

# Auditor's Annual Report on Sandwell Metropolitan Borough Council

2023/24

Draft v1.2



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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

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 2023/24 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	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements
<b>Financial sustainability</b>	In our audit plan, we identified a risk of significant weakness identified relating to the Council's financial sustainability due to overspend against budget in Q1 2023/24, along with 2024/25 budget gap.	<b>G</b> No significant weaknesses in arrangements identified but four improvement recommendations made.	<b>G</b> No significant weaknesses in arrangements identified but two improvement recommendations made.
<b>Governance</b>	In our audit plan, we identified a risk of significant weaknesses arising from prior year governance issues and the implementation of the new financial ledger (Oracle) system.	<b>R</b> Although they persisted during 2023/24, the Council has made diligent efforts to address significant weaknesses in its ongoing arrangements from previous years. These weaknesses included the delayed production of financial statements and the integration of actions taken in response to key recommendations raised in our Governance Review Follow Up (Dec 2023) up to March 2024. We commend the Council for the progress made in resolving the remaining key recommendations, particularly in the production of draft accounts for 2022/23 and 2023/24. While no further significant weaknesses in arrangements were identified, two new improvement recommendations were made.	<b>R</b> Significant weaknesses in arrangements carried forward from prior years but progress is being made. One additional improvement recommendation has been raised.
<b>Improving economy, efficiency and effectiveness</b>	In our audit plan, we identified a risk of significant weakness concerning the economy, efficiency and effectiveness of Children Services and Housing Services.	<b>R</b> The significant weakness in arrangements concerning Housing Services has persisted from the prior year and remains applicable to 2023/24. However, we acknowledge the substantial improvements made in strengthening arrangements in the current year. Additionally, no further significant weaknesses in arrangements were identified, although two new improvement recommendations were made.	<b>R</b> Significant weaknesses in arrangements identified in relation to Housing Services and one further improvement recommendation made.

# Executive summary (continued)



## Financial sustainability

The Council have maintained a good track record of delivering a stable and sustainable financial position. For 2023/24, the Council's revenue outturn resulted in an underspend of £6.002m (1.9%). However, within the net position Children's Services continued to be under pressure with a year-end overspend of £4.330m, mainly driven by increased demand for Special Educational Needs and Disabilities (SEND) services. This was compensated by underspends in other areas of the budget.

There was an underspend on the Dedicated School Grant (DSG) in the year of £0.6m and a surplus of £1.4m on the Housing Revenue Account (HRA). Despite this, the future of the HRA remains challenging, and the Council must ensure that the HRA plan is robust and underpinned by an up-to-date stock condition survey. However, generally, this was a reasonable outturn for the Council in 2023/24, particularly given the current financial pressures facing the local government sector.

In terms of capital expenditure, the general fund spent £56.777m, representing 43% of the revised general fund capital budget of £133.335m, and the HRA capital expenditure accounted for 61% of the HRA capital budget, indicating significant slippage in the planned capital programme. There have also been issues with project management of major capital schemes, such as Alfred Gunn House. This highlighted additional issues such as a lack of robust forecasting, lack of clarity on decision-making and limited reporting. Overall, this led to both delays in the progression of the project and increased financial costs. The Council have been transparent about failings in this area and have conducted a lessons learned exercise to improve processes and outcomes in future. An improvement recommendation has been raised to review the capital programme to ensure more accurate budget-setting is in place.

Reserve levels remain satisfactory with the Council's General Fund balance expected to increase to £18.989m at the end of 2023/24. This is equivalent to 5.7% of the Council's net budget for 2024/25, allowing the Council to manage unforeseen financial risks in the absence of alternative mitigating action. There are currently no plans to use the general fund balance to plug budget gaps in 2024/25 and the General Fund earmarked reserves balance is £120.303m, after an increase was made to the earmarked reserves at the end of 2023/24. This provides a cushion to manage financial risks over the medium-term.

In relation to savings, the Council delivered £21.6m against a target of £22.8m, accounting for 95% of the overall target. This is a positive outcome for the Council, however improvements in the reporting of savings progress throughout the year could be made to ensure accountability and transparency.

Two of the largest financial risk areas to the Council include the pressures related to the contract for services with Sandwell Children's Trust (SCT) and the Sandwell Aquatic Centre. SCT is currently estimating an overspend in its own financial results for 2023/24 adding to a cumulative deficit valued at £11.2m. The Council is working with SCT to consider how this should be effectively managed in future years and has brought in an external consultancy to understand cost drivers and develop a turnaround solution. The current business plan for the Sandwell Aquatics Centre (SAC) forecasts operational losses for the first ten years of operation, of approximately £1m per annum. A report to Cabinet in October 2023 highlighted a financial risk relating to the ongoing responsibility for maintenance and repairs costs of the SAC, which is the current responsibility of 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 and existing approved budgets are unable to accommodate this. This represents a significant area of risk for the Council both financially and reputationally.

In February 2024, the Council set a balanced for budget for 2024/25 with a net expenditure level of £333.008m. This was part of the Council's Medium Term Financial Planning process, which for the first time was set over 5 years. The Council adopted the full increase of general council tax for 2024/25, and has identified £18.998m of savings, made up of £12m of longer-term savings, and the remaining a package of short-term measures to prevent financial shortfalls over the medium term.

We believe the savings program is challenging but achievable if delivery aligns with the planned schedule. However, there are still shortfalls in the Medium-Term Financial Plan (MTFS) from 2025/26 onwards, with a gap of £69m over the next five years. If financial performance meets expectations, the Council appears to be in a manageable position. It has established a comprehensive transformation program to generate financial savings. The Council also has enough reserves to handle any temporary shortfall in savings. Nevertheless, it is crucial that the planned savings are delivered.

Sandwell has a relatively healthy level of reserves and had a promising outturn position of a £6m underspend for 2024/25. The Council also delivered £20m of savings during the year, of which the majority were recurrent in nature. Nonetheless, pressures in key services remain, with Children Services experiencing significant cost pressures and overspends. The capital programme continues to remain challenging, and the Council will have to ensure that costs, particularly on historical projects are managed appropriately. In summary we conclude that the Council's arrangement for ensuring financial sustainability in the medium term are not a risk of significant weakness.

# Executive summary (continued)



## Governance

Over the past three years, the Council has demonstrated extensive improvements in governance and leadership culture. Our initial Governance review, published in the Autumn of 2021, highlighted significant weaknesses in governance arrangements, impacting the management and delivery of some services. As the appointed external auditor, we issued statutory recommendations and other key directives, which the Council was obliged to address within a relatively short timeframe.

The severity of the issues led to government intervention at Sandwell Council in March 2022, with Commissioners appointed for a two-year period. In response to Government directives and external recommendations, the Council successfully implemented a comprehensive Improvement Plan, resulting in a substantial transformation of its operations. Our follow-up Governance review in 2022 reported significant progress following changes to the Council's leadership and supporting management arrangements.

In our final Governance Report (dated 15 December 2023), we were pleased to report the lifting of all three remaining statutory recommendations. The conclusion of the Government intervention in March 2024 marked a significant achievement for the Council, considering the challenges that were overcome.

The new Senior Leadership Team (SLT) restructure has improved communication, engagement, and reporting lines, paving the way for the Council to transition from a state of recovery to normal business operations following the successful conclusion of the government intervention.

The Council has established effective governance mechanisms providing suitable oversight from both officers and members. While risk management is robust and supported by monitoring tools, we have recommended that the Council introduce greater consistency in risk scoring across these tools to ensure a more accurate assessment of risk severity. Other areas of governance, including leadership, officer-member relationships, decision-making, and Internal Audit, are all deemed appropriate. We have noted instances of non-compliance in some aspects of operations, including Purchase Card Policy, the handling Freedom of Information requests, contract management and the handling of claims within the Housing Revenue Account. However, we are satisfied that suitable measures are in place to ensure future compliance in these areas.

In our Governance Review Follow-up Report (15 December 2023), we issued four key recommendations, which replaced those from the earlier governance reviews and reflect a substantially reduced list of priority actions regarding governance. These recommendations focused on: concluding and embedding the current transformation programme (including property transformation); continuing to enhance the customer experience and achieve improved customer metrics; managing operational risks, including the successful delivery of Oracle Fusion; and effectively handling risks associated with the restructure of senior management to ensure a sustained period of stability. As of this review period, these key recommendations remain open, although we acknowledge significant progress has been made in the current year. We will assess the progress against these remaining key recommendations in our 2024/25 Value for Money review.

