

Interim Auditor's Annual Report on Sandwell Council

2022/23

February 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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Executive summary (continued)

Introduction

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Under the Local Audit and Accountability Act 2014, in our role as appointed external auditor, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is done through our annual Value for Money (VfM) assessment, which focusses on three themes:

- Financial sustainability
- Governance
- Economy, efficiency and effectiveness

We have now completed our VfM assessment for 2022/23. This comprised our standard VfM work programme, covering the themes of financial sustainability, governance and the 3E's (economy, efficiency and effectiveness).

To support our 2022/23 VfM assessment and to address significant risks relating to governance identified at the planning stage, we undertook additional risk-based work in the autumn of 2023. This followed up progress on our governance reviews in December 2021 and December 2022. Additionally, we completed a review of the implementation of Oracle Fusion which has suffered from delays. The detailed results of these pieces of work were reported in January 2024 and December 2023 respectively, and should be read alongside this report.

The improvement journey at Sandwell

Over the past two years Sandwell Council has made notable progress in its journey towards improvement, following the disclosure of significant governance failings in 2021. We are pleased to report that the three Statutory Recommendations that we issued in 2020/21 can now be lifted thanks to the significant improvements that the Council has put in place. Some areas of significant weakness in governance remain including the timely production of financial statements. However, we are satisfied that satisfactory progress has been made.

Timeline of improvement journey

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.

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 first follow up report, which related to our 2021/22 VfM audit which noted significant progress being made by the Council in many areas, but also included new key and improvement recommendations.

In December 2023 we undertook our second follow up review, which relates to our 2022/23 VfM audit, which reported that further significant progress has been made by the Council on our most recent recommendations and that the three Statutory Recommendations had been lifted. The key findings of this work are summarised in this report.

Executive summary (continued)

Statutory Recommendations 2020/21 – fully implemented

Statutory Recommendations are issued under Schedule 7 of the Local Audit and Accountability Act 2014 and must be complied with by law. We are satisfied that the Council has implemented improvements in response to these recommendations and has met the statutory requirements.

Our original Governance Review in 2021 highlighted a number of areas that reflect significant weaknesses in the Council's arrangements to secure value for money in its use of resources and made the following Statutory Recommendations:

- 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.
- 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.
- 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.

As outlined in our most recent Governance Review (December 2023) we are satisfied that the Council has now made appropriate progress against the three statutory recommendations, and we are pleased to report that these have now been lifted. The progress made against the three statutory recommendations are summarised in Appendix A.

Other Key Recommendations raised in 2021/22 and 2022/23

Our Governance Follow-Up report in 2021/22 identified four Key Recommendations directed at addressing significant weaknesses in arrangements. Good progress has been made in taking the actions required, however all four remain in the process of being fully implemented and we have included an update on progress in Appendix A. Our Governance Review Follow-up Report for 2022/23 was issued in December 2023 and raised a further four key recommendations. These are also summarised in Appendix A and remain in progress.

In our Annual Audit Report for 2021/22, we also raised an additional Key Recommendation in relation to the significant weakness in the process for the production of annual financial statements, which due to the continued delay in the accounts process will remain open for 2022/23.

Other recommendations carried forward

We made a number of Improvement Recommendations in this report in 21/22, 22/23 and in our Governance Follow Up reports. Progress against are set out in Appendix A.

Reconciling our Governance findings to the VfM themes

The Statutory and Key Recommendations reflect the overarching actions that will be required to address significant weaknesses identified across a wide range of Council operations. These were summarised in the Governance report under seven thematic areas. We have reproduced the progress update against each of the Statutory and Key Recommendations in Appendix A of this report. The table below takes the seven thematic areas set out in the original Governance report (Dec 2021) and reconciles them the three VfM themes against which this assessment is made under the National Audit Office's Auditor Guidance Notes (AGN) 03.

Thematic areas Identified in the 2020/21 Governance Review	Impacting Financial Sustainability	Impacting Governance	Impacting Economy, Efficiency and Effectiveness
KLOE		B1-B8	A1-A10
Corporate performance management and grip		Yes	Yes
Procurement and commercial decision making			Yes
Contract management			Yes
Lack of longer-term planning		Yes	
Officer empowerment and decision making		Yes	
Capacity, experience and skills		Yes	
The impact of changes to senior officers and members		Yes	

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No significant risks identified.	A No significant weaknesses in arrangements identified but two improvement recommendations were made.	A No significant weaknesses in arrangements identified but one improvement recommendation was made.	↔
Governance	Ongoing risk of significant weakness arising from prior year governance findings and Oracle Implementation.	A Significant weaknesses in arrangements carried forward from prior years but improvements being made. One additional improvement recommendation has been raised.	R Significant weaknesses in arrangements identified but improvements being made.	↑
Improving economy, efficiency and effectiveness	No significant risks identified.	A Significant weaknesses in arrangements identified in relation to Housing, one further improvement recommendation made.	A Significant weaknesses in arrangements identified but improvements being made. Two additional improvement recommendations made.	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

During 2022/23, the Council effectively identified and anticipated cost pressures in response to the current challenges created by the macroeconomic downturn. Sandwell has a relatively healthy level of reserves and its budgetary position was reasonable with an underspend at just under £2m. Furthermore, capital expenditure totalled £120.7m which was a £34.6m underspend. In terms of savings, the Council managed to fully deliver its target in 2022/23.

The 2023/24 budget identified a small forecast surplus of c£0.5m. Savings targets for the 2023-24 are £22.8m. As at period 7 (October 2023), the council are on track to deliver all bar £0.9m of the target. Nevertheless, pressures in key services remain, for example, the future of Adult Social Care remains challenging. The structural demand and inflationary pressures have resulted in significant challenges in the short to medium term. Childrens Social Care are also experiencing structural demand and inflationary pressures resulting in further cost pressures for the authority specifically in the area of SEND transport. Although the evidence examined does not indicate a risk of significant weakness at the time of the audit, the Council needs to continue to improve arrangements for meeting Adult's and Children's Social care financial sustainability challenges.

There appears to be no immediate risk of the exhaustion of general reserves, and the Council have established a wide ranging Transformation programme to address the need to ensure a flow of financial savings which will ensure Reserves are maintained. That said our updated Governance review in December 2023 reported that, though the senior leadership team have demonstrated a much greater grip of medium-term financial planning, 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. We have included an Improvement Recommendation with regard to this matter.

In summary, we conclude that the Council's arrangements for ensuring financial sustainability in the short to medium term continue to be of a good standard and the Council is in a position to manage its financial pressures.



Governance (Significant weakness)

Our original 2021 Governance Review identified significant weaknesses in regard to the Governance aspects of VfM relating to corporate performance monitoring and grip, lack of long-term planning, officer empowerment and decision making, capacity, experience and skills and changes to senior officers and members. We consider that substantial progress made in these areas and believe that the Council is progressing in the right direction. Changes have been made to the risk management processes so they are more effectively embedded and there is further consistency in approach throughout the Council, as regularly reviewed by the Audit and Risk Committee (ARAC).

In our follow-up to the Governance Review (Dec 2022) we noted that the Council's ability to make informed decisions and manage its risks was no longer an area of significant risk, noting that the appointment of the new Chief Executive was a critical step on the improvement journey. The Cabinet and Leadership team were working increasingly well together. The arrangements in place to manage complaints and the work of the Standards Committee were now in place, alongside the new Performance Management Framework (PMF). Three significant weaknesses were raised in our governance review (Dec 2022), however our follow up review from December 2023, highlighted that good progress has been made across all three of these areas, as detailed in Appendix A.

While Governance in general has improved more needs to be done by the Council to improve its processes for the production of its financial statements. We have only recently been provided with the 2021/22 draft financial statements, with 2022/23 remaining outstanding. The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production. We are concerned about the lack of progress in this area. We have therefore continued this as a Significant Weakness in arrangements and the key recommendation made in our 2021/22 VfM review remains open. The Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit.

Executive summary



Improving economy, efficiency and effectiveness (Significant Weakness – Housing Service)

The Council has made good progress in improving the performance of its services and it has implemented a strengthened performance management framework, using real-time performance dashboards to monitor progress and identify areas for improvement.

The Borough Economy Directorate has undergone strategic prioritisation under the current Director for Borough Economy. Despite challenges, the directorate has achieved notable successes, such as the improvement of customer service and the creation of dashboards to provide up-to-date insights on performance.

The Children Social Care directorate has shown improvement which has been reflected in the inspections it underwent in year, including a SEND inspection and an ILACS inspection which both showed improvement. However, the directorate still has progress to make in certain areas (as highlighted in these recent inspections) and it is taking on board recommendations for further improvement.

In relation to partnership working, the Council is developing relationships with external partners and has joined the Black Country Integrated Care System and the Sandwell Health and Care Partnership to improve SEND services. The Council is consulting on a VCS strategy, has presented the Sandwell Local Plan, and is a member of the WMCA, participating in decision-making forums and receiving support for community leisure centres.

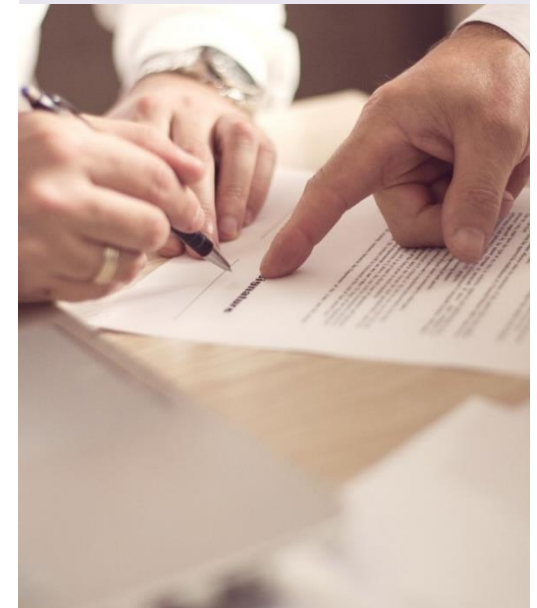
One area of concern is Housing where we have raised a significant weakness. In the context of a hardening regulatory environment, the Council's Housing Service were not adequate and constitute a significant weakness in the arrangements in place to secure value for money. This is largely due to the lack of a fit for purpose asset management system, out of date stock condition surveys and self-referral to the regulator in respect of building safety compliance checks. We do recognise the progress that has been made in 2023 in identifying, reporting and putting plans in place to resolve these challenges and are encouraged by progress in all areas. We have therefore made an additional key recommendation in relation to this.

In summary, with the exception of Housing, we are satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have made one additional improvement recommendation as a result of our review relating to the spreadsheet based process currently supporting the procurement pipeline.



Financial Statements opinion

Our audit of the 2021/22 financial statements is ongoing. We plan to complete our work by 31 March 2024. We have not yet received the financial statements for 2022/23.



Key recommendations

Key Recommendation 1

The Housing transformation programme should focus on addressing the identified weaknesses in the service, that this should be fully delivered within a reasonable timeframe and progress should continue to be closely monitored by members and the senior management team.

Identified significant weakness in arrangements

Arrangements to deliver housing services in 2022/23.

Summary findings

On balance, we find that during 2022/23 in the context of a hardening regulatory environment, key aspects of the Council's arrangements for delivering the Housing Service were not adequate and constitute a significant weakness in the arrangements in place to secure value for money. We do recognise the progress that has been made in 2023 in identifying, reporting and putting plans in place to resolve these challenges, which include:

- Out of date stock condition survey information.
- Lack of an effective asset management system
- Exposure to loss of key knowledge currently held by interim staff.
- Self referral to Housing Regulator, having fallen behind on building safety compliance checks
- Service underperformance – reported underperformance in a number of areas.

