We have been advised that the officer taking over the Council's Monitoring Officer role will be invited to attend meetings of the Senior Management Team and fortnightly statutory officer meetings will be introduced, comprising the Chief Executive, Monitoring Officer and S151 Officer, along with the Assistant Chief Executive. **The Chief Executive should ensure that the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis.**

KLOE B2: Senior leadership

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

Senior Management Restructure (cont'd)

The table below summarises the senior management arrangements in place at the time of our previous review, compared to the time of our current review, and in advance of the conclusion of the senior management restructure. Whilst the Council now has a permanent Chief Executive in role, and has a new Assistant Chief Executive, the table highlights changes that have taken place during 2023 to wider senior management roles, resulting in an increase in interim roles during the period the restructure is taking place.

Role	As at Nov 2022		As at Nov 2023		Comments
	Permanent / Interim	Leaving Date	Start Date	Permanent / Interim	
Managing Director / Chief Executive	Interim	Still Lead Commissioner	06/02/2023	Permanent	
Assistant Chief Executive	n/a	n/a	25/09/2023	Permanent	New role created in April 2023
Director - Adult Social Care	Permanent	n/a	n/a	Permanent	
Director - Public Health	Permanent	28/02/2023	01/03/2023	Interim	
Director - Law & Governance / Monitoring Officer	Permanent	31/12/2023	n/a	n/a	Post to be made redundant as part of restructure
Director - Finance	Permanent	31/08/2023	11/09/2023	Interim	Post to be made redundant as part of restructure
Deputy Director of Finance	Permanent	15/09/2023	18/09/2023	Interim	Officer acting up and additional support from interim.
Director - Business Strategy and Change	Permanent	24/01/2023	n/a	n/a	Assistant CEX role created to take on some of the responsibilities of this director post; Transformation and ICT remain with Director - Finance
Director - Housing	Permanent	06/09/2023	07/09/2023	Interim	Post to be made redundant as part of restructure
Director - Borough Economy	Permanent	n/a	n/a	Permanent	Post to be made redundant as part of restructure
Director - Regeneration & Growth	Permanent	n/a	n/a	Permanent	Post to be made redundant as part of restructure
Director - Children's Services	Permanent	n/a	n/a	Permanent	
Assistant Director - Legal & Assurance, Deputy Monitoring Officer	Permanent	n/a	25/09/2023	Permanent	Acting Up as Monitoring Officer

KLOE B2: Senior leadership

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

Senior Management Restructure (cont'd)

The introduction of new senior officers not previously in roles at the Council, including those in interim roles, can be helpful by introducing new perspectives. Senior stakeholders commented during our review on the positive impacts of the new appointments, in particular the new Chief Executive, and the improvements introduced by those new to role. This has included identifying and introducing improvements to procurement arrangements in housing services, and a more effective engagement of members in the financial planning process.

Nonetheless, the changes to senior management, including the introduction of interim Directors, is a prelude of the instability and uncertainty resulting from the significant changes planned by the senior management restructure. **The Council will need to manage the risk of change fatigue and resistance, the loss of corporate memory, and the retention of key staff during this period of change.** The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure.

Conclusion and recommendations

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

The success of the appointment of the new Executive Directors and the Council's ability to manage this period of change and uncertainty will be critical for the Council if it is to successfully continue on its improvement journey.

We have made the following improvement recommendations:

- The Council will need to manage the risk of change fatigue, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure (key recommendation).
- The Chief Executive should ensure that the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis. (Improvement recommendation)



KLOE B4a: Officer and member relationships

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

Background

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

Our December 2022 report made the following improvement recommendations:

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

KEY FINDINGS

Due to the nature of the recommendations arising from our 2022 review we have structured the key findings from our follow up review as follows:

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

Member and officer relationships

The LGA’s corporate peer challenge progress review, undertaken in October 2022, and reported to Cabinet on 7 December 2022 found:

- Much greater stability can now be seen in the council, both politically and managerially.