In our prior year Auditor's Annual Report, we highlighted the need for the Council to expedite the production of auditable accounts. However, as of the end of the financial year 2023/24, the Council had yet to issue a draft set of accounts for 2022/23 or 2023/24, primarily due to the delayed completion of the 2020/21 and 2021/22 audits and uncertainty over opening balances. Consequently, the publication of the draft financial statements for 2023/24 is not expected until December 2024.

It is worth noting that significant progress has been made during the current year, with the draft accounts for 2022/23 now published and those for 2023/24 scheduled to be published in December 2024. However, for the financial year 2023/24 and this Annual Auditor's Report, the significant weakness in this area remains in place. We are hopeful that the 2024/25 accounts will be submitted ahead of the May 2025 deadline, with the aim of resolving this significant weakness.

Our work in 2023/24 has not identified any evidence which leads us to conclude that there are any new significant weaknesses present which reflects the substantial improvements made.

# Executive summary (continued)



## Improving economy, efficiency and effectiveness

The Council has made significant progress in improving its economy, efficiency, and effectiveness during a period of significant transition. Both the Improvement Plan and Corporate Transformation Programme have played essential roles in this progress. The Council has successfully achieved the objectives outlined in the Improvement Plan, resulting in the lifting of all three statutory recommendations from Grant Thornton's 2021 Governance Review. The Corporate Transformation Programme will support the Council in achieving its strategic objectives, building on the stability provided by the Improvement Plan.

The Council has also made progress in addressing the significant weaknesses outlined for the Housing directorate in the previous year's report. Initiatives such as the stock condition survey and the development of an HRA Business Plan demonstrate this progress. The Council must continue to prioritise housing through the transformation programme.

The migration to Oracle Fusion has faced delays due to lack of readiness to launch. The 'go live' date has been further delayed to Autumn 2024 at present. We note the lack of efficiencies in management and budget planning and likely future cost increases of the system. ICT systems are becoming increasingly important in delivering Council functions and services, and it is likely that Sandwell, similar to many local authorities, will need to continually review their ICT system licenses. Therefore, we have raised a recommendation for the Council to employ an ICT systems contract expert to ensure procured ICT services deliver value for money and are compatible with the Council's overall budget.

The Council's recognition of the need to improve the customer journey and overall customer experience, as part of the Corporate Transformation Programme, is a positive step. Similarly, efforts to update the Social Value Policy and prepare for the new Procurement Act showcase the commitment to best practices in Procurement and Contract Management. Adult's Social Care is a key focal point for the transformation programme. Lack of staff capacity is a key issue not only in the directorate, but for the Council at a strategic level. Our review has demonstrated that the Council are aware they need to find a way to employ and retain staff, and we note that a key focus of the ASC transformation programme should be staff recruitment, development and retention.

In 2023/24, the Council placed more focus on Climate Change initiatives by sharpening governance arrangements and fostering a more prominent sense of accountability. The Council have established a Climate Change Board and a Monitoring Tool which is presented to the Board regularly. Partnership working at Sandwell has seen improvement. Sandwell are working more closely with WMCA to strengthen Levelling Up, Transport and Housing initiatives, as well as working continuously to strengthen their existing relationship with Sandwell Children's Trust and NHS Black Country Integrated Care Board who are jointly responsible for the planning and commissioning of services for children and young people with SEND in Sandwell.

We are satisfied with the contract arrangements in relation to the SERCO Contract, and that the Council is actively recovering costs where there has been underperformance.

The new Performance Monitoring Framework offers a more comprehensive view of Council performance. We recommend that the Council outline the main areas of concern in performance monitoring reports to facilitate discussions and resolution plans in Committee meetings.

In conclusion, the Council has demonstrated its commitment to providing value for money and driving improvements across various areas. While challenges remain, particularly in Housing, Children's and Adults Services, we have seen evidence of planning to bring about improvements through the transformation programme.

## Acknowledgements

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

# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## 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 did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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.

# Continuing key recommendation

## Key Recommendation 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.

## Identified significant weakness in arrangements

The Council have failed to draft and publish Annual Accounts on a timely basis. This undermines the ability of those charged with governance to ensure good financial stewardship and fails to provide a transparent financial position to the public.

## Summary findings

The Council has yet to issue a draft set of accounts for 2022/23 or 2023/24 (due to the impact of the delay in completion of the 2020/21 and 2021/22 audits and uncertainty over opening balances). However, it is clear to us that the issues within the finance team are deeper than the additional workload associated with servicing a delayed audit. The finance team has experienced some turnover in key personnel and difficulties recruiting interims to fill the gaps in the team. References to concerns in budget reporting and other financial management arrangements were also raised in our prior year governance reports.

The 2020/21 and 2021/22 external audits were significantly delayed due to the quality of the financial statements and working papers presented for audit. Issues included:

- material errors in the valuation of property plant and equipment and pension fund
- material errors in cash balances and other areas of the financial statements
- uncertainty with regard to credit loss allowances, recognition of payables, and assets and liabilities relating to the SERCO waste contract.

As a result of this, financial statements production continues to be delayed for 2022/23 and 2023/24, therefore, we have been unable to commence the audit of the 2022/23 or 2023/24 financial statements.

## Criteria impacted by the significant weakness



Governance

## 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 2023/24. We have therefore identified a significant weakness in arrangements.

## Management comments

The Council has published draft accounts for 2022/23 and is working to issue draft accounts for 2023/24 by December 2024. As per the statutory backstop deadlines, final accounts for 2022/23 will be published by 13th December 2024 and final accounts for 2023/24 will be published by 28th February 2025. The Council will then be up to date with its Statements of Accounts.



# Continuing key recommendation

<b>Key Recommendation 2</b>	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.
<b>Identified significant weakness in arrangements</b>	Arrangements to deliver housing services.
<b>Summary findings</b>	<p>On balance, we find that during 2023/24 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 identifying, reporting and putting plans in place to resolve these challenges, which include:</p> <ul style="list-style-type: none"> <li>• Out of date stock condition survey information.</li> <li>• Lack of an effective asset management system</li> <li>• Exposure to loss of key knowledge currently held by interim staff.</li> <li>• Self-referral to Housing Regulator, having fallen behind on building safety compliance checks</li> <li>• Service underperformance – reported underperformance in a number of areas.</li> </ul>
<b>Criteria impacted by the significant weakness</b>	 Improving economy, efficiency and effectiveness
<b>Auditor judgement</b>	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 2023/24. We have therefore identified a significant weakness in arrangements.
<b>Management comments</b>	The Council accepts the auditor's assessment that during 2023/24 there were significant weaknesses within the Housing service. A more detailed management response can be found in Appendix C.

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

# 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 A.

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 11 to 43.

# The current LG landscape



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Nine councils issuing eleven section 114 notices, effectively signalling bankruptcy, between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018;
- An increasing number of other councils publicly warning of a section 114 risk;
- Nineteen councils being set to receive exceptional financial support for 2024/25, needing around £1.5 billion. Only six of the nineteen councils had previously issued a section 114 notice. There was no prior public anticipation of exceptional need for the other thirteen councils; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over the course of 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funds. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. It seems likely that councils will be asked to develop and share productivity plans, showing how they will improve service performance and reduce wasteful spend. The approach to producing the plans is not yet agreed but the need for a new focus on performance in general is clear. The Institute for Government estimates that performance was worse on the eve of the pandemic than it had been ten years before for adult social care and children's social care and neighbourhood services. It estimates that performance has at best stayed the same but more often deteriorated even further since the pandemic.

Financial crisis and workforce crisis together place pressure on governance for the local government sector. Recent years have seen a rise in the instance of auditors issuing statutory recommendations around the need for improved governance, whilst at the same time an audit backlog has been growing since 2019. The government is now taking steps to end the backlog, consulting, for example, on backstop measures. Whilst prompter audit won't solve the financial crisis faced by the sector or enhance performance, it may help with delivering earlier warnings, allowing for swifter action and perhaps stronger mitigation. Although recruitment and retention is problematic in the current environment, there are new staff in post at many councils now, often voluntarily working to resolve issues that had their origin in decisions taken years ago. With a renewed focus on training, technology and good governance, the outlook for the sector may still be positive despite the many challenges it faces.

