

# Report to Cabinet

**13 April 2022**

<b>Subject:</b>	Governance Improvement Plan Progress
<b>Cabinet Member:</b>	Leader of the Council Cllr Kerrie Carmichael
<b>Director:</b>	Director – Business Strategy & Change Neil Cox
<b>Key Decision:</b>	No
<b>Contact Officer:</b>	Strategic Lead – Service Improvement Kate Ashley <a href="mailto:Kate1_Ashley@sandwell.gov.uk">Kate1_Ashley@sandwell.gov.uk</a>

## 1. Recommendations

- 1.1. That progress against the Governance Improvement Plan up to 10 March 2022 be received.

## 2. Reasons for Recommendations

- 2.1 To provide an update on progress against the Governance Improvement Plan and set out approach to develop a single Improvement Plan to address the recommendations from the CIPFA Financial Management Review and LGA Corporate Peer Challenge.

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

 	<p>The Governance Improvement Action Plan focuses on the governance arrangements of the council and areas of improvement across the organisation. Therefore, this impacts on the council's ability to deliver all the objectives in the Corporate Plan.</p>
 	
 	



## 4 Context and Key Issues

### Value for Money Governance Review

- 4.1 The council's external auditors Grant Thornton conducted a Value for Money Review into the council's governance arrangements over the period August to October 2021 and reported their findings of this review to Full Council in January 2022.
- 4.2 Grant Thornton identified three statutory and five key recommendations that relate to the overarching governance of the organisation. A further 37 improvement recommendations were identified which relate to the individual key lines of enquiry of the review.
- 4.3 In response, Council approved an Improvement Plan in January 2022 to address all 47 recommendations made by Grant Thornton and the proposed reporting mechanisms to ensure progress is managed effectively.
- 4.4 To ensure that senior officers and members have oversight of delivery against this Improvement Plan, Council approved that progress will be monitored by Leadership Team monthly and reported to Cabinet quarterly. This will continue until all actions have been completed, or changes have been embedded into business as usual.
- 4.5 This report forms the first update on the Improvement Plan to Cabinet and covers the period January-10 March 2022.

### Improvement Plan Progress

- 4.6 The Improvement Plan is attached to this report at Appendix 1. As well as named lead officers responsible and timescales for delivery, the Improvement Plan also includes measures of success so that the council can track the impact of our activity and ensure our actions are addressing the issues identified by the Governance Review.
- 4.7 A status rating has been included as part of the update for each action to aid quick reference around which actions are on track for delivery, and those that may require remedial action or additional levels of assurance.
- 4.8 A summary of progress against the three statutory recommendations is provided below with an overall rating of progress. Detailed progress



against each action and individual ratings are included in the Improvement Plan at Appendix 1.

- 4.9 **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.

*Overall rating:*

- Amber – majority of actions are Green/on track to achieve; small number of actions are rated as Amber/medium issues or risk of slippage.

*Progress update:*

- Continuing to implement strategies to address the service issues highlighted in the Grant Thornton report. Decisions on a number of these issues have already been taken by Cabinet – termination of contracts with the ERP implementation partner (December 2021) and Sandwell Leisure Trust (February 2022), and decision on options for moving forward with Lion Farm (January 2022). Firmer contract management mechanisms are being put in place for the Serco contract, and new regular meetings of the Sandwell Children's Trust (SCT) and council leadership have been introduced. These include the CEO of SCT and the Chair of the Trust Board along with the council's DCS and Lead Member for Children's Services.

*Key Issues and Mitigating Actions:*

- ERP Implementation – new support provider to deliver Oracle Fusion will not be procured by end March 2022, however the approach agreed by Cabinet in December 2021 to conduct a health check of project is underway. SOCITM has been commissioned to review governance arrangements and the procurement process for a new support partner is due to launch in April 2022.
- ERP Implementation - Project management training has been procured, however there has been slippage of timescales for delivery. This will be delivered in time for the new support partner to be in place and does not impact the critical path for the project.



4.10 **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.

*Overall rating:*

- Amber – majority of actions are Green/on track to achieve; small number of actions are rated as Amber/medium issues or risk of slippage

*Progress Update*

- A Governance Review is underway. This involves refreshing key corporate governance documents including Procurement & Contract Procedure Rules, Financial Regulations and Scheme of Delegations. This will be followed by comprehensive corporate governance training for officers to ensure changes made and lessons learned are embedded across the organisation.
- Work is progressing to develop or refresh strategies to ensure commercial decisions and procurement reflect the council's priorities and objectives, including the Corporate Asset Management Strategy, Procurement Strategy and Housing Revenue Account Strategy.

*Key Issues and Mitigating Actions:*

- Refresh of corporate governance documents – work in progress with some slippage in original timescales. However, in light of the LGA Peer Review recommendations with emphasis on engagement with officers, members and external stakeholders, timescales are to be extended to July to increase engagement and development activity before Council approval in Summer 2022.
- Corporate approach to project management – work in progress however slippage in delivery timescale. Proposal for process to initiate, oversee and document key projects discussed with Leadership Team in early March 2022.
- Development of template for Corporate Projects – project documentation approved as part of Corporate Transformation Programme, however further work required to determine if documentation is suitable for capital business cases.



4.11 **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.

*Overall rating:*

- Amber – majority of actions are Green/on track to achieve; one action is rated as Amber/medium issues or risk of slippage.