- The Leader received glowing endorsements during LGA discussions with stakeholders both internally and externally. People particularly highlighted her inclusive and supportive approach. She is seen to be a Leader for Sandwell who is engaged in all the right places – internally, locally, sub-regionally and nationally.
- Cabinet and Leadership Team are working increasingly well at both a bilateral and collective level. At the heart of this sits a ‘no surprises’ principle. Cabinet members outlined to us that they now feel much better appraised of emerging issues and senior officers indicated a greater confidence in drawing elected members’ attention to challenging issues.
- Cabinet is forming well and demonstrated a strong sense of ‘team’, appropriately balancing the respecting of individuals’ areas of responsibility with ensuring collective understanding, responsibility and decision-making.
- The managerial Leadership Team has settled following its’ completion but now has to become central to a ‘One Council, One Team’ approach and driving key organisational-wide agendas. These include improving customer service and establishing the desired organisational culture.
- External partners within the sub-region are seeing the council now being much better engaged.

During our review senior stakeholders echoed these LGA findings, including advising that they experience a much greater level of stability in relationships, with a focus of political discussions on the present and future rather than on past issues.

The Council continues to proactively engage in regional bodies, such as the West Midlands Combined Authority (WMCA) including being a member of the WMCA Race and Equalities Task Force and the Council Leader is the WMCA lead for community cohesion.

The new Chief Executive has invested significant time in developing relationships with the Cabinet and wider members, and has a mantra for the organisation that the Council is member-led, officer-driven and customer-focussed. The weekly joint leadership meeting between the Cabinet and the Senior Leadership Team is considered to be working effectively. Senior members have gained experience in their roles, have a clear sense of their priorities, have gained confidence in how to appropriately challenge officers, and a healthy respect is emerging between senior officers and members, with officers respecting manifesto priorities. These improvements will need to be sustained.

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

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

Member and officer relationships (cont'd)

The Cabinet has demonstrated its ability to take tough decisions, such as the introduction of charging for garden waste (see KLOE A7) and on the Brandhall site decision (which is discussed below).

There had been a low response rate to the member-officer relationship survey launched in April 2023. A wide range of channels was used to communicate survey to members, however, the low response has explained as being due to the timing of the survey, which was during the pre-May election period.

There continues to be a 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. *This maturity of relationships will need to continue, with further difficult decisions inevitably being required, and this approach must be sustained following future changes to those in senior officer or senior member roles.*

Brandhall Scrutiny Call In

The Cabinet at their meeting on 20th July 2022 approved plans for the building of a primary school, 190 homes and a public park on the site of the former Brandhall Golf Course. This decision was subject to a call-in notification, in line with the Local Government Act 2000, which was considered by the Budget and Corporate Management Scrutiny Board on 8 August 2022. Cabinet considered the Scrutiny Board's recommendation at its meeting on 17 August 2022, which resulted in officers being requested to update their report which led to the original decision. A further report and associated options were considered by Cabinet at its meeting on 16 November 2022. Cabinet was required to consider amending the original decision, or not, before adopting a final decision. Cabinet agreed to implement their decision as determined on 20 July 2022. Call-in powers provide a mechanism for councillors to intervene when they feel that a decision being made by the executive needs to be revisited (or possibly changed). It provides a key check and balance in the leader and cabinet system of governance. Whilst this power should not be one used as part of the day-to-day approach to scrutiny, the Council had not had an effective track record of using scrutiny call in powers at the time of our original 2021 review.

The Brandall golf course site provides a recent example of the Council effectively managing this key scrutiny mechanism. This also provides an example of Cabinet being able to take difficult decisions. More generally, we have been advised that the Council's scrutiny function now has a greater involvement in pre-decision scrutiny.

Member development and behaviour

Following the May 2023 local elections, approximately a third (21) of members were new to the Council, and all have been offered participation in the induction programme. The member development programme has continued during 2023 and is regarded as being far more comprehensive and effective than prior member training programmes, which is reflected in the results of a member survey, with 98% of respondents stating the effectiveness of the training had been good or very good. Training has been provided on the code of conduct, decision making and Council procedure rules, public speaking skills and overview and scrutiny. The programme included a showcase day with senior officers, providing training on the code of conduct, scrutiny, licencing, planning, finance and equalities and diversity.