# The current LG landscape (continued)



## Local context

Sandwell is a metropolitan borough in the West Midlands region of England, located in the heart of the Black Country. The borough is made up of six towns; Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich, with a total estimated population of 340,000. The population of Sandwell is a growing, diverse population, home to relatively young residents, and with a population predicted to grow at a faster rate than nationally.

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 and Education, Skills and Training deprivation also remains high.

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 Birmingham, Sandwell has a diverse and young population with pockets of highly innovative businesses and a high level of entrepreneurial activity. The Council have a regeneration pipeline with the aim of boosting connectivity and economic growth – this includes the Sandwell Aquatic Centre, showcased in the Commonwealth Games 2022, and the Midland Metropolitan University Hospital.

Government intervention at Sandwell Council started on 22<sup>nd</sup> March 2022, with Commissioners appointed for two years. Grant Thornton carried out a governance review in Autumn 2021, which highlighted three statutory recommendations, which were lifted in early 2024. The Council responded to Government directions and external recommendations in the form of an improvement plan, with significant improvements made over the 2-year period. In March 2024 Government intervention at Sandwell Council came to an end.

Kim Bromley-Derry and Jim Taylor, Government Commissioners appointed to Sandwell Council concluded in their fourth report to ministers: “The Council we see now is a far cry from the organisation we first encountered: the staff, the elected members, and most importantly, the residents, have all noted the changes. The improvement work which was once seen as a standalone priority has now been interwoven with the ‘business as usual’ strategic planning of the Council. In short, we believe the Council is now meeting its Best Value duty and is capable of taking forward its improvement independently.”

The Council is now focussed on the next stage of their improvement journey focussing on embedding a culture of continuous improvement, transformational change and becoming a modern, agile organisation. The council will be working with the Local Government Association to help maintain this improvement journey after intervention ends.

# 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.

## Financial outturn 2023/24

The Council have maintained their recent track record of delivering the overall outturn in line with budget. For 2023/24, the Council's revenue outturn resulted in an underspend of £6.002m (1.9%). This consisted of an underspend in net service expenditure of £1.398m and an underspend of £4.604m in Corporate Items and Sources of Funding.

There was an underspend within most service areas mainly due to vacancy management savings, but most notably a £3.393m underspend in Adult Social Care. This was driven by vacancy management (£2.507m) due to significant recruitment challenges and increased income from the NHS for Free Nursing Care (£1.560m), however offset by an additional £0.685m of costs from an increase to the provision for outstanding debt.

However, Children's Services produced an overspend of £4.330m. This was mainly driven by Special Educational Needs and Disabilities (SEND) spend.

The Council corporate underspend was mainly driven by higher than forecast interest/dividend receipts during the year, due to higher interest rates.

The Housing Revenue Account (HRA) delivered a surplus of £1.367m before transfers from/to reserves. This is also before depreciation and capital adjustments which are yet to be carried out, therefore the final contribution to or from the HRA reserve is yet to be determined. There was also an underspend of £0.673m on the Dedicated Schools Grant. This was mainly due to vacancies and lower than budgeted placement costs.

The general fund capital programme expenditure was £56.777m accounting for 43% of the revised general fund capital budget of £133.335m. The HRA capital programme outturn represented 61% of the revised HRA capital budget. The Council have highlighted that procurement, legal and external funding delays have impacted on the delivery of several capital schemes, leading to slippage.

Given the current financial landscape of local government, the overall general fund outturn is a positive result for the Council.

The current financial pressures facing local government in England stem from a combination of factors, including reductions in central government funding, increased demand for social care services, ongoing impacts from the Covid-19 pandemic. Local authorities are grappling with the need to maintain essential services whilst facing budget constraints, an aging population, rising costs of social care and the need to promote economic recovery within local communities. As a result, local government leaders are under pressure to find innovative solutions, explore alternative revenue streams, and drive efficiency gains to ensure the delivery of essential services whilst maintaining financial sustainability.

	2023/24 Budget	2023/24 Actual	2023/24 Contributions to/(from) reserves	2023/24 Variance
Revenue				
Net Service Expenditure	£301,626	£ 300,789	£(561)	£(1,398)
Treasury Management/Corporate Expenditure	£15,997	£ 8,777	£2,335	£(4,885)
Total	£317,623	£309,566	£1,774	£(6,283)

# Financial sustainability (continued)

## Reserves

The Council's General Fund balance was £15.158m at the end of 2022/23 and has increased to an expected £18.989m at the end of 2023/24. This is equivalent to 5.7% of the Council's net budget for 2024/25. This is deemed to be reasonable, as it is above the 5% threshold, allowing the Council to manage unforeseen financial risks in the absence of alternative mitigating action.

The Council is not planning to use the general fund balance to plug budget gaps in 2024/25, instead identifying savings. There appears to be no immediate risk of the exhaustion of the general reserves.

The Council's opening General Fund earmarked reserve balance was £112.528m. During 2023/24, the outturn report indicated that a further net £7.775m has been added to earmarked reserves, leaving a closing balance of £120.303m. This provides a cushion to manage financial risks over the medium-term.

Reserves	Opening balance £000	Contributions (to)/from Reserves £000	Closing balance £000
Adult social care	£(18,964)	£340	£(18,624)
Assistant CE	£(869)	£469	£(400)
Borough Economy	£(5,850)	£(6,550)	£(12,400)
Children's Services	£(3,435)	234	£(3,201)
Corporate Management	£(1,553)	0	£(1,553)
Finance	£(1,419)	480	£(939)
Housing	£(2,064)	239	£(1,825)
Law & Governance	£(1,611)	£(444)	£(2,055)
Public Health	£(8,837)	951	£(7,886)
Regeneration & Growth	£(9,273)	£(428)	£(9,701)
Corporate	£(58,653)	£(3,066)	£(61,719)
<b>Total General Fund Earmarked Reserves</b>	<b>£(112,528)</b>	<b>£(7,775)</b>	<b>£(120,303)</b>

## Borrowing

The Council's General Fund borrowing figure as of 31<sup>st</sup> March 2024, as outlined in the 2023/24 outturn report was £129.776m, a decrease of £13.231m on 2022/23. Whilst the HRA borrowing value has decreased from £327.801m to £307.529m over the same period. This leaves the Council with a total debt portfolio of £437.305m at the end of 2023/24.

Our prior year VfM report raised as an improvement recommendation in 2022/23, that the Council should review its borrowing, to assure itself of future sustainability and understanding of impacts on revenue expenditure, given prevailing interest rates and building financial pressures in the sector. At this stage, the Council's level of debt was planned to increase by circa £170m to 2026/27. The Council's Medium Term Financial Strategy outlines that new net borrowing of £40.4m is expected in 2024/25, with an additional provision to borrow £18.6m, in the HRA budget, with £11m to fund the new build programme.

The Council have reduced the level of debt as no new long-term debt has been taken as originally budgeted, meaning a small underspend is included with the General Fund provisional outturn for debt costs. This has been driven by the higher long-term borrowing costs as interest rates remain higher than previous years. The Council's current strategy is to take only short dated debt, therefore our improvement recommendation has been actioned.

## Savings programme

The Council set a savings target of £22.8m for 2023/24, with £19.7m of this delivering on an ongoing basis, and £1.9m delivered on a one-off basis. This left a shortfall of £1.2m, of which £640k of growth has been provided in the 2024/25 budget to cover and £534k of the savings has been carried forward for delivery into 2024/25. It is recommended that the quarterly budget report includes the results of the savings programme, to provide a more comprehensive overview of financial control and savings delivery over the course of the year.

### (Improvement recommendation IR1)

For 2024/25, the Council began planning efficiencies in Summer 2023, identifying around £18m worth of opportunities. £11.988m of these are savings, and the remaining £7m are short term measures (e.g. vacancy management) to suppress short term financial pressures. These were then updated in January/February 2024 following the end of the budget consultation and the Provisional Financial Settlement.

# Financial sustainability (continued)

## Savings programme (continued)

Over the life of the MTFS, the Council have included £17.924m of savings for 2025/26, followed by £19.570m of annual savings to be delivered in 2026/27, 2027/28 and 2028/29. The Council have identified these savings, across directorates, over the life of the MTFS.