*Progress Update*

- Work has commenced to review the council's values, codes and procedures to ensure they are fit for purpose and focus on building the organisation of the future. Leadership Team has reviewed the organisation's values of Trust, Unity and Progress which were developed by staff, and considered that these remain fit for purpose. Work is in progress to develop tools and approaches to embed these values into the organisation through everyday working practice. A behaviour framework is being developed that sets out expectations for employees, managers and leaders and builds upon the council's values, along with guidance on Member/Officer relationships.
- A draft Member Development strategy and programme is in development as part of the governance review, linked to the LGA Charter for Elected Member Development. This includes Members discussions and a focus group with Members elected in May 2021.

*Key Issues and Mitigating Actions:*

- Engage LGA to support development of officers and members relationship – discussions underway, plan of support to be developed. Action rated Amber due to slippage of delivery timescale.

**Government Intervention and Development of Single Improvement Plan**

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



Some of the actions in the existing Improvement Plan will address certain recommendations from these two subsequent reviews, and further action will be required to address all areas of improvement.

4.13 On 22 March 2022 the Secretary of State for Levelling Up, Housing and Communities announced an intervention package and a set of Directions to ensure the council was able to comply with its best value duty under Part 1 of the Local Government Act 1999. The Directions and an explanatory memorandum are at Appendix 2a and b respectively. This intervention package included the requirement for the development and implementation of an Improvement Plan within the first three months following the Directions notice and the appointment of two Commissioners:

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

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

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

4.15 The Directions are clear that the council may draw upon improvement plans that have been prepared before the date of intervention. Therefore, the council will combine the actions to address the recommendations from all three external reviews into a single Improvement Plan. This will identify where actions will address recommendations from different reviews and the specific requirements set out in the Directions. A single Improvement Plan will avoid duplication of monitoring and provide the organisation with a clear direction on our improvement journey.



## Reporting Framework

- 4.16 To ensure that senior officers and members have oversight of delivery against this Improvement Plan, Council approved the reporting mechanism in January 2022 that progress will be monitored by Leadership Team monthly and reported to Cabinet quarterly. This will continue until all actions have been completed, or changes have been embedded into business as usual. The monitoring approach will be designed to ensure that progress against the recommendations from the separate reviews will be easily available for specific audiences as required.
- 4.17 The government Directions require reporting on the delivery of the Improvement Plan at six monthly intervals to the Secretary of State.

## 5 Alternative Options

- 5.1 The Value for Money Governance Review was undertaken as part of the external auditor's role to provide assurance on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As the report includes statutory recommendations the council has a legal obligation to respond appropriately. Reviewing progress against the improvement plan enables senior officers and members have oversight of delivery, and take corrective action, as necessary.
- 5.2 The government's Directions for improvement set out clearly that the Improvement Plan must address the specific areas set out in paragraph 4.14 above. Failure to update the existing Improvement Plan to address the intervention package and demonstrate delivery of sustained and embedded improvement will likely result in further intervention measures.
- 5.3 There are no alternative options to consider.



## 6 Implications

<p><b>Resources:</b></p>	<p>The development of the Improvement Plan will be carried out within existing resources. Additional resources may be required to implement agreed actions to address the recommendations in the Governance Review.</p>
<p><b>Legal and Governance:</b></p>	<p>The Governance Review was conducted under Sections 20 and 21 of the Local Audit and Accountability Act 2014, and therefore the report was presented to Full Council as a public document.</p> <p>The council is legally required to respond to any statutory recommendations made by the external auditor, and demonstrate action is being or will be taken to address issues raised in the report.</p> <p>On 22 March 2022, The Secretary of State for Levelling Up, Housing and Communities issued Directions under Section 15(5) and (6) of the Local Government Act 1999 (the 1999 Act) in order to ensure that the council can comply with the requirements of Part 1 of the 1999 Act. Failure to comply with these Directions may lead to further intervention measures for the council.</p>
<p><b>Risk:</b></p>	<p>If the Council fails to take appropriate action to address the recommendations of the Governance Review, or the external auditors do not have sufficient confidence that appropriate actions are being taken, then the council risks not having effective governance arrangements in place to manage current and future needs of the organisation and the borough. This could lead to increased costs and damage to reputation.</p> <p>If the Council fails to take appropriate action to meet the requirements set out in the government Direction, or the Commissioners appointed by the Secretary of State do not have sufficient confidence that appropriate actions are being taken to implement and</p>



	sustain the required improvements, then the council risks not having appropriate arrangements in place to comply with its best value duty under Part 1 of the 1999 Act. This could lead to further government intervention, increased costs and damage to reputation.
<b>Equality:</b>	The recommendations of the Governance Review considered the council's governance structures as a whole. Any changes to policies as a result of the recommendations will require Equality Impact Assessments during the development to ensure the implications of any proposals are fully understood before decisions are made.
<b>Health and Wellbeing:</b>	There are no health and wellbeing implications directly arising from this report.
<b>Social Value</b>	There are no social value implications directly arising from this report.

## 7. Appendices

- Appendix 1 – Governance Improvement Plan Monitoring January-10 March 2022
- Appendix 2a – Directions under Section 15(5) and (6) of the Local Government Act 1999
- Appendix 2b – Directions under Section 15(5) and (6) of the Local Government Act 1999 Explanatory Memorandum

## 8. Background Papers

### [Report to Council 18 January 2022:](#)

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