There is no evidence of factional infighting within political groups, and those who were not re-elected in May 2023 have not subsequently made their presence felt on the affairs of the Council. Key stakeholders described the Council as having moved to a more "normal" state of politics that would be expected in local government. Member behaviours continue on a positive trajectory, and there is evidence of zero tolerance of bad behaviours being effectively enforced.

Consideration is now being given to succession planning for members in senior roles, such as the introduction of a second (non-statutory) deputy leader, and ensuring they have had appropriate training, including shadowing opportunities. The Leader is exploring a skills audit to inform those with Special Responsibility Allowance (SRA) roles. A shadow Cabinet, comprising members of the opposition, is being introduced that will shadow the portfolios of the Cabinet, and provide an additional level of scrutiny and challenge, with a protocol developed to set out clear expectations on how this arrangement will work. Cabinet has introduced a fortnightly drop-in session for other members to attend. These are all positive steps being taken and demonstrate an increasing maturity of the Council's political leadership. *Whilst pathways are being put in place for succession planning, further work is required to conclude these plans, including the provision of appropriate training and development so that these changes become fully embedded.*

KLOE B4b: Performance management and other matters

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

Member Development and Behaviour (Cont'd)

Personal Development Plans (PDPs) were due to be created for all members to ensure their development is bespoke to their individual needs. Some progress has been made, but take up has been lower than anticipated (at c 30%) with member capacity considered the primary reason for this. *The Council should conclude the member PDP roll out, and in particular ensure these are in place for members who are in positions of special responsibility or are aspiring to hold such roles*

Financial benchmarking

Financial benchmarking has been used to support the 2024/25 budget setting process, including the use of LGA Inform as part of the Cabinet and Leadership Team away days, and there is evidence of an increased appetite from Cabinet, services and directorates to access and use financial benchmarking to better inform decision making, alongside recognition of the learning opportunities from other councils.

This is a positive direction of travel, and the Council should continue to champion, invest in and utilise financial benchmarking in its service and business planning.

Performance Management and KPIs

The Performance Management Framework has been discussed in the Key Recommendations section of this report, which set out progress being made.

The Council is considering investment in a performance management system, to move away from the current spreadsheet-based approach, and improve recording and reporting of performance. *The Council should develop a business case for a performance management system, to appropriately consider this investment.*

Medium term financial planning

This has been discussed in the Key Recommendations section of the report.

KLOE 4 Overall conclusions and recommendations

The Cabinet and Leadership Team are continuing to work well both collectively and via their individual Director and Portfolio Lead roles. There continues to be 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 Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning and transformation there still remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this, given financial and other challenges ahead.

Whilst positive progress continues to be made, the Council remains on an improvement journey, and we have identified the following improvement recommendations:

- This maturity of senior officer and member relationships will need to continue, with further difficult decisions inevitably being required, and this approach to must be sustained following future changes to those in senior officer or senior member roles
- Whilst pathways are being put in place for succession planning, further work is required to conclude these plans, including the provision of appropriate training and development so that these changes become fully embedded.
- The Council should conclude the member PDP roll out, and in particular ensure these are in place for members who are in positions of special responsibility or are aspiring to hold such roles.
- The Council should develop a business case for a performance management system, to appropriately consider this investment.

KLOE B5: Standards Committee

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

Background

Our original review considered the appropriateness of the work undertaken by the Ethical Standards and Development Committee. Our December 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We recommended that 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.

KEY FINDINGS

Complaints

At the Standards Committee meeting on 24 October 2023 eight complaints were reported. Seven were complaints from members of the public and one was anonymous. Of these, six were determined as no breach of the Code of Conduct or the complaint did not relate to the Code, one was withdrawn and one was still being reviewed. One of the eight related to a breach of the Code that related to not declaring an interest, which was resolved locally and resulted in training for the relevant councillor.