	2023/24
Planned savings	£ 22.9m
Delivered savings (recurrent)	£19.7m (87%)
Delivered savings (non-recurrent)	£1.9m (5%)
Non-delivered savings	£1.2m (8%)
Growth provided within 2024/25	£640k
Saving carried forward into 2024/25	£534k

## Children Services

In total, the Children's Services directorate incurred an overspend of £4.330 million during 2023/24 (after utilising £2.336 million of reserves). This overspend is primarily attributed to special educational needs (SEND) transport, for which the Council bears direct responsibility, and which experienced a gross overspend of £9.284 million. The surge in demand for SEND transport mirrors a national trend. The Council has engaged a consultancy to conduct a review of SEND transport and explore opportunities for enhancing efficiencies in this area.

### (Improvement recommendation IR4)

Children's social care is provided by the Sandwell Children's Trust, a distinct legal entity. In the 2023/24 fiscal year, the Council disbursed £75.9 million to the Trust for services, with a budgeted expenditure of £80.8 million in the 2024/25 budget. The Council is solely responsible for payment for services rendered by SCT at the agreed-upon rate.

It is worth noting that SCT projected a £4.3 million overspend in its financial results for 2023/24, contributing to a cumulative deficit of £11.2 million. The Council recognises the necessity to collaborate with SCT to effectively manage this financial pressure in future years and is actively engaged with the Trust and an external consultancy to assess their financial position, identify cost drivers, and devise a strategy to address the accumulated deficit.

Our Governance Review 2023 highlighted how the Council need to retain corporate focus on key service and operational risks, including the effective management of SCT's operational and financial challenges. It is clear this remains an area of priority for the Council as part of their overall transformation programme.

## Sandwell Aquatic Centre

The current business plan for the Sandwell Aquatics Centre (SAC) forecasts operational losses for the first ten years of operation, of approximately £1m per annum. Our governance review recommended that the Council must ensure that Sandwell Leisure Trust (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 of the SAC, which is the current responsibility of 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 and existing approved budgets are unable to accommodate this. This represents a significant area of risk for the Council both financially and reputationally. In the prior year, we highlighted that the Council needed to expediate an options paper on this issue to the Leadership Team and decide upon a course of action mitigate the risk. Our discussions with officers has highlighted this is still unresolved and work is being undertaken to set aside budget and funding, therefore this recommendation remains open.

# Financial sustainability (continued)

## Capital programme

### General Fund

For 2023/24, the Council originally set a base capital budget of £92.363m. However, this was adjusted during the year to £133.335m due to additional approvals and prior year slippage. By year end, the Council had spent £56.777m against the revised budget of £133.335m (43%), resulting in a £76.558m (57%) underspend. This large underspend was due to procurement, legal and external funding delays.

The current flexible use of capital receipts scheme, which has run since 2016/17 has now been extended until March 2030. Capital receipts can only be spent once so cannot be used to fund long term ongoing revenue pressures, and therefore require careful consideration. Our review of the Council's asset disposals for 2023/24, highlighted six general fund assets were sold, for a total of £1.1m. Our discussions have highlighted that this process is in need of refreshing, and this will be undertaken as part of the Council's ambition to move to a corporate landlord approach within the Property Directorate. The Council are currently undertaking a review of surplus assets, with a focus on market viability and commercialisation which will be presented to Cabinet in 2024/25.

Currently property functions are undertaken by different groups across the Council including by the Strategic Assets & Land department, but also by different service departments. Therefore, there is a risk of duplication, inconsistent decision-making and insufficient value being derived from property. Consequently, the Council have been working towards the introduction of a Corporate Landlord model, where all responsibility for management and maintenance of property is transferred to the centralised body, with a responsibility for acquisition, development and disposal. This is to introduce a central, strategic approach with a single point of accountability, but also to ensure that the Council's Asset Management budget saving target of £2.5m will be delivered by the end of 2024/25.

Given the current local government financial landscape, combined with increasing costs and rising public demand for services, effective asset management will be crucial to allow the Council to remain resilient, ensure resources are used efficient and maintain the long-term sustainability of current assets. The Council should look to progress the new model as soon as possible to develop asset management going forwards.

## Housing Revenue Account (HRA)

Under the HRA, Cabinet approved a new build housing programme in February 2023, with 15 properties completed in 2023/24, costing £9.579m. This was an underspend of £30.874m, which has been repurposed into 2024/25, with 61 new homes to be progressed during the 2024/25 financial year. In 2023/24, the Council incurred £49.366m of expenditure in relation to the Housing Improvements Programme. This was an underspend of £6.762m equating to 12% of the overall budget of £56.129m. The delays with the new build and housing improvement programmes were mainly due to longer lead-in times and inflationary increases. The Council have noted that the construction industry and current economic climate has led to reduced tender returns, higher estimated prices on returned tenders and increased specifications due to changes in building regulations, coupled with issues such as ground conditions, easements and licence issues. The Council will need to ensure that the HRA remains financially sustainable into the medium term. Forecasting should be underpinned by a robust stock condition survey and market data, alongside a comprehensive asset management plan. **(Improvement recommendation IR2)**

Full Council increased council rents and housing related charges by 7.7% on 6<sup>th</sup> December 2023. The report presented to members highlighted that every 1% lost from rental income will equate to reduction of an estimated £1.34m in Year 1 and £39.57m over the 30-year life of the HRA Plan. This increase is the maximum allowed under the rent policy set by the Government of CPI+1%. The income will be needed for the Council to fund the requirements of the Building Safety Act 2022. The Council are aware of the potential detriment to the HRA if sufficient income is not generated across the portfolio and have been undertaking benchmarking with other local authorities to understand comparative pricing. As a result, the Council will be completing a full review of the leasehold management fee. When presenting this information to Full Council for decision-making purposes, the Council highlighted the potential impact on residents, noting that an estimated 45.5% of rental customers would be unaffected, and ensuring that the HRA Hardship Fund (£100k) remains in place for support of residents.

The Council should endeavour to ensure that capital budgets reflect an accurate representation of expectations for capital programme delivery so that reported underperformance can be more effectively utilised as a means of holding services to account for delivery. Reporting should include explanations for slippage against each project. Routine acceptance of large variances year on year can undermine this. Whilst some elements of slippage will be outside the Council's control, such as external funding delays, project management of capital programmes should be reviewed to ensure expenditure is in line with budget, there is currently no specific contract management tool in place to monitor capital projects, although this is expected to be introduced as part of the move to Oracle Fusion in Summer 2024. **(Improvement recommendation IR3)**



# Financial sustainability (continued)

## Alfred Gunn House

Alfred Gunn House is a high-rise block of flats which has been undergoing improvements to ensure it is in line with the Decent Homes Standard. Cabinet approved the 10-year HRA Investment Programme on 18<sup>th</sup> October 2017. A tender approval and awarded contract was approved by Cabinet on the 14<sup>th</sup> November 2018, followed by approval for the development of 16 new affordable homes on the land behind Alfred Gunn House on 30<sup>th</sup> January 2019. One contract was awarded for both projects with a total budget of £13.996m. The contract was awarded to Seddon and signed on 30<sup>th</sup> September 2019, with works beginning on site on 16<sup>th</sup> March 2020, with a projected completion date of 14<sup>th</sup> January 2022. However, the pandemic lockdown then delayed works on site by 7 weeks, followed by slow progress due to the additional Covid-safe requirements needed on site. Whilst the new build houses were delivered to tenants in early 2022, the improvement works continue to be delayed costing an additional £9.97m as detailed below.

- One of the major drivers for the delay has been the need to move communications equipment on the roof. This was expected to be completed by May 2021, but was only carried out in October 2022, which prevented the contractor from progressing with works on new flats on top of the block. This is currently estimated to have cost an additional £3.26m.
- The original design for the sprinkler system did not meet statutory requirements, and the design change to bring these in line with regulation required additional ceilings and electrical work. This added £3.31m of costs.
- Additional structural support was required due to conditions of concrete. Current costs are estimated at £1.198m Along with additional variations to the contract, costing £1.9m.