Criteria impacted by the significant weakness



Economy Efficiency and Effectiveness

Auditor judgement

We have taken the view that the collective weaknesses identified in the Council's housing service constitute a significant weakness in arrangements to safeguard value for money.

Management comments

The Council has accepted the recommendation and plans to incorporate these matters into the Housing Transformation Programme.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We are satisfied that the three statutory recommendations imposed in 2020/21 have now been fully complied with.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

The current LG landscape



National and local context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Sandwell as a Borough faces significant challenges. It is the 12th most deprived borough in England according to the Index of Multiple Deprivation, and Sandwell's level of fuel poverty is the fifth highest in UK. The level of average pay within the Borough is lower than in both the West Midlands region and England as a whole and the city's unemployment rate is higher than average compared to a group of similar local authority areas, whilst healthy life expectancy is lower than the national average. 8. There are, however, many strengths of Sandwell's local economy that provide a foundation for economic sustainability that will improve quality of life and make the borough a more sustainable, greener place. Well placed in a central location in the UK's transport network adjacent to the country's second city, Sandwell has a diverse and young population with pockets of highly innovative businesses and a high level of entrepreneurial activity. Across the Borough, our £2.5bn regeneration pipeline will boost connectivity and economic growth – this includes the recently opened Sandwell Aquatic Centre, showcased in the Commonwealth Games 2022, and the new Midland Metropolitan University Hospital.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix B.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on [pages 12 to 37](#).

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning

Financial outturn 2022/23

The Council was able to maintain its recent track record of delivering financial performance in line with plan. The Council reported a final outturn position for 2022/23 of an underspend against budget of £1.917m. Although service budgets were £3.2m overspent for the year, these were more than offset by reduced interest payments of £3.7m and an increase in interest received of £0.9m both of which contributed to an overall underspend. The Council was able to manage its position without recourse to reserves with the general reserves balance remaining at £112.5m. Most of the financial pressure came from Childrens Services SEND Transport which had an overspend of £3.5m. The Council was able to deliver £14.6m worth of savings in the year which significantly contributed to managing the financial position.

Budget setting and 2023/24 financial planning

The 2023/24 planning round continued to present a financial challenge as had been the case in the prior year 2021/22. In line with Councils across the UK, economic and inflationary pressures continued throughout 2022-23 and at the point of the budget setting in February 2023 showed no sign of abating. The Council was nevertheless able to set a balanced budget for 2023/34 which is indicative of robust financial management arrangements.

The budget for 2023/24 was set at a net expenditure level of £317.1m with a forecast surplus of £521k. The table opposite includes some further detail of the budget composition. Key assumptions included:

- Inflationary uplifts where contractual and unavoidable
- Provision for an annual pay award.
- Pension contributions in line with the current triennial valuation (now updated for 2022 revaluation).
- Business Rates income based on current trends
- 2.5% increase in the Council Tax Base compared to 1% included in the draft budget
- 4.99% increase in Council Tax, made up of 2.99% 'core' increase and 2% Adult Social Care precept (compared to 2.99% in the draft budget)

Table 1 – MTFS – 2023/24 – 2025/26

	2023/24	2024/25	2025/26	
	£000	£000	£000	
Council Net Expenditure	291,847	317,103	332,410	
Movements in base position:				
Pay Inflation	12,492	3,582	3,672	
Service Pressures	39,803	20,267	17,523	
Key Contract Inflation	17,727	5,426	6,892	
Changes in Service Grants (Local Government Finance Settlement)	(23,145)	(4,945)	5,259	
Approved Savings	(21,429)			
Treasury Changes	(4,942)	(273)	1,194	
Changes in Reserves/ RCCO	4,750	(8,750)	0	
Revised Council Net Expenditure	317,103	332,410	366,950	
Funding:				
Non Ring-Fenced Government Grants	(4,064)	(1,953)	(41,723)	
Retained Business Rates (including Top-up, Section 31 Funding & surplus/ deficit adjustments)	(186,501)	(189,080)	(137,330)	
Council Tax Income (including surplus/ deficit adjustments)	(127,059)	(132,768)	(138,789)	
Total Funding	(317,624)	(323,801)	(317,842)	
Net (Surplus)/ Deficit before savings options	(521)	8,609	49,108	
Cumulative				57,196
Transformation, Corporate and Directorate Savings Options		(6,165)	(8,415)	
Net (Surplus)/Deficit after savings options		2,444	40,693	

Source: General Fund, Housing Revenue Account and Capital Programme Budgets 2023/24 Cabinet Report 15th Feb 2023

Financial sustainability

We found that there are good systems in place for oversight of the budget. The finance department engages at least monthly with budget holders through its finance business partner team who are aligned to specific services or Directorates and who provide both challenge and support to budget holders.

Quarter 2 2023/24 financial monitoring reporting in December 2023 has forecast a £1.2m overspend at the end of 2023/24 financial year. Pressures remained similar to the 2022-23 financial year with both inflation impacting general costs and SEND Transport costs still an issue. The overspend at Q2 represents 0.4% of the net budget of £317m and has reduced since the Q1 position which reported a projected £2.1m overspend. Our discussions with the S151 have indicated that the Council expects to be able to manage down the overspend by year end such that the Council will end up in a break even year end position.

The Council is awaiting the implementation of Oracle Fusion in July 2024 which is expected to strengthen its financial monitoring processes by providing real time updated financial data available to all budget holders. We have considered the progress of this project under the Economy Efficiency and Effectiveness theme later in this report.

The medium term financial plan

Work is well under way for the 2024/25 budget and the Medium term financial plan (MTFP) and final versions will be presented to Cabinet in February 2024. The Council continued the “star chamber” approach to support budget setting for 2024/25, 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 have since taken place.

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 local 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 integrated performance metrics and resident feedback, and embed One Council Values and Behaviours. Business planning workshops took place in November and December 2023 to support the budget setting process..

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. This is illustrated in table 2 below.

Table 2 – Budget Gaps

	2024/25 £m	2025/26 £m	2026/27 £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

We note that in the Summer of 2023, the former Chief Finance Officer left the organisation and the current incumbent joined the Council on an interim basis. On their arrival, a review of the MTFS assumptions took place. We are pleased to report that this largely validated the previous approach that had been taken other than in the form of expected updates to inflationary and demand pressures. In addition, we note that the treatment of the potential impact of business rates reform in future years of the MTFS was revised. Previously this had projected a significant change downwards. In addition a more prudent assumption around the receipt of grants income was made in the MTFS. We also note that the opportunity was taken to improve the presentation and supporting narrative of the MTFP which has resulted in a more transparent and accessible document for members and the public.

Financial sustainability

These are significant savings targets to identify and deliver, in the context of existing budgetary pressures, and will inevitably require difficult decisions to be made. The £12.96m saving required to balance the 2024/25 budget will need to be recurrent in nature. In our view, the savings programme is challenging but should be deliverable providing that delivery matches the planned profile.

Our assessment is that the Council is now in a good position to be able to identify and deliver these savings given the changes implemented over the past 12 – 18 months.

Managing risks to financial resilience

The Council has a well-established approach to financial risk management that is integrated into the corporate process. Risk management is delegated to directorates to manage on a day-to-day basis and reported quarterly to the Audit & Risk Assurance Committee (ARAC). The MTFS for 2023/24 includes a separate annex highlighting the key corporate risks to the Council in terms of its finances.

The Council is fortunate that it has retained a healthy level of reserves that can be used to manage unforeseen financial risks in the absence of other alternative mitigating action. Table 3 below shows the level of reserves as reported in the 2023-24 MTFS at 31/3/2023.

Table 3 – Reserves

Reserve	£m
General Fund	15,158
Ringfenced Grants/income	32,268
Risk	21,188
Capital and Regeneration	21,076
Service related and future projects	14,395
Total	104,085

The Council is not planning to use its reserves balances to plug any budget gaps in 2024/25 and instead has identified savings to fill the current £13m gap. Historically the Council has managed its reserves carefully and this has proven to be a prudent approach given the financially straitened times facing most of the Public sector in 2024. It is encouraging to see this approach being maintained with a detailed savings programme in addition to a revised transformation programme to identify those longer-term savings required from 2025/26 onwards.

There appears to be no immediate risk of the exhaustion of general reserves to deal with any medium-term financial gaps as the General Fund and risk reserves together total £36m which is enough to fill any potential shortfall in the period of the MTFS. As long as financial performance delivers in line with plan the Council looks to be in a manageable position and it has established a wide-ranging transformation programme to ensure a flow of financial savings that will close the gap over the medium term. There is a high degree of confidence from management that the medium-term financial position is manageable. The recent follow up of our Governance review in December 2023 reported that though the senior leadership team have demonstrated a much greater grip of medium-term financial planning, 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 and an Improvement Recommendation has been included in the report accordingly (see improvement recommendation 1 on page 19).

Identifying savings

The Council achieved its savings targets for 2022-23 and is well on track to deliver the savings in 2023/24. The latter position is currently being assessed (in December 2023) with any potential shortfall being rolled forward as a cost pressure into the 2024/25 financial year.

The Council has assembled a list of opportunities that could generate savings in the region of £18m in 2024/25. The opportunities have been grouped into themed areas to align with the existing transformational savings in place for financial year 2023/24. The Council planned to update these savings figures following the end of consultation and when the Provisional Finance Settlement has been received in late December 2023. This should allow a limited degree of headroom for 2024/25 and enable members to consider options around savings plans and their phasing. However, it is important to note that the Council does not yet have defined savings to cover what is required over the life of the MTFP and significant further effort will be required to achieve this.

Financial sustainability

Key budget pressures - Adult Social Care

In Common with almost all top tier councils, the ongoing affordability of Adult Social Care (ASC) at the Council is one of the key financial challenges over the medium term. That risk has only increased further from 2021/22 and especially in 2022/23 and the first three quarters of 2023/24. Medium to long term financial planning in Adult Social Care has also been constrained by wider sectoral uncertainty. This includes the delays to some Social Care Reforms (in particular, Charging Reform), the new CQC assurance framework for Adult Social Care and the rollout of Integrated Care Systems. The financial sustainability of demand led services, in particular Adult Social Care, continues to be identified by the Council as a key priority area.

At the end of 2022/23, in contrast to most other Councils in the country, Sandwell MBC achieved an underspend of £7.4m on its ASC budget. This was largely due to a high number of vacancies as recruitment challenges meant the Council struggled to fill all its ASC posts, and was also due to a significant investment of funding to deliver the service. However, the challenges noted above still remain and have made it increasingly challenging for the Council to continue to fully deliver its savings targets whilst managing increasing demand and inflationary pressures. The result is the future financial sustainability of Adult Social Care into 2024-25 and beyond continues to be very challenging.

For 2023/24, the Service had a net budget of £85.8m which included savings to be achieved of £7.7m. This net budget of £85.8m contrasts with total net spend of £73.4m for 2022/23. The Council is currently (as at end of quarter 2, September 2023) forecasting an overspend of £3.6m in Adult Social Care for 2023/24. This is before planned use of reserves of £4.6m and any further mitigating actions in-year to make the outturn an underspend of £1m.

As one of the most deprived boroughs in the country (12th in England), Sandwell has a very low level of self-funders (14%) which brings with it even more challenges for the service. The recruitment challenges mentioned above following reductions of between 12% and 66% in ASC teams has exacerbated this challenge.