The Standards Committee has not had to convene its sub-committee to consider standards of member behaviour, and it is notable that the complaints have not been received from officers or members. This indicates an ongoing improvement in member-to-member and member-to-officer relationships. The current level of complaints does not indicate any underlying issues that need to be resolved.

Other Findings

The Member Code of Conduct is reviewed annually and the next review is due by the end of the 2023/24 municipal year. We have been advised that other councils (Telford and Nottingham) have adopted/adapted the Council's Code, which reflects positively on the Council's approach.

The member development programme continues with a review and lessons learned being incorporated from the previous programme, and the LGA Mentoring Programme for members is ongoing.

The Standards Committee oversees the member development programme, member induction programme and code of conduct issues. It has an established work programme that also includes gifts and hospitality, member DBS checks and member personal safety.

The Chair of the Committee remains committed to a process of continuous improvement and has demonstrated positive commitment to their role and ensuring the effective operation of the workings of the committee.

Conclusion

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

KLOE B6: Audit Committee

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

Background

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

Our December 2022 report concluded that 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 report noted that a final decision needs to be made by the Leader before this matter can be considered formally closed.

KEY FINDINGS

The Audit and Risk Assurance Committee, at its meeting on 5 June 2023 considered a letter from the Leader to the Committee Chair (dated 23 March 2023) setting out a response to the Committee's resolution made at its meeting of 17 March 2022.

The Leader's letter included decisions taken to improve the Council's approach to equality, diversity and inclusion (EDI) and associated culture change. This has included establishing an Equality Commission and a new Equalities Team, approval of a new Equality Policy, adoption of the LGA Equality Framework, the implementation of a new EDI Strategy, updated guidance on equality impact assessments and the delivery of various EDI events and initiatives to raise EDI awareness and celebrate the Council's and community's diversity.

The Audit and Risk Assurance Committee has agreed that this matter is now formally closed.

Conclusion

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



KLOE B7: Financial reporting

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

Background

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

Our December 2022 report recommended:

- The Council's procedures for the production of its financial statements require significant improvement. We note that there are a number of legacy issues from prior years that are undermining the quality of the financial statements. We consider that this needs to be an area of priority for the Council. Until these matters are resolved there will remain some uncertainty over the Council's financial position
- The Council must successfully implement the new corporate asset management system, to timescale, ensure all key finance roles have permanent appointments, and prioritise the training and development of the Finance Team so that the role and behaviour changes planned become embedded.

KEY FINDINGS

CIPFA Financial Management Reviews

During 2021 CIPFA undertook a review of the Council's financial management performance, using the CIPFA Five Star FM Model. This model considered various aspects of financial management such as delivering accountability, supporting performance and enabling transformation. These were then rated across a number of management dimensions (leadership, people, process and stakeholders). CIPFA provide an overall star rating between one and five, with five being the highest. The original review, which reported in January 2022, gave an overall rating of 2 for the Council and the Council incorporated CIPFA's recommendations into the Council's Improvement Plan when this was developed later that year.

The Council asked CIPFA to undertake a follow up review, to consider progress against the recommendations made in their initial review. This was reported in December 2022, and CIPFA noted improvement in most areas, with the overall rating increased to 3. Positive progress included that finance is seen as a key function and priority, an improved MTFs and budgetary processes, and greater coherence on a programme for financial reform.

CIPFA also noted areas for improvement including the need for:

- Greater leadership depth in finance
- Strong and robust savings plans.
- Greater stability in finance staff, less reliance on interims, and protection of corporate knowledge
- Improved financial acumen across the wider Council and wider training be provided
- Cross-authority alignment of risk
- Oracle Fusion to drive streamlining of process.
- An improved ability to provide information in a timely and satisfactory manner to external auditors.

The Council has incorporated the recommendations from CIPFA's follow up review into the Improvement Plan. **The Council should ensure that these CIPFA recommendations are fully implemented.**

Financial statements

Our most recent Audit Findings Report, from August 2023, provided an update on the 2020/21 accounts, and the resolution of material errors and other accounting issues that had contributed to the delay in the opinion on these accounts. The 2020/21 accounts were signed off on 31 August 2023.