At Cabinet on 15<sup>th</sup> March 2023, an increase to the budget was approved for up to £11.254m, bringing the total to £25.25m. Although this increase is driven by the elements highlighted above, it is also indicative of the current market conditions as a result of Covid-19 and inflationary rises, which would not have been foreseen when the original budget was developed in 2018. In May 2024, the Council's Major Capital Project Board highlighted the completion date is now set to be end of July 2024. However, the actual spend as of 21<sup>st</sup> May 2024, is £22.7m with current forecasted construction spend expected to be higher, with regular meetings taking place between the Council and the contractor, along with legal support, to negotiate and agree variances.

The Council are in the process of undertaking a lessons learned exercise; however, some key areas have already been highlighted including a lack of robust project governance, with a lack of clarity on who was making decisions and what actions should have been agreed prior to contract signing, particularly in relation to the telecoms being removed from the roof. There was also limited reporting to the leadership team in relation to major projects to help identify mitigating action and reduce cost.

In recognition of this the Council have set up a Major Capital Projects Board in March 2023 as a formal meeting to discuss all HRA construction, including summaries of projects, financial overviews and discussion of key matters and decisions. There is an action log which is updated at each meeting and a monthly report to the Leadership Team to improve governance and transparency.

Budget requests have previously not included contingency costs and allowances for market uplifts, or associated projects costs for items such as professional fees. • Before each new scheme is agreed to be included in the investment programme, there will be a detailed options appraisal carried out, inclusive of cost benefit analysis and recommendations for best value over a 30-year period. This will now be included in all projects so that Cabinet can make informed decisions.

Finally, the Council did not have in place a clear 'gateway' process for major capital projects, with responsible owners in place for processes. In response the Council are developing a Standard Operating Procedure between Housing and Urban Design and Building Services teams to prevent similar failures from being repeated.

The project management and forecasting for Alfred Gunn House were lacking, leading to delays and increased financial costs. The Council is transparent about these failings and is reviewing other major capital projects to prevent similar issues in the future. Identified issues include inadequate project management practices, avoidable delays, and the need for additional works, despite selecting the lowest tender submissions. In September, the Council will seek approval to appoint a qualified construction professional to conduct a detailed post-completion review of the projects for Alfred Gunn House, Darley House, The Lakes, and Thorn Close, to make recommendations for improvement in the management of major capital contracts.

# Financial sustainability (continued)

## Medium Term Financial Plan (MTFS)

In February 2024, the Council set a balanced for budget for 2024/25 with a net expenditure level of £333.008m. This was part of the Council's Medium Term Financial Planning process, which for the first time was set over 5 years.

The Council continued to run STAR Chamber events throughout the year to support budget setting for 2024/25, beginning in Summer 2023. These were used to seek, understand and consult on savings options, which eventually were incorporated into the MTFS. Additionally, the Cabinet and Senior Leadership Team (SLT) took part in an away day in September 2023 to discuss the MTFS and potential options for savings and council tax proposals.

External engagement was undertaken with local residents in the Summer of 2023 and in November/December 2023, with the results outlined in the MTFS presented to members.

The Council adopted the full increase of general council tax for 2024/25, which includes a 2.99% increase alongside a 2.00% increase for Adult Social Care precept. Each 1% increase is equivalent to £1.3m of funding for the Council, therefore this is to help ensure future financial sustainability, as every 1% non-increase will have long-term impacts on the Council's future funding.

For 2024/25, the Council has identified £18.998m of savings, made up of £12m of longer-term savings, and the remaining a package of short-term measures to prevent financial shortfalls over the medium term. In our view, the savings programme is challenging but should be deliverable providing that delivery matches the planned profile. However, shortfalls are still present in the Medium-Term Financial Plan (MTFS) from 2025/26 onwards with a gap of £69m over the medium-term of 5 years. This is despite just over £76m of savings built into the plan.

However, it must be noted that the savings have been profiled across several projects already identified and underway, which affords the reasonable assumption these will be delivered in totality due to the planning time available. However, there is still a significant gap which equates to 18% of the 2028/29 net budget (£414m). However, even if the Council were to deliver no savings, which is highly unlikely given their track record of delivery, the medium-term financial gap could be buffered by use of the general fund balance and general fund earmarked reserves. However, there appears to be no immediate risk of the exhaustion of reserves to deal with the medium-term financial gaps. 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. There is a high degree of confidence from management that the medium-term financial position is manageable.

In our prior year report, we recommended that the Council should ensure that the ongoing transformation programme is properly integrated with and supports the short-term budget saving development process. This will be reviewed in our 2024/25 Annual Audit Report, as the Council are yet to begin their next round of savings development.

It must also be noted that 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.

## Managing risks to financial resilience

The Council has a well-established approach to financial risk management, and the MTFS includes an annex highlighting the key corporate risks the Council in terms of finances. The Council has retained a healthy level of reserves and is not planning to use reserve balances to plug the budget gap in 2024/25. This includes risk reserves, such as a specific financial planning reserve (£5.139m) which can be used to manage any unforeseen financial risks. It is encouraging to see this approach being maintained with contributions to risk reserves made during 2023/24 and a detailed savings programme developed, in addition to a revised transformation programme to identify those longer-term savings required from 2025/26 onwards.

	2024/25	2025/26	2026/27	2027/28	2028/29
Revised net budget	351.996	370.954	386.220	400.338	414.237
Funding	(333.008)	(340.530)	(350.942)	(361.725)	(372.894)
Net deficit before savings	18.998	30.424	35.278	38.613	41.343
Savings proposals (and short-term reductions)	(18.988)	(17.924)	(19.570)	(19.570)	(19.570)
Net budget after savings (Surplus)/Deficit	-	12.500	15.708	19.043	21.773

# Financial sustainability (continued)

## Aligning financial plans to operating plans/Council Plan

The Council are undertaking work to ensure that service and financial planning is more aligned with the Corporate Plan and MTFP. This is with the aim of driving consistency and continuous improvement across the Council including incorporating lessons learned, improving and integrating performance metrics and resident feedback. This was introduced as part of business planning workshops which took place in November and December 2023 to support the budget setting process for 2024//25. This includes aligning financial and service planning with the Councils workforce plan which is currently under development. This will be further built on for the processes in 2024-2027.

## Annual budget setting

In order to ensure that the Council sets a balanced budget before the legally required deadline of 11<sup>th</sup> March, the planning process begins in the Summer of the previous year. The process includes senior officers using current financial performance and forecast pressures and risks to estimate expenditure and income, alongside potential mitigations.

The Council Tax Base and Housing Revenue Account rents are then agreed by Full Council in December, to feed into the development of the Medium-Term Financial Strategy, presented to Full Council in February.

To ensure adequate scrutiny of the budget ahead of formal approval by Full Council, the budget is presented to the Budget and Financial Scrutiny Panel, Cabinet and then Full Council. We have not identified any issues with the annual budget-setting process, and the Council are working on aligning this further with service area planning.

## Budgetary control

The Council have adequate budgetary control measures in place with the finance department engaging with budget holders monthly through the finance business partnering team.

In 2024/25, this has been built upon with the introduction of a Performance Board to examine operational performance alongside financial performance, including revenue, capital and savings targets.

It is expected that with the introduction of Oracle Fusion in Summer 2024, budget holders will be provided with better access to financial information than they currently have at their disposal. It is expected this will help to improve the quality of the financial control environment.

During the 2023/24 financial year, the Leadership Team identified an overspend forecast of £2.1m in Q1, by Q2 this was reported to have reduced to £1.2m, with a further reduction to an underspend of £2.895m in Q3. In response the Council set in place Value for Money Panels to enhance consideration of value for money in the Council more generally and to tighten the financial controls. This was introduced alongside widespread vacancy management controls. The overall outturn did produce a net service expenditure surplus of £1.3m which highlights that this is likely to have had some impact on preventing an overspend by year-end.

## Conclusion

Sandwell has a relatively healthy level of reserves and had a reasonable outturn position of a £6m underspend for 2024/25. The Council also delivered £20m of savings during the year, of which the majority were recurrent in nature. Nonetheless, pressures in key services remain, with Children Services experiencing significant cost pressures and overspends.

The capital programme continues to remain challenging, and the Council will have to ensure that costs, particularly on historical projects are managed appropriately. In summary we conclude that the Council's arrangement for ensuring financial sustainability in the medium term are not a risk of significant weakness.