Key budget pressures – Children’s Services SEND Transport

Childrens Social Care (CSC) at the Council is another one of the highest risk areas of budgetary pressure and that risk has increased from 2021/22 into 2023/24.

As part of the budget process the Council also allocates the Dedicated Schools Grant (DSG) to schools in consultation with the Schools Forum. The Education and Skills Funding Agency (ESFA) announced the DSG allocation for 2023/24 in December 2022 and Cabinet approved the formula allocations on 18th January 2023. Unlike many other Councils, Sandwell has not had to deal with an accumulated SEND deficit to date although they will need to carefully monitor the position over the medium term.

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 Council has now got a framework which is more suitable and allows them access to more operators. Our Governance Review Update report in December 2023 recommended that the next SEND Transport procurement should consider how services can be commissioned to manage significant and ongoing budgetary pressures.

Financial sustainability

Key budget pressures - Sandwell Aquatics Centre

Our Governance Review update report in December 2023 reported that, following the hosting of the Commonwealth Games during the Summer of 2022, the Council became responsible for adapting the Sandwell Aquatics Centre (SAC) 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 Local Authority trading Company (LATC), the Aquatics centre was transferred to Sandwell Leisure Trust (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 SAC, at the time of the Governance review update report had 4,600 gym members, more than 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.

Notwithstanding membership and activity following the launch, the current business plan for the SAC 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 governance review update recommended that the Council must ensure that SLT sets out a clear and deliverable plan to eliminate this deficit.

A report to Cabinet in October 2023 highlighted a significant financial risk relating to the ongoing responsibility for maintenance and repairs costs at the SAC. The SAC was handed over for operational management under lease by SLT from Summer 2023 with the current repairs and maintenance responsibility to remain with the Council. As it stands, no dedicated budget has been allocated for both the ongoing maintenance requirements including servicing of equipment, alongside a clear lifecycle investment programme with existing approved budgets not able to accommodate the same. This represents a significant area of risk for the Council both financially and reputationally. An options paper was due to be presented to leadership team in October 2023 but at the time of this report (January 2024) no paper had been submitted. **We recommend that the Council expedite the paper which will detail the options for dealing with this risk and have included an improvement recommendation (see improvement recommendation 2 on page 20).**

Financial sustainability

Capital programmes

In our VfM audit report for 2021-22 we reported that the Council had set a capital budget of £171m for 2022-23. This was adjusted in year during 2022-23 to £155.3m. The year end capital outturn was £120.7m leaving an underspend on the capital budget of £34.6m (29%). While this level of underperformance is not out of step with many other Councils, high performing Councils endeavour to ensure that Capital budgets reflect an accurate representation of expectations for capital programme delivery so that reported underperformance can be more effectively used as a means of holding services to account for delivery. Routine acceptance of large variances year on year can undermine this.

The capital programme for 2023-24 budgeted for spend of £201.5m (of which £91.9m related to the HRA). This was adjusted mid-year as there has been a forecast decrease in the projected level of expenditure since the original estimate mostly due to re-profiling of expenditure into 2024/25 (including £27m Towns Fund Regeneration schemes, £8m DFG, £7m transport and £17m HRA projects). Table 4 below shows the latest position for the capital programme.

Table 4 – Capital expenditure Forecast outturn 2023-24

	2023/24	
	Original Estimate £'m	Projected Outturn £'m
Capital Expenditure		
General Fund	109.596	75.289
HRA	91.949	75.700
Total	201.545	150.989
Resourced by:		
Capital Receipts	22.993	21.212
Capital Grants & Contributions	81.934	50.783
Revenue	35.349	28.044
Capital Expenditure Financed from Borrowing	61.269	50.950

Source: Sandwell MBC – Treasury Management Strategy Statement and Prudential Indicators Mid Year Monitoring Report 2023/24, December 2023

Borrowing

The Council's debt and borrowing position is illustrated in table 4 below.

Table 5 – Debt and Borrowing

£m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt					
Debt at 1 April	475.588	470.808	553.867	594.282	625.363
Expected change in Debt	(4.780)	83.059	40.415	31.081	28.966
Other long-term liabilities (OLTL) at 1 April - PFI	68.525	65.477	61.569	57.413	52.976
Expected change in OLTL	(3.048)	(3.908)	(4.156)	(4.437)	(6.755)
Actual gross debt at 31 March	536.285	615.436	651.695	678.339	700.550
The Capital Financing Requirement	852.256	924.256	949.038	963.471	972.801
Over/ (Under) Borrowing	(315.971)	(308.820)	(297.343)	(285.132)	(272.251)

Debt rescheduling opportunities have been very limited in the current economic climate so no debt rescheduling has therefore been undertaken to date, in the current financial year. However, there may be better opportunities in the future, although the Council has stated that only prudent and affordable debt rescheduling will be considered. This appears to be a prudent approach. Given the significant increase in debt (£170m over the period), it will be prudent for the Council to review their borrowing, its sustainability and the impact this will have on revenue expenditure. We have included an improvement recommendation to address this point (see improvement recommendation 3 on page 21).

Financial sustainability

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) has been affected by the cost-of-living crisis, particularly increasing inflation, energy price rises and material costs. This means that any decision to set rents at less than the maximum permitted, provides a significant risk to the sustainability of the HRA. Local authorities will continue to have to cover inflationary pressures within the HRA whilst delivering on operational requirements and strategic priorities. This will include additional legislative requirements, such as repairs and maintenance, building safety protocols, fire safety and decarbonisation. Therefore, a rent cap or lower than CPI plus 1% increase, combined with increasing costs results in even greater pressure on the HRA. For many authorities, this may result in spend exceeding income generated through rent and service charge collection. Additionally, in the Autumn statement issued by the Chancellor on the 17th of November 2022, the government stated that it would be capping the amount that social rents could increase by in the following year at 7% compared to circa.11.1% under previous rules (CPI plus 1%). These have exacerbated budget pressures in both 2021/22 and 2022/23.

In 2022/23, the overall variance against budget for the HRA was nil, as any surplus or deficit at year end was offset by a corresponding transfer to/from the HRA reserve. For 2022/23 this was a transfer to reserves, as the HRA outturn for 2022/23 showed a surplus of £7.3m against a budgeted surplus of £0.3m, giving a £7.0m variance against budget. Although repairs and maintenance expenditure in the year was significantly over budget by £2.5m, this was more than offset by an underspend of £9.5m on capital financing costs, interest payable and investment income.

In December 2022, Cabinet considered a report setting out some options in relation to rent increases and approved a 5% increase for 2023/24. At the time of the budget submission in February 2023 the HRA was due to have an in-year surplus of £8.2m for 2023/24 and this was planned to be used to support an increased Revenue Contribution to Capital of £11.7m, with a further £3.5m being contributed from reserves to fund the full RCCO. As at the end of 2023/24 the HRA was estimated to have balances of £38.3m which will be used to fund future investment in the stock. Further detail and the operational issues affecting the Housing service are included in the 3Es section of this report. The Council is expecting to have significant repairs and maintenance costs as the surveys of its stock condition start to be carried out. A total of 5,000 surveys are planned for quarter 4 of 2023/24. the Council has made provision for the impact of these surveys in both its Capital budget and its Reserves

Conclusion

During 2022/23, the Council effectively identified and anticipated cost pressures in response to the current challenges created by the macroeconomic downturn. Sandwell has a relatively healthy level of reserves and its budgetary position was reasonable with an underspend at just under £2m. Furthermore, capital expenditure totalled £120.7m which was a £34.6m underspend. In terms of savings, the Council managed to fully deliver its target in 2022-23.

The 2023/24 budget identified a small forecast surplus of c£0.5m. Savings targets for the 2023-24 are £22.8m As at period 7 (October 2023), the Council are on track to deliver all but £0.9m of the target. Nevertheless, pressures in key services remain, for example the future of ASC remains challenging. The structural demand and inflationary pressures have resulted in significant challenges in the short to medium term. CSC are also experiencing significant cost pressures in the area of SEND transport. Although the evidence examined does not indicate a risk of significant weakness at the time of the audit, the Council needs to continue to improve arrangements for meeting Adult's and Children's Social care financial sustainability challenges.

There appears to be no immediate risk of the exhaustion of general reserves, and the Council has established a wide-ranging Transformation programme to address the need to ensure a flow of financial savings which will ensure Reserves are maintained in a continually challenging funding environment. So there is a degree of confidence that the medium-term financial position is manageable. That said our updated Governance review in December 2023 reported that though the senior leadership team have demonstrated a much greater grip of medium-term financial planning, 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 and an Improvement Recommendation has been included in the report accordingly.

In summary, we conclude that the Council's arrangements for ensuring financial sustainability in the short to medium term are sound.

Improvement recommendation

Improvement Recommendation 1

The Council should ensure that the ongoing transformation programme is properly integrated with and supports the short-term budget saving development process.

Identified significant weakness in arrangements

The validation of savings and opportunities sought does not refer-back to what has previously been identified within the transformation remit. Tactical savings sought have potential of being subsumed within the transformation process without going through the same validation process being managed by the Finance function.

Summary findings

Transformation has some stand-out risk profiling analytics which could be drawn upon and married up against the saving opportunities being assessed by the Finance Function to elevate the level at which savings are being tracked.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore raised an improvement recommendation.

Management comments

Corporate Transformation will form a part of the Council's budget setting process. The Council is also now basing its Corporate Transformation in terms of priority on the benchmarking data such as CIPFA to identify higher cost comparative services e.g. ASC, Leisure and Waste forming a part of the adopted Corporate Transformation Programme. It is noted that "stand out risk profiling analytics" refers to benchmarked higher cost services. In addition, the Council is now ensuring that the "tactical" (which refers to service based in year savings) are tracked separately to transformation savings and will continue to do this moving forwards.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

The Council should expedite the paper identifying the options for dealing with the SAC maintenance and repairs costs

Improvement opportunity identified

Identifying potential financial pressures and developing mitigating plans is critical to sound financial management

Summary findings

No dedicated budget has been allocated for both the ongoing maintenance requirements including servicing of equipment, alongside a clear lifecycle investment programme with existing approved budgets not able to accommodate the same. This represents a significant area of risk for the Council both financially and reputationally.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

A paper was presented to Leadership Team on future maintenance of Sandwell Aquatic Centre (SAC) on 23rd April 2024. The paper is attached. The paper recommended creating a revenue maintenance reserve, funded with £160k per annum. At 2023/24 year end, the revenue maintenance reserve was created, with an initial contribution of £399k, which was funded by an underspend on a one-off budget relating to SAC. The MTFS model has been updated to include regular annual contributions of £144k per annum from 2025/26 onwards $([(£160k \times 25 \text{ years}) - £399k] / 25 \text{ years})$. Savings from the closure of Langley and Smethwick Swimming Centres will be built into the MTFS separately at the appropriate time.

The paper also proposed creating a “sinking fund”, to be funded by £250k per annum capital budget. Discussions will take place between Finance and the Asset Management Team over the summer of 2024 in regard to this, to establish the viability of, and mechanism for, creating a new capital budget allocation, which will be incorporated into the Capital Strategy for 2025/26 onwards.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

The Council should review its borrowing, its sustainability and the impact this will have on revenue expenditure

Improvement opportunity identified

Identifying potential financial pressures and developing mitigating plans is critical to sound financial management

Summary findings

The Council's level of debt is planned to increase by circa £170m in the period to the end of 2026/27. This will potentially have a significant impact on revenue expenditure in that period and the Council needs to consider the sustainability of this position in the light of prevailing interest rates and financial pressures

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The improved process for building the MTFs as part of the 2024/25 budget included extending the financial forecast from a 3 year period to a 5 year MTFP and also considered the detailed capital programme proposals alongside the revenue budget (for both General Fund and HRA). This presented the revenue implications of the cost of borrowing (interest and MRP) over the medium term to ensure Senior Management and Cabinet Members were aware of the cost within the five year MTFP and therefore not in isolation from the revenue budget setting process. The MRP policy statement was also reviewed considering the updated statutory guidance to ensure that revenue charges for repayment of debt were prudent and allowed for write down of the CFR balance over an appropriate time.