There remain significant delays in the Council providing appropriate draft accounts for the periods 2021/22 and 2022/23 and there is significant risk that, should the Government confirm 31 March 2024 as the backstop deadline for opinions to be signed for all backlog accounts up to and including 2022/23, that Grant Thornton will need to issue qualified or disclaimed opinions for one or both these years.

Whilst an interim financial accountant is now in role to support the accounts process, we have still not seen evidence of improvement in the overall capacity and capability of the Council's finance team in relation to the production of draft accounts.

KLOE B7: Financial reporting (cont'd)

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

Financial Statements (cont'd)

Whilst we note that further actions have been taken over the past twelve months to address our concerns, and the finance team have most recently been prioritising their focus on the 2024/25 budget, the Council's procedures for the production of its financial statements still require significant improvement. As at 6 December 2023 we had not been provided with the draft financial statements or working papers for the 2021/22 financial statements. This remains an area of priority for the Council, including managing the recruitment challenges that have been experienced. Until these matters are resolved there will remain some uncertainty over the Council's financial position. **The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production.** If the 2021/22 accounts are not made available for audit by 31 December 2023, or are of poor quality we will need to consider the further use of our statutory powers.

Financial systems and finance team

The Director of Finance left the Council in September 2023 and has been replaced by an interim whilst the recruitment of a permanent replacement takes place. The Deputy S151 Officer also left the Council in September 2023.

Whilst the former Director of Finance advised us that their restructure of the finance team was concluded, as noted above, we have still not seen an improvement on the Council's production of its financial statements. In general, we note that there still appear to be a large number of interims in the finance team, including the current S151 officer. This reduces the overall effectiveness and corporate memory of the finance team and should be resolved at the earliest opportunity.

The Interim Director of Finance is considering the structure and resourcing of the finance department, and as part of this they **should review finance team capacity, capability and training needs to ensure they meet the needs of the organisation, including implementing the recommendations of the CIPFA follow up Financial Management review.**

As already discussed in the section of this report on KLOE A3, a new asset management system (Techforge) is being implemented with phase 1 to go live in December 2023 and will be used alongside Oracle Fusion when this is in place.

Phase 2 of the asset management system implementation includes consideration of modules relating to capital accounting, and a fixed asset register, to support accounts production. An initial meeting is due to place in January 2024 to agree workstreams, leads and timescales for this phase.

The Council must ensure a successful implementation of phase 2 of the new asset management system, including effective alignment with Oracle Fusion, so that the benefits planned to support accounts production are realised.

Oracle Fusion provides an opportunity for the Council to improve its arrangements for budget monitoring, rationalising the structure of its chart of accounts to align to the planned new directorate structure, creating a more effective monitoring of planned savings, and having a "single version of the truth" on the Council's financial position.

We have set out improvement recommendations in relation to Oracle Fusion in section KLOE A10 of this report.

Conclusions and recommendations

The CIPFA follow up Financial Management review identified improvement across various areas of financial management, but significant progress remains for the finance team to become fully effective. In particular, the Council's procedures for the production of its financial statements still requires significant improvement.

We have made the following recommendations:

- The Council should ensure that all recommendations from CIPFA's follow up review are fully implemented.
- The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production.
- The Interim Director of Finance should review finance team capacity, capability and training needs to ensure they meet the needs of the organisation.
- The Council must ensure a successful implementation of phase 2 of the new asset management system, including effective alignment with Oracle Fusion, so that the benefits planned to support accounts production are realised.

KLOE B8: Engagement with residents and community stakeholders

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

Background

Whilst not a key line of enquiry for our original 2021 review we agreed with the Council's management as part of our 2022 review to consider how the Council engages with residents and community groups to supplement our understanding of the Council's improvement journey.