# Improvement recommendation IR1

## Improvement Recommendation 1

The quarterly budget report should include the progress of the savings programme, to provide a more comprehensive overview of financial control and savings delivery over the course of the year.

## Improvement opportunity identified

By ensuring monitoring of the expected savings, with regular reporting will enable political scrutiny and project management. It will allow mitigating actions for delayed savings delivery to be identified and actioned as soon as possible so that targets are more likely to be met by the end of the financial year, and those responsible can be held accountable

## Summary findings

The Council set a savings target of £22.8m for 2023/24, with £19.7m of this delivering on an ongoing basis, and £1.9m delivered on a one-off basis. This left a shortfall of £1.2m. Whilst the overall delivery was outlined in the outturn report at the year-end, it was difficult to monitor through public documents throughout the year, whether the savings programme was fully on track. There should be references to savings progress as part of the quarterly budget report to provide a more comprehensive overview of financial control and savings delivery over the course of the year.

## 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

As of 2024/25, quarterly budget reports presented to Cabinet do include an update on savings delivery. Please see appendix 3 of the Quarter 1 report, presented to Cabinet on 11th September 2024. This information is also presented monthly to the Council's Leadership Team, which has been the case throughout 2023/24.

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 recommendation IR2

## Improvement

The Council will need to ensure that the HRA remains financially sustainable into the medium term. Forecasting should be underpinned by a robust stock condition survey and market data, alongside a comprehensive asset management plan.

## Recommendation 2

## Improvement opportunity identified

Updating the data held on the condition of the Council's stock is crucial to identifying investment priorities of work, the energy performance ratings of homes, and creating a capital investment programme that is based on accurate data, to maintain the overall financial sustainability of the HRA.

## Summary findings

HRAs need certainty over their future sustainability but have recently suffered from large inflationary pressures, a new regulatory regime and building safety requirements. The Council will need to tackle this alongside meeting ambitions for new housing. In 2023/24, there was a large underspend of £30.874m on the HRA, with 15 properties built and a further 61 to be progressed in 2024/25. There were delays to both the new build programme and the Housing Improvements Programme mainly driven by longer lead-in times and prices increases. The Council will need to ensure that future forecasting for the HRA is underpinned by robust stock condition surveys and market data to ensure that plans are financially achievable and operationally viable. Our discussions with officers have highlighted that a stock condition is underway but not yet completed.

## 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 Council acknowledges the need to ensure that the HRA is sustainable in the longer term and that it can ensure that the council both maintains its stock effectively and delivers its new-build programme. A more detailed management response is provided at Appendix C.

# Improvement recommendation IR3

## Improvement

The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward

## Recommendation 3

## Improvement opportunity identified

The Council should endeavour to ensure that capital budgets reflect an accurate representation of expectations for capital programme delivery so that reported underperformance can be more effectively utilised as a means of holding services to account for delivery. Reporting should include explanations for slippage against each project. Routine acceptance of large variances year on year can undermine this. Whilst some elements of slippage will be outside the Council's control, such as external funding delays, project management of capital programmes should be reviewed to ensure expenditure is in line with budget,

## Summary findings

The general fund capital programme expenditure was £56.777m accounting for 43% of the revised capital budget of £133.335m. The HRA capital programme outturn represented 61% of the revised budget. The Council have highlighted that procurement, legal and external funding delays have impacted on the delivery of several capital schemes, leading to slippage.

## 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

There is room for improvement with regard to the profiling of forecast capital expenditure. However, regular 'Capital Asset Management Board' meetings are held with senior managers and project managers of major projects, where project risks and significant variances from budget are discussed, in order to review project delivery and redeploy resources where appropriate.

# Improvement recommendation IR4

## Improvement

The Council should implement a targeted plan to address the overspending on SEND transport in Children's Services and ensure that measurable savings are realised within the medium term.

## Recommendation 4

## Improvement opportunity identified

It is imperative that the Council realise planned savings across the Children's Directorate in line with the MTFS.

## Summary findings

The majority of the overspend is attributed to SEND transport, resulting in a gross overspend of £9.284 million, a trend that mirrors a notable nationwide increase in demand. The Council is collaborating with a consultancy to conduct a comprehensive review of SEND transport and identify opportunities for improving efficiencies in this domain.

## 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

With the exception of SEND transport, all other areas of Children's Services delivered an underspend within 2023/24. There was a significant overspend relating to SEND transport, however, sufficient budget growth was built into the budget in 2024/25 to fund the costs of the service within the current year, and, as at Quarter 2, a forecast underspend is being reported, which, together with the underspends forecast across the rest of the directorate, results in a forecast underspend of (£2.4m) for the directorate overall. Significant savings for SEND transport have been delivered as a result of the "SEND3" procurement exercise recently undertaken, which has resulted in reduced costs per passenger from September 2024.

# 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.

## The Improvement Journey at Sandwell

We reported Sandwell Council to have significant governance failings in 2021. In our Governance Review, we issued three 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.

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. This period of intervention terminated in March 2024.

The Council expanded its Improvement Plan developed in response to our December 2021 Governance Review 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.

Our December 2023 Follow Up Governance Review noted that all three statutory recommendations have been lifted, and the Council have made significant progress in achieving the outlined improvement recommendations. This Value for Money report reflects how Sandwell Council are now shifting away from a period of recovery to a more business-as-usual state.



# Governance (continued)

## Risk management

The Council's most recent Risk Management Strategy was published in November 2022. The Risk Management Strategy is mapped to the six strategic outcomes of the 2021-2025 Corporate Plan. The Risk Management Strategy is also mapped to the Council's Improvement Plan.

Corporate-level risks are captured in the Strategic Risk Register, with additional risks captured in directorate, programme and project risk registers. The Audit & Risk Assurance Committee (ARAC) regularly review the Strategic Risk Register. During the year of 2023/24, the Strategic Risk Register was reviewed by the ARAC in September 2023, November 2023 and January 2024. The ARAC also review directorate risk registers. During 2023/24 the ARAC reviewed the Borough Economy risk register in July 2023 and Public Health Care risk register in November 2023.

The format of the SRR includes descriptions of risks, RAG-rated risk scores, descriptions of progress to date including mitigations and controls, sources of assurance and are mapped to strategic outcomes. This template allows suitable transparency and oversight around risks and the channels available to mitigate risks. This method of documenting risk management arrangements provides the key information needed for the Audit Committee, Cabinet and SLT to properly review corporate risks. Moreover, risks being mapped to strategic outcomes provides a degree of accountability for Cabinet and the SLT to manage risks to meet the objectives of the organisation.

The most recent SRR published in December 2023 highlights five key risks RAG rated as red:

- Compliance with the Data Protection Act 2018 (DPA 2018), the General Data Protection Regulations (GDPR) and Freedom of Information Act 2000 (FOIA)
- Cyber security
- Customer journey
- Climate change
- Strategic Workforce Development for Adult Social Care Recruitment, Retention and Sickness Absence

These risks differ significantly to those presented in the prior year which included production of Statement of Accounts, Oracle Fusion Implementation, Council partnerships, the Customer Journey, Climate Change and the Improvement Plan. This report covers all these areas, which have all seen improvement.

In our 2022/23 Value for Money audit report, we raised a recommendation to the Council to ensure compliance of Freedom of Information requests which we have addressed later in the report. Our review of risks and issues regarding the Customer Journey, Climate Change and Adults Social Care are covered in the Improving Economy, Efficiency and Effectiveness section of this report.

An area of risk not represented in the SRR is Housing. Our prior year report identified a significant weakness in this directorate due to lack of regulation and compliance and a number of operational issues which are addressed in the 3Es section of this report. Given the significant weakness, issues in Housing should be a high-risk item in the SRR. The Council referred themselves to the Regulator of Social Housing in late 2022 due to non-compliance with the Home Standard in relation to damp and mould. Non-compliance to Home Standard poses a risk of failure to meet statutory requirements and to the health and safety of tenants if damp and mould issues are not dealt with immediately and effectively. This could also result in detrimental impacts on the reputation of the Council, therefore we would expect to see it on their risk register.