The Council engages with Link (external treasury advisors) who provide information on interest rate forecasts, debt rescheduling opportunities and 'target' rates for any new borrowing with the intention of providing best value for the Council in the medium to long term when making treasury borrowing decisions.

Further improvements being considered for the 2025/26 process are to have a single business case process for revenue and capital budget variations using the Treasury 5 Case Model as the template with the Capital Appraisal to include project financing and any associated revenue implications so total cost over a 5 year timeline is a key factor in effective decision making.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management

The Council has an up-to-date risk management strategy in place, approved in November 2022, which includes production of risk registers across different levels of the organisation. The Strategic Risk Register (SRR) captures corporate level risks, with additional risks captured in directorate, programme and project risk registers. There is also a risk register specific to the Improvement Programme.

The Audit & Risk Assurance Committee (ARAC) review risk registers on a regular basis. The SRR update report has been presented in June and September 2022, and again in March, September and November 2023, prior to reporting to Cabinet. There is evidence that regular review is undertaken of the risk register, with a number of the risks updated and removed throughout the year. The SRR is laid out clearly with risk descriptions, owners and a clear direction of travel in the risk scoring process. The Council may want to consider aligning the risk register more closely with the objectives of the Council Plan 2021-25.

The most recent SRR highlights the key risks to the Council as the MTFs, Budget Monitoring, Statement of Accounts, Oracle Fusion Implementation, and Partner Organisations/Contractors Service Delivery, Children's Social Care, Business Continuity Management, Compliance, Cyber Security, Towns Fund Delivery, Customer Journey, Equalities, Improvement Plan, Climate Change, Workforce, Archives, Elections, Local Plan, Adult Social Care Market Sustainability, Culture, Government Policies and Funding, Inflation. This is in line with our expectations of the main risks to Sandwell Council, given the focus on transformation and improvement in the current financial climate.

The improvement plan monitoring tool has also been developed with risk management at the forefront, so that each main action within the improvement plan has a risk rating. This is presented alongside the quarterly updates on the improvement plan to the ARAC and Cabinet, but is also reported monthly to the Leadership team.

The main risks (September 2023) are associated with:

- Resources – for delivery of key components of the improvement plan including the corporate programme management office.
- Communication – to ensure everyone is aware of their respective roles and responsibilities.
- Investment and Financial Resources – to ensure financial resources are made available resource gaps/ pressures associated with the Improvement Plan have been identified
- Constitutional Changes- If key governance changes agreed during 2022 are not embedded throughout the organisation then opportunities will be missed.

Below the corporate level the Council also has in place, directorate risk registers, which have been reviewed on a rolling basis by the ARAC throughout the year. During 2022/23 and the first half of 2023/24 the ARAC reviewed the risk registers for Children's Services, Law & Governance, Adult Social Care, Housing, Business Strategy & Change, Regeneration & Growth, Customer Journey and Public Health. This is good practice, although whilst our review of these found them to be adequate it was noted that templates used were not consistent. Overall, we found no evidence of significant weakness in the Council's arrangements in relation to risk management for 2022/23.

Governance

Production of the annual financial statements – significant weakness

This is the third year there has been substantial delay to the preparation of annual accounts for audit. 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. However, there remain significant delays in the Council providing appropriate draft accounts for the periods 2021/22 and 2022/23. There is significant risk that, following the confirmation that September 2024 will be the backstop deadline for opinions to be signed for all backlog accounts up to and including 2022/23, that we will need to issue qualified or disclaimed opinions for one or both these years in our capacity as external auditors.

Whilst we recognise that the Council is a large and complex organisation, the late production of the accounts remains unacceptable, and quality issues are much greater than at other comparable authorities. Throughout the 2020/21 audit process, the Council had taken excessive time to respond to routine audit challenges and queries, which is of significant concern given the size and capacity of the organisation.

As we noted last year, the capacity issues within the finance team are deeper than the additional workload associated with a delayed audit. The finance team continues to be stretched, and further turnover has taken place since our last value for money review, including the departures of the previous Director of Finance and deputy s.151 officer in September 2023. We acknowledge that the Council have undertaken a restructure and employed new individuals to help strengthen the team, but many of these remain interim posts and therefore the situation remains challenging. It is imperative, that the Council begin reducing reliance on the level of interim appointments in the finance team. 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.

This therefore remains a significant weakness for 2022/23. References to concerns relating to financial statement production, budget reporting and other financial management arrangements are also raised in our governance report.

Budget setting approach

Our prior year report highlighted improved budget setting processes and greater involvement throughout different levels of the organisation, which has continued during 2022/23. The Council has maintained the “star chamber” approach to budget setting. During Summer 2023, this produced £18m of savings considerations for 2024/25. In addition, both the Senior Leadership Team (SLT) and Cabinet members attended an away day specifically focussed on the MTFP, savings and key financial principles. This was then followed by further budget workshops and an approval of the MTFs by Cabinet in November 2023, although this will go through further iterations in January and February 2024.

As highlighted in our Governance Review 2023, the SLT have demonstrated a much greater grip of the medium-term financial planning, with responses to the Away Day being favourable, and providing an improved understanding on the financial challenges facing the Council. Despite this, further work is needed in order to fully understand the principles underpinning the MTFs and the actions required to achieve financial objectives. As outlined in our governance review, the senior leadership team need to agree clear objectives for financial planning and actions needed to achieve these.

Budgetary control

The Council utilises a finance business partner model, working with directorates to review financial performance on a monthly basis. The Council has ambitions to move to a self-service approach of budget monitoring, with access to financial information on a real-time basis. This will be driven by the move to the new financial system Oracle Fusion, which is due to be implemented April 2024.

Monthly reporting to Directorate Management Teams and quarterly reporting at Committee level continued during 2022/23. Finance reports are sufficiently comprehensive with a detailed analysis provided. However it was noted by internal audit during their review of the Disabled Facility Grant that there were a lack of clear and readily available financial reports and monitoring information regarding the overall spend and position of the DFG, impacted by the move from Adults to Housing. This along with additional improvements are being actioned by the service area.

Our work has not found evidence of significant weaknesses in budget setting or controls during 2022/23.

Governance

Internal audit and counter fraud

Internal audit provided an opinion of *reasonable assurance* for 2022/23, in that the Council has adequate and effective governance, risk management and internal control processes. This was an improvement on the prior year where internal audit were unable to provide reasonable assurance that the Council had fully adequate and effective governance processes in place due to the Value for Money review, key and statutory recommendations alongside the appointment of the commissioners to the Council.

Of the 27 auditable areas with a level of assurance provided, four received limited assurance ratings¹. These did not raise a risk of significant weakness for value for money purposes, however we return to Internal Audit's findings on procurement later in this report.

The annual audit report does not detail the number of open recommendations or timelines for their closure. This would provide the ARAC with improved detail on the response rate of actioning internal audit recommendations. It was evident from the narrative of the report that there were several follow-up audits which had taken place during 2022/23 where recommendations were yet to be actioned. For example, two recommendations were outstanding from the Accounts Payable audit, two from the Main Accounting System audit and two from the Housing Benefits audit. A comprehensive overview of outstanding recommendations should be provided on a regular basis.

Counter fraud reports are presented to ARAC on a bi-annual basis. For 2022/23, the Counter Fraud Unit completed 180 investigations, resulting in nine prosecutions, 28 housing applications cancelled prior to application and 36 properties recovered. Both audit services and the Counter Fraud Unit work in partnership with the West Midlands Fire Service and Sandwell Children's Trust to provide services.

The Counter Fraud Unit engage in the National Fraud Initiative (NFI) programme administered by the Cabinet Office. The 2022/3 matches are still being processed; however, the annual report highlighted that fraud and error to the value of £28,600 has been identified. Additionally, the work undertaken by the Council's Counter Fraud Unit was acknowledged in the Cabinet Office's NFI report 2022 as a case study. Our work has not identified any evidence of a significant weakness in arrangements for the internal audit and counter fraud service.

Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee (ARAC) met six times during 2022/23, which is in line with CIPFA's Practical Guidance for Audit Committees, which suggests a minimum of four meetings annually. There are seven members of the committee along with two additional independent members who have been in place since 2016 and 2018. There is also one member in reserve if needed. This is good practice and provides the committee with additional knowledge and experience along with continuity outside of the political cycle and to help achieve a non-political focus on governance, risk and control matters. Having two independent members shows a commitment to supporting and investing in the Committee. No members of the committee are currently also members of the Cabinet, this is also good practice to ensure improved independence of the ARAC.

The Committee reviewed a number of directorate level risk registers during the year and invited the relevant directors to attend in order to provide further information on how risks were being managed. Invitations for officers to attend was a recommendation raised in the prior year and the ARAC have been proactive in addressing this. A review of the agenda showcases that risks, internal audit and external audit reports are routinely considered.

Due to the difficulties with publishing financial statements, the ARAC has fallen out of the regular external audit reporting cycle that many audit committees carry out, however this has not prevented work being undertaken. The ARAC regularly review the strategic and directorate risk registers and there is consideration of internal audit and counter-fraud work on a regular basis, along with external audit value for money reviews, and updates on the improvement plan progress.

1. (Disabled Facility Grant, Taylors Lane Theft, Boscobel Repairs/Voids, Procurement and Contract Compliance).

Governance

Oracle Fusion implementation

The Council is replacing its main Enterprise and Resource Planning (ERP) system, moving from current ERP Oracle E-Business Suite (EBS) to Oracle Fusion. There have been significant delays to the implementation and go live date of the new system. We have undertaken a separate high-level review, the scope of which 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, however due to the potential risk involved we have summarised the key messages below.

Throughout the year, the Council has continued to pay careful attention to the progression of the Oracle Fusion implementation programme, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up over the year to fill identified roles alongside ring-fencing internal Council staff to assist with undertaking programme tasks. The skills and capacity requirements now appear to be aligned to the resourcing model.

Due to the delays in finalising the design specifications for the HR and Payroll, the Steering Committee has recently taken the decision to split the programme into two distinct phases in order to ensure there is sufficient time to perform the build and system testing stages:

- Phase 1 includes Finance, Procurement and Core HR functionality to support finance processes.
- Phase 2 includes Payroll, HR, Expenses, Absence and Time and Labour modules.

The phased approach will lead to increased costs due to the additional resources required to deliver the HR and payroll workstreams post April. The programme need to accurately forecast these additional costs and ensure these are closely monitored.

However, by carving out the core finance functionality, the Council now has a greater likelihood of successfully implementing the Finance and Procurement workstreams by April. Priority should be focussed on delivering this phase to avoid further delays.

The Council has introduced more robust and appropriate governance arrangements to lead the Oracle Fusion Programme. This has provided improved connections between the Programme Board, process workstreams along with cross-cutting working groups such as data migration. The Steering Board receives fortnightly reports covering workstream progress, risks and issues to actively challenge the implementation partner, project management team and team leads.