Our December 2022 report concluded that 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 report made the following recommendation:

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

KEY FINDINGS

Resident engagement

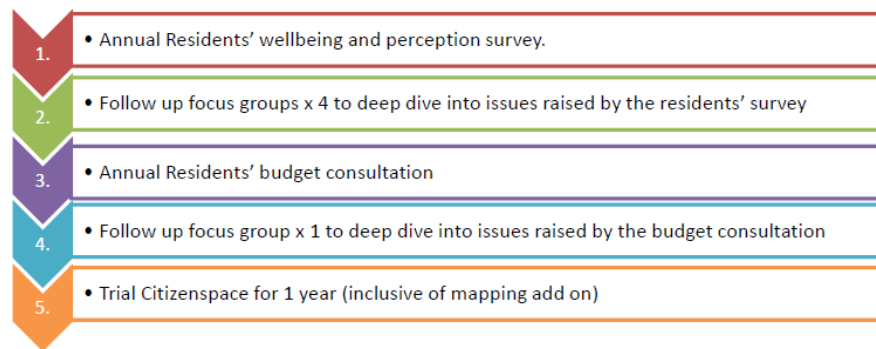
The Council undertook its first residents' survey in 1988 but had only occasionally repeated this exercise, the last time being in 2017 to support development of Vision 2030. Regular consultation on budgetary plans had not been conducted with residents since 2010 although annual consultation is carried out with non-domestic rate payers. Such major surveys are a critical element of an effective performance management framework and when undertaken regularly provide vital trend information.

Recognising the benefits of resident engagement during 2022 the Council commissioned Enventure, a market research agency, to conduct a borough-wide residents' survey to support evidence-based policy, service delivery and performance management, and also a separate budget consultation exercise. The Leadership Team at its meeting of 22 November 2022 considered the findings and felt that the results of the residents survey and budget consultation had a constructive impact on the Council.

The Leadership Team recognised that positive feedback boosted staff morale, and provided learning opportunities and a direction of how the Council could improve. The findings from both exercises provided a foundation of 2023/24 business planning.

The Leadership Team committed to building on this approach and approved proposals for a corporate approach to consultation and engagement.

The Council established a corporate consultation and engagement working group with cross directorate representation to develop a council-wide approach to resident consultation and engagement. This group mapped existing customer research, intelligence and engagement from across the Council and undertook research into best practice from other councils. The following framework was developed and approved by the Leadership Team:



Citizen Space has been introduced to the Council's website, a new consultation hub where residents can subscribe to news on Council consultations and other engagement activity, and a section called "we asked, you said, we did" which provides updates on the outcomes of how consultation and engagement activity informed Council decisions.

Between April and September 2023 2,628 individual survey responses were completed, across 47 surveys relating to nine directorates. The highest responses were from residents on the areas that have universal impact, such as traffic enforcement, litter and safety. The Council is starting to use the Citizen Space to collect feedback on customer satisfaction, and the Council is using the data to consider how services can be improved.

The Council produced a State of the Borough report in August 2023, as part of the wider discussions and consultation to refresh Vision 2030 (which was produced in 2017). This included insights from the most recent budget consultation and children and young people SHAPE survey.

KLOE B8: Engagement with residents and community stakeholders

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

Resident engagement (cont'd)

The Council commissioned MEL Research to undertake a Resident Wellbeing and Perception Survey during Autumn 2023. The key findings were:

- Overall satisfaction with the Council was 65%, with 19% being dissatisfied. The Local Government Association (LGA) benchmark is 60% satisfaction, so the Council was performing above this national benchmark. In 2022, resident satisfaction was 66%, so there has been a slight decline over the last year.
- 67% of respondents to the survey said that they trust the Council. The LGA national benchmark as 56%. There was no change to the 2022 survey which also resulted in the level of trust in the council being 67%.

The Council now recognises the importance of regular resident engagement, has introduced a framework and other arrangements that demonstrates its commitment, and is using the findings to support greater corporate focus on service quality and customer outcomes.

Wider community engagement

The Council has held two cost of living summits with key public sector partners, business ambassadors, and representatives from faith and community groups, to discuss how people of Sandwell can be supported. This is an example of the Council now taking a lead locally on national issues affecting their communities and partners.

Conclusion

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

The Council should continue to build on the progress that has been made in engaging with residents so that it continues to support greater corporate focus on service quality and customer outcomes.