### **[Recommendation IR5]**

Following governance interventions at the Council, Sandwell developed an Improvement Plan to drive efficiencies, better organisational culture and overall corporate grip across various areas within the Council. To ensure risks associated with the Improvement Plan are captured separately to overarching corporate-level risks, the Council developed an Improvement Plan Monitoring Tool which outlines progress against actions set out in the Improvement Plan and highlights risks and issues with a standard RAG rating. It monitors progress against activities outlined to deliver the objectives of the Improvement Plan. Key risks outlined in the January 2024 monitoring tool are associated with:

- The Formal Employee Recognition Scheme
- Development of a continuous improvement framework
- Options appraisals

# Governance (continued)

These risks are distinct from the ones outlined in the SRR and there is little obvious crossover between the two. In addition, some areas flagged as key risks in the SRR are flagged as moderate risks in the Improvement Monitoring Tool. For example, in the SRR, the customer journey is RAG rated 'red' in the SRR, but 'amber' in the Improvement Monitoring Tool, leaving its sense of urgency unclear. We recognise that the severity of risks and issues from an overarching Corporate perspective and a service delivery perspective can differ.

However, the Council would benefit from providing further clarity and guidance on risk scoring across the SRR and Improvement Monitoring Tool or create more consistency between the risk monitoring tools. This will provide greater clarity and visibility on the nature of the risk and where in the Council the risk resides.

## *(Improvement Recommendation IR6)*

Overall, risk management at the Council is good and there is clear visibility of risks across the board. Risk reporting allows for regular review and consideration of risk mitigations by the appropriate members and officers. Our recommendation will enhance risk management further by providing more consistency in messaging around the severity of risk.

## Internal Audit

The 2023/24 Internal Audit Report was presented to the Audit and Risk Assurance Committee (ARAC) on 18<sup>th</sup> July 2024. In the year of 2023/24, Internal Audit planned to complete 27 audit reviews and successfully completed 25 of them. The outstanding audits are for Voluntary Sector Support and Payroll, but our review notes that draft reports have been issued with provisional audit opinions. Internal Audit have indicated that to date they have found no significant weaknesses in internal controls in 2023/24.

The Internal Audit Opinion was that Internal Audit could "reasonable assurance" that the council has adequate and effective governance, risk management and internal control processes. Five areas were given a 'limited assurance' rating:

- Climate change
- Use of Council procurement cards
- HRA – contract overspends

- HRA – housing disrepair claims
- Sandwell Valley/Forge Mill Farm – cash and banking

Our review has found there to be sufficient improvements regarding governance and accountability around climate change activities and more robust compliance measures around procurement card use. See the 3Es section of this report for further detail.

Regarding the Housing Revenue Account (HRA), Internal Audit highlighted cases of non-compliance to procurement and contract procedure rules and public contract regulations, alongside a poor level of budget and contract monitoring at both an operational and senior manager level. In addition, Internal Audit found that housing claims are not dealt with in the legally required timescales. Internal Audit noted that the Council are aware of poor management of contracts and claims, and have adopted new processes and will procure new software to resolve these issues. Our review has also found that the HRA and Housing are key areas of focus for the Council. This should continue to be monitored closely.

The issue with Sandwell Valley Visitor Centre and Forge Mill Farm is associated with inconsistency with income reporting by the operators but works to resolve this are currently underway. This does not pose a significant risk to the Council.

Our review has demonstrated the Council respond to issues highlighted by Internal Audit promptly.

## Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee (ARAC) met six times during 2023/24, which is in line with CIPFA's Practical Guidance for Audit Committees, which suggests a minimum of four meetings annually. The size of the ARAC remained stable and is in line with CIPFA guidance. A mix of seven political members and two independent members provides the ARAC with additional knowledge and experience along with continuity outside of the political cycle and the ability to place non-partisan focus on governance, risk and control matters. No members of the ARAC are currently also members of the Cabinet, demonstrating good practice to ensure independence of the ARAC.

# Governance (continued)

A review of ARAC meeting agendas showed they regularly consider strategic and directorate-level risks, internal audit, external audit and progress against the Improvement Plan. Officers and heads of directorates are invited to attend ARAC meetings as appropriate. This demonstrates that the ARAC have an appropriate level of oversight of the Council's governance mechanisms and are therefore able to provide effective scrutiny and accountability to the Cabinet, other committees and directorates.

The ARAC set up at the Council is strong and allows for appropriate challenge. There is a clear focus on governance across the Council.

## Informed decision making

Sandwell's Constitution governs roles and responsibilities in regard to decision-making. Full Council are responsible for decisions involving policy-making, final budget approval and appointing elected members to committees and boards. Cabinet's decision-making powers are clearly differentiated from Full Council's. Decision-making under the remit of the Cabinet involve executive-level key decisions. They can also make decisions on matters to the value of £500,001 up to £999,999. In addition, Scrutiny Boards contribute to decision-making in relation to budgets, assets, revenues and benefits, governance, risk management and various other operations.

The Constitution, also, stipulates decisions must be based on information provided in a written report prepared by the responsible officer/s. This includes information around the financial, legal and operational implications for the Council.

We have reviewed Cabinet papers and found some good examples of compliance, for example, in the Cabinet meeting held on 13<sup>th</sup> September 2023, Cabinet approved the decision for Wednesbury Town to be the main focus of the local Levelling Up Partnership (LUP). In this meeting, they were presented with a report outlining the Levelling Up Scope and Interventions, the Public Health Contribution to Levelling Up and the Wednesbury Levelling up Partnership Board (WLPB) Terms of Reference.

Moreover, there is evidence that decisions are appropriately challenged before being finalised. Printed decisions present alternative options for each decision made, demonstrating appropriate consideration of options before finalising decisions. Referring to the LUP decision, alternative areas were considered to be the focus of the LUP, though Wednesbury Town was selected following joint exploration by DLUHC and Cabinet Members.

It is clear that members comply with decision-making processes in place which, which aids effective and considered decision-making. Presentation of the scope, contribution to Public Health of a LUP project and visibility of governance arrangements through the WLPB, as well as consideration of alternative options will have provided Cabinet with the appropriate assurances that the Council has the capacity and readiness to deliver this LUP scheme.

## Organisational restructure and leadership

One of the key lines of enquiry of Grant Thornton's review of the Council's governance arrangements in 2020/21 was Sandwell's senior leadership. Since 2021, the Council has seen significant changes in chief officers and use of interims. Sandwell have demonstrated improvement through appointment of a permanent Chief Executive in February 2023, which was followed by a restructure of the SLT. The new SLT contains four Executive Directors in Place, People, Finance & Transformation and the Assistant Chief Executive. All posts now contain permanent hires except for the Executive Director of People, which is still vacant.

An improvement recommendation raised in Grant Thornton's December 2023 Governance Review Follow Up was for the Chief Executive to ensure the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis. Compliant to this, the Monitoring Officer does indeed have a permanent role in the restructured SLT. Moreover, our review found the Monitoring Officer has suitable oversight of the Council's governance mechanisms and reports regularly to the SLT. This demonstrates a sufficient level of scrutiny of compliance and good practice within the Council. The Council are prioritising hiring for this position as soon as possible.

Sandwell are currently in the process of updating their Corporate Plan with new strategic objectives. The SLT restructure paves way for a new organisational culture that better reflects the direction that the Council are headed towards following their emergence from a period of governance intervention. Our review found that key directorates of focus for the Council in 2024/25 and going forward include Place and Finance & Transformation.

This new restructure is well aligned to help the Council transition from state of recovery following the Governance intervention to a more forward-looking business-as-usual state where they can work towards strategic objectives as outlined in their Corporate Plan.

# Governance (continued)

## Relationships and culture

As part of Grant Thornton's review of governance arrangements in 2020/21, evidence was found of a lack of trust across the wider organisation and continuing poor behaviours displayed by members and officers. The December 2023 Follow Up report outlined an improvement in behaviours and member and officer relationships. Based on conversations with the SLT, our review has also found a significant improvement in culture; members and officers have positive relationships and communicate regularly, and there is an overarching commitment to improvement.

To further support an improving culture, Sandwell's Constitution is currently under review and upgrade to enhance comprehensibility, particularly through using plainer English and grouping relating topics. There is also a keenness to embed knowledge and expectations to employees below a mid-senior level. We note that there is a process underway to review and update the Council's Constitution that should capture many of the improvements in governance. This signals Sandwell's continued commitment to embedding a culture of good practice.