The Oracle Cloud implementation audit findings report raised 6 key recommendations outlined below:

Recommendations from our review of Oracle implementation:

Procurement: 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. This needs to be based on accurate user forecasts. Future cost savings could be made if a rebalancing clause is introduced into the Oracle contract

Security: The Council currently has no capability to manage user roles and identify segregation of duty breaches. They need to acquire a risk and compliance tool to monitor the appropriateness of security privileges as the use of spreadsheets is not fit for purpose and will not provide a workable future solution. A review to identify segregation of duty conflicts should additionally be factored into the overall project timescales.

Program change: The Steering Committee should challenge any changes that affect the overall cost, resources and timelines for Phase 1 Go Live.

Reporting: The Steering Committee needs to continue to evaluate the progress of designing and testing 233 custom reports across each functional area to ensure progress remains on track

Training: The Council should review the mix of 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 online modules and self-paced study. The timing of the training should also be brought forward to allow sufficient time before Go Live.

Go Live: While efforts are being made to meet the phased Go Live dates, the programme needs to outline their contingency plans in the event that further slippages occur. It is therefore critical that the Steering Committee keep a close eye on missed milestones and challenge the likelihood of recovering time.

Given the high-profile issues experienced by other councils, in relation to their Oracle Fusion implementation, the Council must respond effectively to the recommendations raised.

Governance

Leadership and decision-making

On 22nd March 2022, the Secretary of State for the Department for Levelling Up, Communities and Housing, appointed two commissioners for Sandwell Council. Their role is to ensure the continuation of Sandwell's improvement journey and this remained in place during 2022/23.

Our original review considered the relationships between senior officers and senior members and whether they were appropriate in supporting good governance. Our prior year report recognised the progress made by the Council in improving communication, greater stability and improved working relationships between Cabinet and the Leadership Team. This was underpinned by more mature engagement between senior management and a greater level of professionalism in how business is conducted by committees and decisions are made.

During 2022/23 the Cabinet and Leadership Team continued to work well both collectively and via their individual Director and Portfolio Lead roles. Sandwell have developed an updated member training programme with focus on scrutiny and audit roles with a clear sense of priorities. This is considered to be more wide-ranging than in prior years. A comprehensive review of the constitution and governance arrangements has concluded, with plans in place for an annual review. 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.

Our Governance Review 2023 has highlighted that the Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning there remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this.

Members and the 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, with the most recent letter from the Commissioners in June 2023, recommending the incremental reduction of Commissioner time at Sandwell, providing the current trajectory is sustained. It is therefore imperative that the arrangements now in place ensure continued improvement should intervention cease, and the Commissioners depart their roles.

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.

Our 2022 governance report found no evidence of significant weaknesses in arrangements for ensuring that it makes informed decisions. There was no evidence found, that suggested this situation has deteriorated during 2022/23. However, 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.

Over-reliance on interim statutory officers undermines effective leadership and management and may result in gaps in corporate memory. It is hard for interim post-holders to fully understand the complex history of risky decision making. Interims and those acting up in statutory roles may find it difficult to develop close and trusting working relationships with their statutory officer colleagues and this can make it harder for them to challenge decisions. They may also be perceived as lacking the necessary gravitas or status to be as effective in their roles as a permanent post holder.

Governance

Compliance

The Council's SRR highlights compliance with the Data Protection Act (DPA) 2018, General Data Protection Regulations (GDPR) and Freedom of Information Act (FOIA) 2000 as a red risk area. Whilst there are ongoing controls in place including an Information Governance Board, and a Data Protection Officer, the Council's response rate to FOI requests remains below the 95% compliance rate. As detailed in the table below for 2022 and 2023 response rates were 69%, improving to 85% in 2023. For Subject Access Requests (SARs) only 50% and 58% were responded to on time in 2022 and 2023. Whilst this shows an improvement in response rates, it is still below the expected compliance rate of 95%. Additionally, the percentage of complaints responded to in 10 working days is below target of 90%, most recently at only 64%. The Council should endeavour to improve these metrics in 2024.

FOI/SAR	2022	2023(Jan-Oct)
FOI received	1071	964
FOI responded on time	736 (69%)	819 (85%)
SAR received	210	211
SAR responded to on time	105 (50%)	118 (58%)

1. (Disabled Facility Grant, Taylors Lane Theft, Boscobel Repairs/Voids, Procurement and Contract Compliance).

LGA Corporate Peer Review

In August 2022 the Council had a corporate peer review follow up, which recognised the progress being made. The 9 key recommendations have formed part of the Council's comprehensive improvement plan. As of November 2023, many of these improvement recommendations have begun to be actioned. For example, the review of the partnership arrangements in the Peoples' Structure has been completed with the formation of 5 over-arching Boards. The recommendation to increase member training has been actioned with feedback from sessions being analysed and further sessions with the LGA taking place. The Council also completed a Resident Wellbeing and Perception Survey in Summer 2022, revised the Constitution and established a Medium-Term Financial Strategy. It is evident that progress is taking place and the recommendations made by the LGA are a central component of the improvement plan journey.

Conclusion

We are pleased to report that in the period since December 2021 the Council has made significant improvements to address the issues raised in our prior value for money reports and governance review, strengthening financial and governance arrangements, and the direction of travel is positive. These measures will take time to fully embed, and it is imperative that this progress continues despite the changes in leadership and move to Oracle Fusion.

Despite this, the Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit. We are concerned about the lack of progress in this area and have continued this as a Significant Weakness in arrangements.

Improvement recommendations

Improvement Recommendation 3

The Council should endeavour to increase the compliance of Freedom of Information requests, Subject Access Requests and complaints responded to in a timely manner

Improvement opportunity identified

Public authorities should be transparent and accountable about decisions they make and the public money they spend, and compliance with Freedom of Information requests and Subject Access Requests in a timely manner, supports this and helps to ensure the public's information rights are upheld. Timely resolution of complaints

Summary findings

The Council's response rate to FOI requests remains below the 95% compliance rate. For 2022 and 2023 response rates were 69%, improving to 85% in 2023. For Subject Access Requests (SARs) only 50% and 58% were responded to on time in 2022 and 2023. Whilst this shows an improvement, it is still below the expected compliance rate of 95%. Additionally, the percentage of complaints responded to in 10 working days is below target of 90%, most recently at only 64%.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Since the preparation of the statement, the Council has further reviewed its processes and systems for handling FOIA, EIA and SAR disclosure requests. Additional targeted interventions have been made in key services and directorate where performance variation has been identified. Training regimes and approval gateways have been reviewed and refreshed to ensure accuracy, quality and timeliness of responses are consistent and aligned. The Council is exploring opportunity to enhance the range of information published to its website through a single information gateway with pro-active publication of data sets and information otherwise subject to regular FOIA/EIR request. Complaints management arrangements are subject to review as part of wider customer transformation work with procedures and policy frameworks under review to embed consistent customer service and reduce timescales for response. Work is ongoing to identify an integrated CRM system for use with complaints, feedback, FOIA/EIR/SAR requests.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



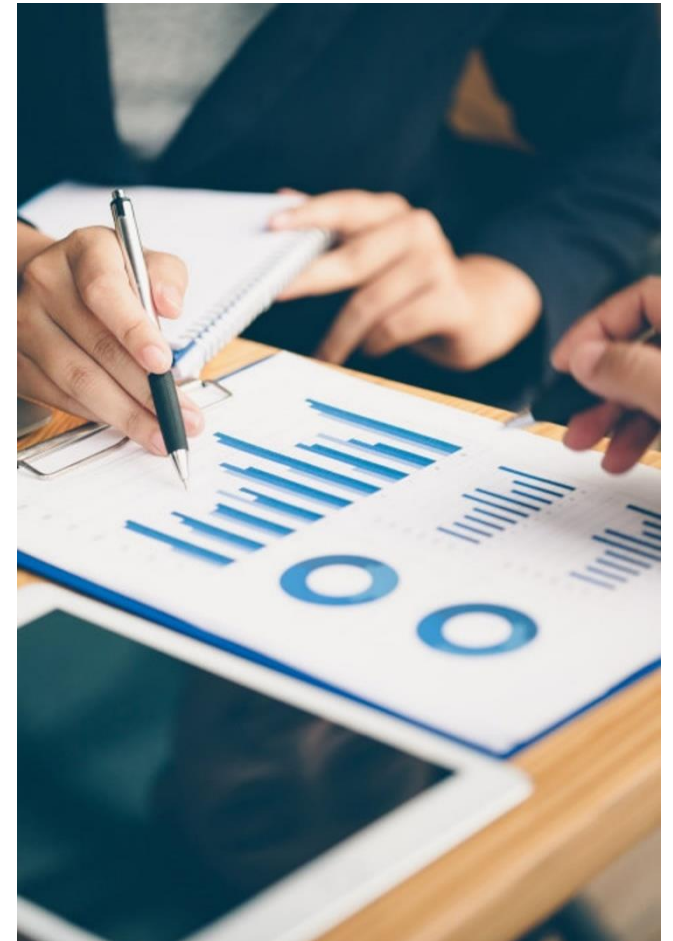
We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council uses financial and performance information to assess its progress against corporate objectives and identify areas for improvement such as quarterly performance reports against budget, KPI's against the Council plan. It has implemented a new performance management framework that enables it to monitor and measure performance against key indicators. This framework includes the use of performance dashboards, which provide real-time information on key service performance indicators to responsible officers. We welcome this as an enhancement to the Council's ability to track and manage performance corporately to improve transparency and break down the siloed approach to service management that was a feature of the original governance review findings. This is also reflective of the Council's steps towards a new business as usual approach to managing services, as it continues to deliver on its Improvement Plan. Performance data is reviewed alongside financial data to provide a rounded view of performance – this includes budget monitoring and forecasting, financial reporting, and cost analysis. This helps the Council to identify areas where it may be under or over performing, enabling it to take corrective action as necessary.

The Council also uses customer feedback to assess its performance and identify areas for improvement. This includes gathering feedback through customer surveys, complaints, and other feedback mechanisms. The Council uses this feedback to inform its decision-making processes and to identify areas where it may need to improve service delivery. Furthermore, the Council engages with its other stakeholders, including the wider population of residents, community groups, and businesses, to understand their needs and priorities. This approach is to align its service delivery with the needs of its stakeholders and to identify areas where it may need to improve its performance.



Improving economy, efficiency and effectiveness

Improving Services - Borough Economy

The Borough Economy Directorate oversees a wide-ranging portfolio, including Public Protection, Community Safety, Licensing, Leisure, Waste Management, Park Events, Heritage Libraries, Archives, Highways and Maintenance, Road Safety, and Parking. Under the leadership of the current Director for Borough Economy, who has been in the role for two years, the directorate has undergone strategic prioritisation, addressing historical challenges.

Key risks being actively addressed by the directorate include budget management, particularly concerning volume demand in customer journey elements, and performance management impacting customer delivery. We note that to help drive greater efficiency and direction the directorate has restructured, resulting in the creation of four Assistant Director roles, each overseeing specific areas, along with the establishment of a Business Management function.

Highways, road safety and network infrastructure

The department has been focused on securing and managing grant funding for investment programmes and developing opportunities with West Midlands Combined Authority (WMCA). The directorate has witnessed inflationary pressures in areas such as highways contracts. The asset management plan and the updating of the strategic community road safety plan has gone some way to addressing these challenges.

Despite the challenges, the department has achieved notable successes. The highways department has the second-best pothole repair rate in the West Midlands, and its asset management is ranked second in the region. The most significant achievement has been improvements in customer service, evidenced by a reduction in open enquiries. The Council has also enhanced transparency of performance reporting through the use of the creation and regular sharing of dashboards on the Council's intranet site. Following the appointment of a new parking manager, as of December 2023, parking income is approaching pre-COVID-19 levels, although Penalty Charge Notice (PCN) income remains slightly lower. The directorate has accordingly revised its parking and highways income targets for 2024/25.