Appendices

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

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Appendix B: Improvement recommendations

This summarises our improvement recommendations relating to our 2022 key recommendations.

#	Improvement recommendations	Page #
	Improvement Plan	
1	The Council has not yet concluded introducing a “golden thread” that aligns corporate plans to individual’s annual performance reviews, and this approach should be progressed to include the behaviours set out in the One Team Framework, so that expected values and behaviours can be monitored and measured.	17
	Medium-Term Financial Planning	
2	The senior leadership team should make time to agree clear objectives for financial planning, and the financial, organisational and behavioural actions required to achieve these objectives.	18
	Corporate Transformation	
3	As part of the new transformation arrangements the Council should ensure there is corporate oversight of the use of external consultants, including how such commissions align to the Council’s transformation strategy.	19
	Commercial Strategy	
4	The Council should consider developing an agreed definition of commercial as a way of revitalising the progress of the commercial strategy. Once the strategy has been adopted it will need to align the Council’s transformation strategy and MTFP assumptions.	19
	Customer Journey	
5	The Council should consider enhancing customer journey metrics to measure its performance through full customer journeys including the customer experience and satisfaction.	20
	Asset Management Strategy and Database	
6	Ensure that appropriate decisions are taken on proposed asset disposals to ensure the savings targets are realised.	21

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
	KLOE A1: Sandwell Children's Trust	
7	Greater emphasis is required by the Council and SCT on progressing area partnership working, including greater clarity on system leadership.	24
8	The Council should continue to monitor the vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates.	24
9	Realising the planned Invest to Save savings will be critical to the Trust meeting its planned revenue budget and the invest to save payments being repaid to the Council.	24
	KLOE A2: Sandwell Leisure Trust	
10	The Council should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is in line with the Council's MTFP assumptions.	27
11	The Council should ensure that SLT builds on its more commercial approach and sets out a plan for the timeframe when the Trust's financial position requires no subsidy from the Council, including a clear and deliverable plan for eliminating the forecast losses at the aquatics centre.	27
	KLOE A4: SEND Transport	
12	The next SEND Transport procurement should consider how services can be commissioned to manage ongoing significant and ongoing budgetary pressures,	29
	KLOE A7: Waste Service	
13	The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council.	31
14	The Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated.	31

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
	KLOE A8: Governance and Legal Support to DPH	
15	The Council should conclude its plans to introduce a policy for working with local MPs and associated guidance.	33
	KLOE A10: Introduction of new ERP system	
16	The Council should ensure it responds effectively to the recommendations set out in our separate Oracle Fusion implementation report before the go live date.	35
17	The Council should continue its work on defining financial and non-financial benefits, and that benefits identified and agreed are measurable, and can be effectively tracked and the transformational opportunities of the new system are fully realised.	35
	KLOE B2: Senior Leadership	
18	The Chief Executive should ensure that the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis	38
	KLOE B4a: Officer and Member Relationships	
19	This maturity of senior officer and member relationships will need to continue, with further difficult decisions inevitably being required, and this approach to must be sustained following future changes to those in senior officer or senior member roles	41
20	Whilst pathways are being put in place for succession planning, further work is required to conclude these plans, including the provision of appropriate training and development so that these changes become fully embedded	41

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

#	Improvement recommendations	Page #
	KLOE B4b: Performance management and other matters	
21	The Council should conclude the member PDP roll out, and in particular ensure these are in place for members who are in positions of special responsibility or are aspiring to hold such roles.	41
22	The Council should develop a business case for a performance management system, to appropriately consider this investment.	41
	KLOE B7: Financial reporting	
23	The Council should ensure that all recommendations from CIPFA's follow up review are fully implemented.	45
24	The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production	45
25	The Interim Director of Finance should review finance team capacity, capability and training needs to ensure they meet the needs of the organisation	45
26	The Council must ensure a successful implementation of phase 2 of the new asset management system, including effective alignment with Oracle Fusion, so that the benefits planned to support accounts production are realised.	45



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