Library Archives and Information Services

The Council merged libraries with heritage, focusing particularly on securing external funding bids to support investment in services. Progress and outcomes are documented in a 'cultural summary' publication. In the past, opportunities to drive value from partnerships and external investment have not been fully leveraged at both regional and national levels, impacting its ability to maximise available funding. The directorate is now making progress in addressing this, for example through greater collaboration with the WMCA as part of a regional cultural partnership. In addition, the establishment of the Sandwell Cultural Forum, partly funded by the Arts Council, signifies a proactive step to address this challenge. The Council is also investing in its heritage sites with MEND funding as a prioritised initiative. We note that the strategic amalgamation of heritage under the umbrella of library archives and information services resulted in some savings for the directorate.

In the area of park events and open spaces, the Council faced challenges to optimise income and minimise expenditure. A strategic approach for open spaces has been presented to Cabinet. The directorate has identified £0.7m in net savings for 2024/25 through these channels. To further invigorate the area, a Sandwell Valley master plan has been created, presenting various proposals for improvements.

Other service areas - Leisure, Waste and Community Safety

This directorate is concerned with challenges associated with low physical activity and cultural participation levels in Sandwell. The directorate has initiated a comprehensive review of leisure facilities to optimise resource allocation and achieve the appropriate balance between cost effectiveness and improving health and sports participation outcomes.

A significant operational shift has happened in waste services, marked by the transition to electric vehicles (EV) and the introduction of garden waste charging. These changes have resulted in a cost-savings of £1.6m.

To further enhance operational efficiency, in the waste department, the implementation of 'White Space' software (an operations and performance software) is underway, aiming to provide the directorate with access to rich and timely data, ultimately elevating the customer service experience. Within the realm of community safety performance management, the Council has established effective partnerships, leveraging crime data to inform decision-making. Borough tasking groups actively address identified crime hotspots, proposing and implementing solutions to enhance overall community safety.

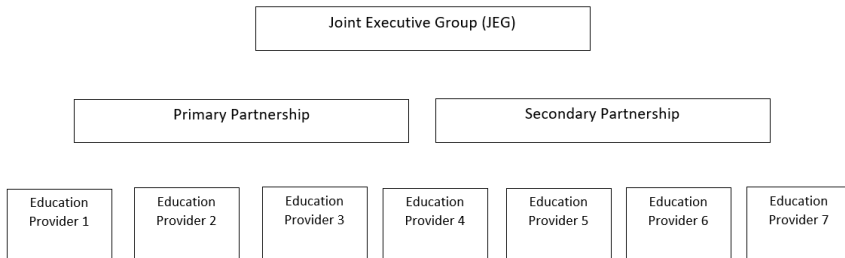
Improving economy, efficiency and effectiveness

Improving Services - Education

In Sandwell, there are a total of 94 primary schools, with 65 being maintained schools and the rest classified as academies. Additionally, the area features 22 secondary schools, comprising 20 academies and 2 maintained schools. There are also 3 special schools within the region. Conversations with the Director for Children and Education indicate a positive working relationship between the local authority and schools.

Sandwell's outcomes for key stage 2 and 4 fall below the Council's desired benchmarks. This is an area for improvement and we note that the region has been designated as one of the 55 education investment areas. Furthermore, Sandwell voluntarily participates in one of the 24 priority areas, resulting in additional funding aimed at addressing outcomes for key stages 2, 4, and early years. The Council has established a partnership board for these priority education investment areas, chaired by the Department for Education (DfE). A Sandwell Priority Area Draft Delivery Plan is collaboratively developed with the DfE to enhance outcomes for key stages 2 and 4.

The governance structures across primary, secondary, and special schools in Sandwell are robust (see below governance structure chart). The area is divided into 7 learning communities spread across 6 towns, with two in West Bromwich due to its larger size. These communities facilitate discussions among phase leaders from primary, secondary, and special schools, addressing local issues with the support of the local authority. Additionally, there are primary and secondary partnerships, along with the Joint Executive Group, featuring representation from the local authority, primary and secondary learning communities, and phase leaders, attended by the Director of Children and Education.



Improving Services - Children Social Care

The local authority retains all statutory responsibilities, with the Children's Trust managing operational aspects of children's social care, the youth offending service, and children with disabilities. Governance arrangements ensure the Council's oversight of the Children's Trust, involving:

- An Improvement Board chaired by an independent consultant with extensive experience as a Children Services director.
- A Strategic Partnership Board, led by the Council's Chief Executive, convening quarterly.
- Operational Partnership Board meetings chaired monthly by the Chief Executive of the Sandwell Children's Trust.
- Biweekly meetings between the Director of Children and Education and the Chief Executive of the Children's Trust.
- Monthly meetings involving the Director of Children's Services, the Chief Executive of the Children's Trust, and the Chair of the Trust Board.
- Monthly finance meetings, attended by the Council's S151 officer, the Director for Children, the Director for Resources within the Children's Trust, and the Chief Executive of the Trust.

Consistency in attendance by the Director for Children and Education ensures thorough performance monitoring and broad governance coverage over the assurance of the Children's Trust. In terms of commissioning, the Council's procurement manager, in place prior to the Children Trust's inception, oversees procurement functions across the Trust and the Council. The Children's Trust's performance undergoes monthly monitoring through a performance report to the Director of Children alongside a quality audit report for transactional contracts aligned with 15 KPIs. Both the Trust and the Council conduct a contract review every four years, reflecting on service delivery, identifying improvements, and recognising areas requiring further attention. The latest contract review, covering April 2018 – March 2022, comprehensively addresses governance, finance, demand, performance against KPIs, and inspections.

The Trust faces recruitment challenges for social workers due to neighbouring areas offering higher salaries. Sandwell addresses this by introducing the social worker supplement, increasing social worker pay, and offering the 'Sandwell deal,' an encompassing package of development, pay, and reward benefits aimed at attracting social workers.

Improving economy, efficiency and effectiveness

SEND inspection July 2023

The Council underwent a SEND inspection of the Sandwell Local Area Partnership. Local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). The conclusion was that the local area partnership must work jointly to make improvements.

ILACS inspection

In May 2022, the Council underwent an Inspection Local Authority Children's Services (ILACS) inspection where the Council was rated 'requires improvement to be good'. Services for vulnerable children and families in Sandwell have improved since the last inspection in November 2017, when they were judged to be inadequate. Since April 2018, Sandwell Children's Trust has been responsible for delivering children's services on behalf of the local authority. The inspection's judgement also states not all children experience effective social work practice as a result of a combination of factors including staff turnover, workload pressures, variation in management oversight and support and the effectiveness of partnership working.

CSC at Sandwell is run by the Sandwell Children's Trust (SCT). The Service Delivery Contract (SDC) between the Council and 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 Governance Review update report in December 2023 has covered some of the main issues affecting CSC. It concluded that:

"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."

The report 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."

Improving Services – Adult Social Care

The Council's Adult Social Care Service is comparatively well funded. Our benchmarking analysis has indicated that the Council is very "high spend" when compared to similar councils. Adult Social Care accounts for 39.1% of overall spend at the Council (note this is when both public health and education are excluded). Our discussions with the DASC have confirmed that there has been high investment in the service over the last few years and this contributed to the budget underspend in 2022/23.

The case for the additional investment relates to the continuing trend of increasing demand for placements and packages, combined with the higher unit costs that the Council has faced in recent years. This is unlikely to reduce in either the short or medium term. This is due to wider demographic trends in the Council's catchment area - an ageing population living longer with more complex health and social care needs, an increasing proportion of the Council's younger adults population presenting with complex mental health conditions and learning disability needs (many of whom are transitioning from Children's services).

Care provider markets facing their own financial pressures due to wider inflationary pressures and workforce shortages resulting in material fee uplifts for the Council. The Council had an especially challenging 2022 which culminated in severe staffing challenges in late 2022. Since then and with the shelving of the government's charging reforms and following a review of the market sustainability carried out by the service which resulted in more investment, some of those pressures have eased albeit the closure of three homes in the borough in late 2022 provided further challenges for the service.

Improving economy, efficiency and effectiveness

The directorate does have a number of mitigating plans to better manage these pressures and challenges in the future including:

- The service has established a Transformation programme with savings targets of £2.5m/£1.5m/£1.5m over the next 3 financial years from 2024/25. The initial focus of the programme is on front door modelling and backlog reviews. The first ASC Transformation Board met on the 8 January 2024 and the programme is expected to have positive impact on service performance.
- The opening of the 80-bed Reablement home at Harvest View has allowed the Council to focus more on ensuring that people are going home with the right level of care and independence. This helps patients better ready themselves for returning home meaning their level of care required is not as high intensity and therefore not as costly.
- Three year in principle financial plan to support the stability and sustainability of Sandwell's Adult Social Care provider market in Sandwell by uplifting all fees or rates paid for adult social care provision for the sectors identified in the report from April 2023.

Improving Services - Regeneration

The Council's historical approach to regeneration had tended to be reactive, securing funding when initiatives arose. However, the Regeneration Directorate has undergone a strategic shift, developing a new 5-year regeneration strategy. Under new leadership for two years, the directorate has transitioned from a reactive funding-seeking approach to a proactive strategy. The directorate collaborated with senior leaders and sought external assistance from Metro Dynamics to formulate the strategy, addressing key issues in the Sandwell economy. Notably, the directorate successfully secured £168 million in CRUST funding, marking a significant accomplishment.

In 2022/23, the Council submitted 16 Treasury green book standard business cases, showcasing increased output and activity. The new regeneration strategy addresses intertwined priorities of housing, transport, and regeneration, recognising the housing supply challenge and demographic factors in Sandwell. The directorate established a governance structure around the regeneration pipeline, involving the Regeneration Pipeline Board, Housing Delivery Programme Board, and Transport Programme Board, with 6-monthly performance updates to Cabinet and Leadership Team.

Social value considerations are integral to regeneration projects, with defined outcomes incorporated into procurement processes and monitored quarterly. The Council's commitment to social value includes three levels based on locality, ensuring investment retention at various geographic scales. Despite challenges, the directorate's success in securing funding, including direct allocations from central government, has marked a prosperous year for regeneration projects.

Cabinet approval on March 23, 2022, endorsed the Regeneration Strategy, Regeneration Project Pipeline, and the Inclusive Recovery Action Plan for Business. These documents outline corporate regeneration priorities from 2022 to 2027, with the live pipeline monitored and reported to Cabinet every six months. The initial performance report, covering March 2022 to October 2022, reflected progress on each project, particularly those led by the Council. An illustration is provided to the right to show the amount of funding the Council has received for 2022/23.

Funding Source	Award	From	Date
Social Housing Decarbonisation Funds (SHDF 1 and 2; LAD and HUG)	£13m	BEIS / DESNZ	2022/23
Towns Fund Programme	£68m	DLUHC	May 22
UK Shared Prosperity Fund	£7m	WMCA	Nov 22
Levelling Up Fund – Round 2: Haden Hill Leisure Centre Replacement	£20m	DLUHC	Jan 23
Tipton Town Centre Regeneration Scheme (78 affordable units and rationalise retail)	£20m	DLUHC	Mar 23
Commonwealth Games Underspend (£70m) – SAC Utility Cost pressures	£1m	DCMS / WMCA	Mar 23
Black Country Land and Property Investment Fund (Black Country LEP)	£5m	BCLEP	Mar 23

Improving economy, efficiency and effectiveness

Improving Services - Housing

As with many other councils in the UK, the past few years have been challenging for the Council's Housing service. Notwithstanding the pressures Covid-19, the cost of living crisis and the increase in the regulatory requirements (especially in relation to damp and mould, electrical safety and fire safety following high profile cases nationally), have put on the service, it has also had a number of operational issues, as follows:

- **Stock Condition** – the Council does not have a functioning stock condition and compliance system in place (though this is currently being procured) and they are working with stock condition data that is in excess of 8 years old (the regulator benchmark is 5 years). They have commissioned a survey with data from an initial batch of 5,000 properties will be used to inform the business plan in early 2024, and in the meantime have been updating their 30 year plan with the help of Savills, with the information they do have available. The Council is making provision for this to result in some as yet unplanned additional capital costs to bring things up to standard.
- **Component replacement** – the corollary to the lack of stock condition data is that identifying component replacement is difficult and the Council doesn't currently have a functional asset management system for planned replacements. Where previous replacement programmes have been undertaken the data is manually entered on a spreadsheet tracker. Furthermore due to the current lack of stock condition data the approach taken has been to replace a component on the basis of customer requests and/or complaints or when a property becomes void rather than through a planned schedule of replacement and upgrading
- **Systems** – there is no overall asset management system. As mentioned above the Council is in the process of procuring this. In the meantime the systems the council are using, namely Open Housing and Job manager do not integrate and therefore are not conducive to efficient repairs or issues management. Additionally, certain data is retained only in spreadsheets.
- **Interim staff** – the directorate introduced four experienced interim professionals to oversee key areas identified for improvement. These areas include contract procurement, building safety and compliance (in anticipation of new regulations), contract management, repairs (addressing backlog post-COVID-19 and damp/mould self-referral), and Head of Major Projects. Reliance on these individuals provides a risk for the Council as they could leave at short notice and leave the Council exposed.
- **Self referral to Housing Regulator** – the service has self referred to the Regulator in the main due to its building safety compliance checks and has been asked to provide additional data in January 2024. In all likelihood, the Regulator will inspect with a strong probability of imposing conditions on the Council
- **Service underperformance** – the quarter 2 performance report (January 2024 Cabinet) highlighted underperformance in a number of areas, including:
 - Percentage of homelessness cases successfully prevented
 - The % of current tenancies with a live valid Home Check in place is below target (17.60% against a target of 20%)
 - Fire Safety Checks and Asbestos Safety Checks are both below target and RAG rated 'Red'.
 - Performance is below target for Asbestos Safety Checks
 - The number of residents assisted by Welfare Rights in Q2 is below target by 549 cases ('Red')

Notwithstanding the above issues it is important to note that significant remedial work has been ongoing over the past 12-18 months. An Interim Head of Housing was appointed in 2022 and this has led to a number of improvements in the service as he has worked with the internal team and appointed other Interims to support.

Examples of this remedial work are the nascent Housing Transformation programme which is now in place and has just had its first meeting in January 2024. There is also a revised governance structure including a new Operations Committee which has been convening weekly to ensure ongoing updates and momentum in discussions. Dashboards have been strategically deployed to capture and record performance, enhancing internal and external performance management.

The stock condition survey is now well underway with an initial 5,000 properties having been assessed. These were a sample taken with support from Housing partners to the Council, Savills. As mentioned earlier the procurement of a new asset management system has commenced and this is likely to be in place in 2024.

Improving economy, efficiency and effectiveness

The Council has also kept a strong grip on its HRA finances with over £41m in Reserves retained to deal with any of the potential maintenance issues that an ageing stock of houses will inevitably have. There is also significant capacity to borrow to address any asset improvement programmes if required.

The Council is in the process of appointing an Executive Director who will have responsibility for Housing and the plan is to appoint to Assistant Director level on a permanent basis in the summer 2024 so this will put the housing service in a stronger position moving forward with risk of loss of key staff minimised. It is however important to note that a notable challenge faced by the directorate is the competitive staffing market, with neighbouring Councils offering competitive rates for skilled staff.

There is openness and transparency in the service which has faced up to its issues both internally via its detailed reports to cabinet on its performance and also to the Housing Regulator to who the service has self-referred and with who it is in current dialogue.

Significant Weakness in Arrangements to Secure VfM- Housing Service

On balance, we find that during 2022/23 in the context of a hardening regulatory environment, key aspects of the Council's arrangements for delivering the Housing Service were not adequate and constitute a significant weakness in the arrangements in place to secure value for money. **We do recognise the progress that has been made in 2023 in identifying, reporting and putting plans in place to resolve these challenges.**

We make a key recommendation, that the Housing service transformation programme should focus on addressing the issues identified, that this should be fully delivered within a reasonable timeframe and that progress continues to be closely monitored by members and the senior team.

Procurement and contract management

In our prior year report, we highlighted that there had been improvements made in relation to procurement and contract management. Since then, lessons learned sessions have been held with Directors and Assistant Directors – for example, on the original SEND Transport procurement. The lessons learned have been shared with all officers involved in procurement activity, including frequently asked questions. Training has been delivered 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.

Our discussions with officers have highlighted that, while work is ongoing, the procurement strategy is still in draft, although expected to be in place for the 2024/25 financial year. Therefore, our improvement recommendation to update the procurement strategy remains open until this is fully actioned and in place.

Currently the Council is 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. This will create a single procurement function to support directorates alongside a corporate procurement board. Directorates have been asked to produce procurement pipelines for the next 3 years which will be transferred to Oracle Fusion once the procurement module goes live in April 2024. This is currently maintained on a spreadsheet and the procurement team do not have full oversight of future procurement activity leading to an element of fire-fighting and inability to effectively plan work and timelines for the team. This pipeline should support the Council's resource prioritisation decisions, to be considered by a new procurement board which is due to be introduced in March 2024. While we feel that this falls short of a significant weakness, it does need to be resolved effectively and promptly. We recommend that the Council considers what additional assurance and review of the spreadsheet-based procurement pipeline can be implemented in the short term, prior to the migration to Oracle Fusion.

Oracle Fusion provides an opportunity for greater standardisation, monitoring, reporting and approval of procurement activity. It also provides the Council with the opportunity to consider which service area contracts could be delivered corporately in future and where financial savings could be made. This work has been started with a review of consultancy fees already having taken place.

Improving economy, efficiency and effectiveness

Capacity is a key concern for the procurement function, particularly given the work that will be needed beyond 'business as usual' due to the introduction of the Procurement Bill and Oracle Fusion in 2024. In the prior year we recommended that the Council should ensure that the procurement team is appropriately resourced as it embarks on a transformation of the service. As there is much to do over the next 12-24 months which may require further resource this recommendation will remain open. It is imperative the Council understands the scale of work required due to the upcoming regulatory changes and the wider impacts this will have for service areas, which may need additional procurement support.

Partnership working

The Council is developing and deepening relationships with external partners across the region and sector, as highlighted by the most recent Commissioners' report. In July 2022, the Council became a member of the Black Country Integrated Care System (ICS) and the Sandwell Health and Care Partnership. The ICS has published the Black Country Integrated Care Strategy to provide a framework for integrated system level working to deal with collective challenges such as the social care system and workforce retention and recruitment issues. A memorandum of understanding has been signed, plans have been refreshed and these undergo 6 monthly reviews by the Director of Public Health, Director Adult Services, and Director of Children Services.

The Council, Sandwell Children's Trust (SCT) and the NHS Black Country Integrated Care Board (ICB) are jointly responsible for the planning and commissioning of services for children and young people with SEND in Sandwell. In July 2023 Ofsted and the Care Quality Commission (CQC) undertook an area inspection of SEND children and young people. This reported in September 2023. These area inspections do not provide an overall rating, and the report noted several 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 and it recommended that SEND, and the local area partnership must work jointly to make improvements set out in the report, including:

- strengthening of multi-agency working
- develop co-production so children and young people play a key role in developing strategies and plans
- 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.

There are examples of positive outcomes from partnership working. For example, a project led by SCT won the Partnership Working Award, at the National Children's Awards, for their work on Sandwell County Lines Intensification Week. The partnership, including Sandwell Council's youth service and Sandwell police, was praised for its work in reducing the number of young people affected by exploitation from criminal gangs in Sandwell. Additionally, the Council has refreshed its partnership-wide Vision 2030 as part of the improvement plan actions. Key messages were shared with the Cabinet and Leadership Team.

The Council is also currently consulting on the Voluntary & Community Sector (VCS) Strategy to improve relationships with the VCS. The Council have run two Cost of Living Summits which have brought together a range of partners from across the public, private and voluntary sectors to support the local community and work together to problem solve and collaborate. This has culminated in the joint Tackling Poverty Plan. In October 2022, a joint statement was released by the four local planning authorities in the Black Country announcing that the Black Country Plan was not going to proceed. As a result, the Council presented the Sandwell Local Plan, which will provide the framework for the long-term planning of Sandwell.

The Sandwell Local Plan forms the basis of decisions on planning applications and other matters relating to the use and development of land. It provides certainty for developers and protection for sites that are of value for environmental, economic and social reasons. In November 2022, a document was presented to Cabinet that explained the function of the Local Plan and which included a timetable for its development. The Council has released a consultation to ensure stakeholders' views are reflected in the plan, as it will inform future Cabinet decisions. We consider that the Council has appropriately addressed the need of a strategic plan to substitute the Black Country Plan. It is on schedule and has recently undergone a consultation period. Hence, the Council is taking steps in the right direction, and we will monitor the development of this plan and its implementation in the upcoming months.

The Council is one of seven constituent members of the West Midlands Combined Authority (WMCA). The WMCA is made up of the 18 local authorities and three Local Enterprise Partnerships (LEPs). The Council continues to participate in decision making forums of WMCA including the CA Board, Economic Growth Board, Housing Board etc. While the Council has been successful in securing government funding for regeneration in the past few years, it recognises that it has not fully utilised its relationship with the WMCA as another channel through which further funding could be obtained. However, more recently the Council has started to strengthen this relationship, as WMCA have agreed to provide £1.4 million to support a community leisure centre, which was officially opened to the public in July.

Improving economy, efficiency and effectiveness

District Heat Network

The Council is in the process of developing a Heat Network, with Cabinet approval on the outline business case gained on 12th July 2023. This was developed using the Treasury's five-case model approach and includes the financial implications over a 40-year period. Heat networks can be a cost-effective way of reducing carbon emissions. This aligns with the Council's Climate Change Strategy and Action Plan, which commits to reducing emissions across the Borough. The project is currently at the detailed development stage. The Council will look to procure a partner and agree the final investment decision at the end of 2024/25. While the Government is currently supporting local authorities with the development of their heat networks, there is recognition that with the changing regulatory picture that many Councils will need to be well-equipped with the appropriate skill and resource to meet the financial and administrative burdens which may arise as a result. The Council's preferred funding strategy is to seek 50% funding from the private sector to mitigate investment exposure and risk and a grant has been awarded (subject to approval) under the Green Heat Network Fund created by DESNZ to provide £940k of revenue funds to support Commercialisation and £4m of capital funding for project delivery. Once complete in September 2024, the final investment decision will be made. We will continue to monitor progress on this project and the value for money implications of the decision.

Climate Change

Sandwell Council declared a Climate Emergency in 2020, setting two targets:

- To be a carbon-neutral Council by 2030
- To be a carbon-neutral borough by 2041

To achieve this the Council have developed a Climate Change Strategy and accompanying Action Plan, utilising the results of a citizen survey conducted in 2020. In March 2022, Cabinet recommended to Council that a cross-party Member Steering Group on Climate Change be formally established as part of governance arrangements to monitor the implementation of the action plan. To ensure that climate change considerations are integrated across service areas a director led Programme Board was set up to incorporate actions within the Climate Change Strategy into service area business planning. The Board is supported by the Climate Change Programme Team with the expectation of quarterly reporting into the Member Steering Group and annually to Cabinet. Our review of Cabinet papers has highlighted that this has not been reported on an annual basis. Therefore it is important that the Council highlight the work completed against the Climate Change Action Plan which has been completed thus far and update members on progress taken. It is also important that the Council ensure to fully cost the Climate Action Plan in order to assess the ability to implement actions in an affordable way, along with a review of capacity within teams, given ongoing transformation and improvement activity.

Conclusion

The Council has made good progress in improving the performance of its services and it has implemented a strengthened performance management framework, using real-time performance dashboards to monitor progress and identify areas for improvement.

The Borough Economy Directorate has undergone strategic prioritisation under the current Director for Borough Economy. Despite challenges, the directorate has achieved notable successes, such as the remarkable improvement of customer service and the creation of dashboards to provide up-to-date insights on performance. The Children Social Care directorate has shown a lot of improvement which has been reflected in the inspections it underwent in year, including a SEND inspection leading to necessary improvements and an ILACS inspection showing improvement. However, the directorate still has progress to make in certain areas as highlighted in the recent inspections and it is taking on board recommendations for further improvement. In relation to partnership working, the Council is developing relationships with external partners and has joined the Black Country Integrated Care System and the Sandwell Health and Care Partnership to improve SEND services. The Council is consulting on a VCS strategy, has presented the Sandwell Local Plan, and is a member of the WMCA, participating in decision-making forums and receiving support for community leisure centres.

One area of concern is Housing where we have raised a significant weakness. In the context of a hardening regulatory environment, the Council's Housing Service were not adequate and constitute a significant weakness in the arrangements in place to secure value for money. This is largely due to the lack of a fit for purpose asset management system, out of date stock condition surveys and self-referral to the regulator in respect of building safety compliance checks. We do recognise the progress that has been made in 2023 in identifying, reporting and putting plans in place to resolve these challenges and are encouraged by progress in all areas. We have therefore made an additional key recommendation in relation to this.

In summary, apart from Housing where we have identified a significant weakness and raised a key recommendation, we are satisfied otherwise that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have made one additional improvement recommendation as a result of our review relating to the spreadsheet-based process currently supporting the procurement pipeline.

Improvement recommendations

Improvement Recommendation 5

We recommend that the Council considers what additional assurance and review of the spreadsheet-based procurement pipeline can be implemented in the short term, prior to the migration to Oracle Fusion.

Improvement opportunity identified

Assurance and review controls over the spreadsheet-based procurement pipeline.

Summary findings

Directorates have been asked to produce procurement pipelines for the next 3 years which will be transferred to Oracle Fusion once the procurement module goes live in April 2024. This is currently maintained on a spreadsheet and the procurement team do not have full oversight of future procurement activity leading to an element of fire-fighting and inability to effectively plan work and timelines for the team. This pipeline should support the Council's resource prioritisation decisions, to be considered by a new procurement board which is due to be introduced in March 2024.

While we feel that this falls short of a significant weakness, it does need to be resolved effectively and promptly.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

We have provided a detailed commentary on our financial statements audit on [page 22](#) of this report.



Appendix A

Progress on Statutory and Key Recommendations

Progress on statutory recommendation 1

Recommendation	Progress to date	Status
<p>1 It is imperative that senior officers and senior members take effective corporate grip of long-standing service issues highlighted by the finding 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.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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 .</p> <p>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.</p> <p>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.</p>	<p>Appropriate progress had been made – this statutory recommendation has been lifted.</p>

Progress on statutory recommendation 2

Recommendation	Progress to date	Status
<p>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</p>	<p>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.</p> <p>The Council has demonstrated greater awareness and responsiveness to identifying and responding to contract management weaknesses, such as those recently identified in housing services.</p> <p>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.</p> <p>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</p>	<p>Appropriate progress had been made – this statutory recommendation has been lifted.</p>

Progress on statutory recommendation 3

Recommendation	Progress to date	Status
<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Appropriate progress had been made – this statutory recommendation has been lifted.</p>

Progress on Revised Key Recommendations from Governance Review Follow-up 2021/22

Recommendation	Date raised	Progress to date
<p>1 The Council must conclude the design of Phase 2 of the Improvement Plan, which will focus on organisational culture, values and behaviours required to deliver change, and introduce a “golden thread” aligning corporate KPIs to individuals' performance objectives., so that planned improvements and changes become embedded across the organisation. The Council must also use the improvement building blocks now in place to bring a greater focus on service user responsiveness and outcomes.</p>	December 2022	<p>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. The first theme of the Improvement Plan is organisational culture which has culminated in the development of the Council’s One Team Framework, which sets out the values and behaviours expected. 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.</p>
<p>2 The Council needs to ensure that the new corporate PMO remains appropriately resourced, integrated all transformation and change activity being undertaken across the Council, and has access to appropriate data sources to be able to effectively monitor the delivery.</p>	December 2022	<p>A corporate PMO framework was agreed by the Senior Leadership Team in August 2023. 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.</p> <p>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 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.</p>

Progress on Revised Key Recommendations from Governance Review Follow-up 2021/22

Recommendation	Date raised	Progress to date
<p>3 The Council should progress and finalise outstanding actions relating to our previous recommendations, in particular introducing a commercial strategy and as asset management strategy and conclude the service-based actions arising from our previous recommendations, including improvements in the management of the waste contract and the creation of the new leisure services company. The Leisure Team needs to ensure there is appropriate corporate focus on medium term financial planning and financial statement production.</p>	December 2022	<p>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.</p> <p>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.</p>
<p>4 Once all the planned revisions to the Constitution have been agreed, the Council will need to embed these changes and demonstrate sustainable improvements in governance and scrutiny of decision-making.</p>	December 2022	<p>The Council has now concluded a comprehensive review of the constitution and governance arrangements with plans in place for an annual review. The changes will now need to be embedded and sustainable improvements will need to be demonstrated.</p>

Progress on revised Key Recommendations from Governance Review Follow-up 2023

Recommendation	Date raised	Management response
<p>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.</p>	2023	
<p>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.</p>	2023	<p>The key recommendations and the further 26 improvement recommendations made by Grant Thornton in their 2023 report will be integral to reframing the council's improvement journey to ensure it continues to focus on key issues and that improvements made remain sustainable. These recommendations will be incorporated into the refresh of the Improvement Plan and will provide further direction for the next stage of the council's improvement journey.</p>
<p>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 pace for the subsidy to SLT being eliminated, financial statement production, and reducing reliance on the level of interim appointments in the finance team.</p>	2023	
<p>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.</p>	2023	

Progress on Key Recommendation – 2021/22 AAR

Recommendation	Date raised	Progress to date	Status
1 The Council needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit.	March 2023	The Council have provided the 2021/22 financial statements for audit purposes in October 2023. There continues to be significant delays to the financial account preparation process which impacts upon audit deadlines and prevents stakeholders from obtaining an accurate and reliable picture of the Council's financial situation. As the 2022/23 accounts are yet to be produced, this remains as a significant weakness in 2022/23.	Action needed

Follow-up of prior year improvement recommendations from 2020/21 AAR

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Governance: Ensure there is a system in place for the timely review of Council policies and procedures to prevent policies becoming redundant or no longer following regulatory guidelines or recommended best practice	Improvement	July 2022	Awaiting update		
2	Improving economy, efficiency and effectiveness: It would be beneficial for the Council to develop a Corporate Data Strategy which outlines how data should be captured and stored across the organisation, as well as guidance on technology and information governance	Improvement	July 2022	Awaiting update		
3	Improving economy, efficiency and effectiveness: Use of national and regional benchmarking should be used when available and appropriate, as part of the performance management arrangements to help the Council understand their position in relation to other local authorities	Improvement	July 2022	Awaiting update		
4	Update the Procurement Strategy, which was last updated in 2010	Improvement	July 2022	The Procurement Strategy is still in draft format, as it undergoes revision to ensure it aligns with the Council's recently published Social Value Policy.	In progress	Agree and publish the Procurement Strategy.

Follow-up of prior year improvement recommendations from 2021/22 AAR

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 Financial Sustainability: The Council should focus its Medium-Term Financial Strategy on delivering a sustainable financial position whilst reducing reliance on reserves and rebuilding them to strengthen financial sustainability beyond 2023/24	Improvement	March 2023	Under the new S151 officer the Council has delivered a balanced budget for 2022/25 and established a Transformation programme to help deliver the savings required in the latter part of the MTFS cycle.	Yes	None required
6 Improving economy, efficiency and effectiveness: The Council should ensure that the procurement team is appropriately resourced as it embarks on a transformation of the service over the next 12-24 months.	Improvement	March 2023	The Council's Procurement function is undergoing a transformation to merge the current team and the procurement and commissioning team which exist within Adult Services. This is ongoing, however given the upcoming Procurement Bill, move to Oracle Fusion and wider transformation activity, the need for additional resource in this area should be kept under review.	Continuing	Keep under consideration
7 Improving economy, efficiency and effectiveness: The Council should ensure that it monitors the Adult Social Care funding issue very closely and puts in place a long-term strategy for managing any funding shortfalls. In addition, the Council should put in place a clear process for identifying potential failure in areas of service that may be affected by the recruitment and provider funding issues, so that these can be detected, and prompt remedial action taken to mitigate any risks identified.	Improvement	March 2023	The issues impacting the ASC service in late 2022 have been managed and are less prevalent. For example, recruitment while challenging is not as significant an issue as it was. Plus the service actually underspent on its budget in 2022-23, largely due to a high number of unfilled vacancies. It is on track to over spend in 2023-24 but the service has now got a grip on the key issues and	Yes	None required

Appendix B: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

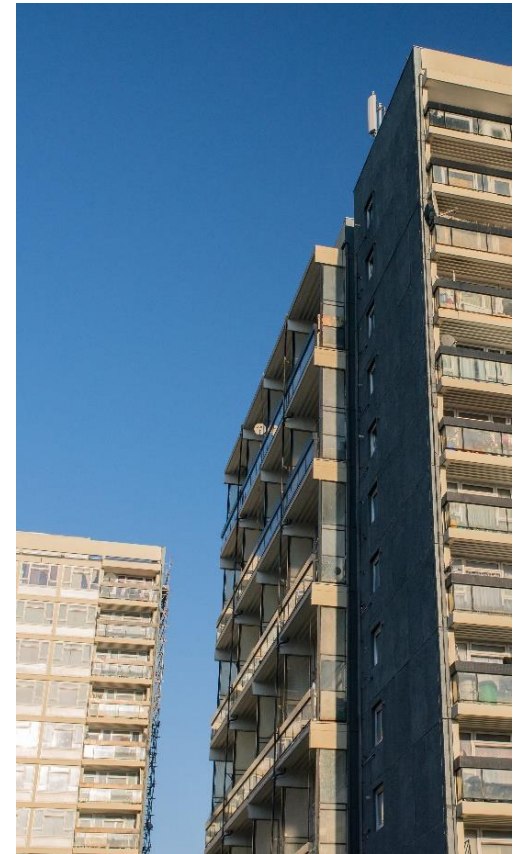
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix C:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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'.	Yes
Improvement	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.	Yes



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