## Counter fraud and whistleblowing

The Council's Counter Fraud Unit sits within their Internal Audit function. Sandwell have a Counter Fraud Strategy in place that centres around having robust measures in place to prevent fraud, bribery and corruption, effective prevention and prioritising fraud recovery when a fraud is identified. The Council also have an Anti-Fraud and Corruption Policy in place that details roles and responsibilities in managing fraud, mechanisms to report fraud and details about fraud investigations. In addition, the Council also have a Whistleblowing Policy in place outlining the processes in place to file a whistleblowing claim.

Counter fraud reports are presented to ARAC annually. In 2023/24, the Counter Fraud Unit completed 186 investigations which led to 12 prosecutions. Furthermore, the Council has a rolling programme to review the 25% discount on Council Tax awarded to those residents who claim a Single Person Discount (SDP). The Counter Fraud Unit successfully detected several SDP frauds resulting in the removal of SDP awards valued at £68,496. The Director of Law & Governance confirmed here were no cases of significant fraud or whistleblowing incidents that were not properly managed in 2023/24.

The processes in place to detect and manage fraud, and governance arrangements in place for fraud and whistleblowing are effective. They provide appropriate guidance to report incidents and reporting arrangements ensure clear visibility of any frauds or risk of fraud.

## Compliance

Our 2022/23 AAR recommended the Council should endeavour to increase the compliance of Freedom of Information requests, Subject Access Requests and complaints responded to in a timely manner. This is still an area of risk, however there is improved performance and monitoring arrangements for compliance with FOI and SAR responses. The Governance team report on performance to the IG Board and to Leadership Team on a quarterly basis. The Council is currently exploring the opportunity to enhance the information published on its website and complaints management arrangements will be reviewed as part of the customer journey transformation work.

Other areas of non-compliance include use of procurement cards and contract management and handling of claims in the HRA which are addressed earlier in this report.

## Production of the annual financial statements – significant weakness

Our prior year Annual Auditor's Report (2022/23) reported a significant weakness in Sandwell's production of the annual financial statements. This is the fifth year there has been substantial delay to the preparation and /or completion of the audit of the financial statements. The 2021/22 accounts were signed off on 1 August 2024. We have yet to receive draft accounts for 2022/23 or 2023/24 despite the deadline having passed. While this significant delay in producing statement of accounts remains unacceptable, we recognise that the Council is a large and complex organisation that has only recently come out of intervention. Moreover, the capacity of the Finance team has remained stretched in recent years. However, under the new restructure and with a new permanent Executive Director of Finance & Transformation, the capacity of the team should strengthen.

# Governance (continued)

We also recognise that the 2021/22 audited statement of accounts have now been published, and progress has been towards preparing the draft 2022/23 accounts, which we are expecting imminently. The delay in completion of the 2021/22 audit has had some impact on the preparation of the subsequent financial statements, such as providing uncertainty over the opening balances, however it is clear to us that the issues within the finance team are deeper than the additional workload associated with servicing a delayed audit. The finance team has experienced some turnover in key personnel and difficulties recruiting interims to fill the gaps in the team. References to concerns in budget reporting and other financial management arrangements were also raised in our prior year governance reports.

The 2020/21 and 2021/22 external audits were significantly delayed due to the quality of the financial statements and working papers presented for audit. Issues included:

- material errors in the valuation of property plant and equipment and pension fund
- material errors in cash balances and other areas of the financial statements
- uncertainty regarding credit loss allowances, recognition of payables, and assets and liabilities relating to the SERCO waste contract.

The extent of material issues and delays in the 2021/22 accounts were less than in the prior year audit, indicating a positive direction of travel. It is likely that the recently announced 'backstop' will impact on the audit of both the 2022/23 and 2023/24 accounts, as we have yet to receive draft accounts and there is limited available time now to undertake an ISA-compliant audit in the time available. The Council needs a robust, properly resourced plan to prepare a set of 2024/25 accounts by the national deadline. Significant improvements in arrangements are needed to deliver accurate financial statements in a timely manner and to support an efficient audit. We have raised this as a key recommendation in previous years and this continues in 2023/24 as this is a significant weakness in the Council's arrangements.

## Conclusion

The Council has demonstrated continued improvement in addressing issues raised in our prior Value for Money audit reports and the Governance Review Follow Ups. The year 2023/24 marked a shift away from reactive governance planning and addressing issues towards a period of committed improvement and business-as-usual.

The Council has implemented appropriate risk management arrangements and tools to monitor the status of risks. Timely progress towards addressing issues is evident, as areas of high risk highlighted in the 2022/23 Strategic Risk Reports are no longer areas of high risk. However, greater consistency and clarity in risk scoring across various risk monitoring tools would provide a more accurate view of the severity of risks, as per our recommendation.

Internal Audit at the Council continues to fulfil its role appropriately, and management remains proactive in responding to issues raised by Internal Audit.

The Council is actively addressing issues of non-compliance related to processing Freedom of Information requests, the procurement card policy, contract management, and handling of claims in the HRA.

The recent SLT restructure sets the stage for a renewed organizational culture and further efficiencies, aligning with the Council's transition back to a business-as-usual state following a period of intervention.

However, the production of annual financial statements remains an area of significant weakness and will continue to be so until the Council is up-to-date with publishing its accounts in a timely manner.

Except for financial reporting arrangements, we are satisfied that Sandwell has appropriate governance arrangements in place.

# Improvement recommendation IR5

## Improvement

Include the significant weakness in Housing in the Strategic Risk Register (SRR).

## Recommendation 5

## Improvement opportunity identified

Our review has identified an opportunity to include Housing as an item in the SRR given the significant weakness in the directorate as a whole. This will allow greater clarity and understanding of the risks and issues within Housing, and how they affect the Council at a strategic level. Moreover, it will aid the Council in establishing and progressing mitigating actions for each of the issues in Housing listed below.

## Summary findings

Issues in Housing that we highlighted in our prior year report include:

- Stock condition surveys – no systems in place and outdated stock condition data.
- Component replacement – no asset management system in place to identify component replacements.
- Systems – no overall asset management system.
- Interim staff – heavy reliance on interim staff in the Housing directorate poses a risk.
- Self-referral to Housing Regulator – the Council referred itself to a Housing Regulator due to its non-compliance to Home Standard associated with damp and mould.
- Service underperformance – numerous areas of underperformance in Housing including percentage of homelessness, current tenancies with valid Home Check in place, Fire and Asbestos safety checks and number of residents assisted by Welfare Rights.

All of these areas pose operational risk, but the Council's self-referral to the Housing Regulator poses a wider strategic risk as it affects resident welfare and the Council's reputation. Therefore, it is imperative to include in the SRR.

## Criteria impacted



Governance

## Management comments

A new risk on the Housing Transformation Programme was added to the Strategic Risk Register in August 2024 and presented to the Audit and Risk Assurance Committee in September 2024.

# Improvement recommendation IR6

## Improvement Recommendation 6

Ensure consistency of scoring across all risk monitoring tools such as the Strategic Risk Register, Directorate Risk Registers and the Improvement Plan Monitoring Tool.

## Improvement opportunity identified

Our review has identified an opportunity to create greater clarity and consistency around the scoring and messaging of different risks within the Council. This will ensure that areas of high risks across directorates and specific programmes of work are captured at strategic level and vice versa. This consistency in risk scoring and messaging creates greater clarity about severity of risk, and therefore creates a more prominent sense of accountability for all responsible members and officers of the risk area. For example, in the case of the Customer Journey, both SLT executives and the Transformation Programme Manager should have the same view on the severity of risk associated with the Customer Journey.

## Summary findings

Our review found a lack of consistency between risk reporting and risk scoring between the SRR and the Improvement Plan Monitoring Tool. For example, the Customer Journey was RAG-rated 'red' indicating high risk, while the Improvement Plan Monitoring Tool gave the Customer Journey a risk score of 'amber', indicating moderate risk. This results in a lack of clarity about severity of risk and how the risk will affect the Council.

## 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

The Strategic Risk Register is now presented at each meeting of the council's Performance Board and this increased visibility will help ensure consistency in risk scoring. With regards to the Customer Journey risk quoted in the report, this was reduced to an amber risk in the Strategic Risk Register in August 2024.

# 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 an integrated approach in assessing financial and performance information. Their Performance Management Framework (PMF) approved in June 2023 outlines four indicators through which performance is monitored:

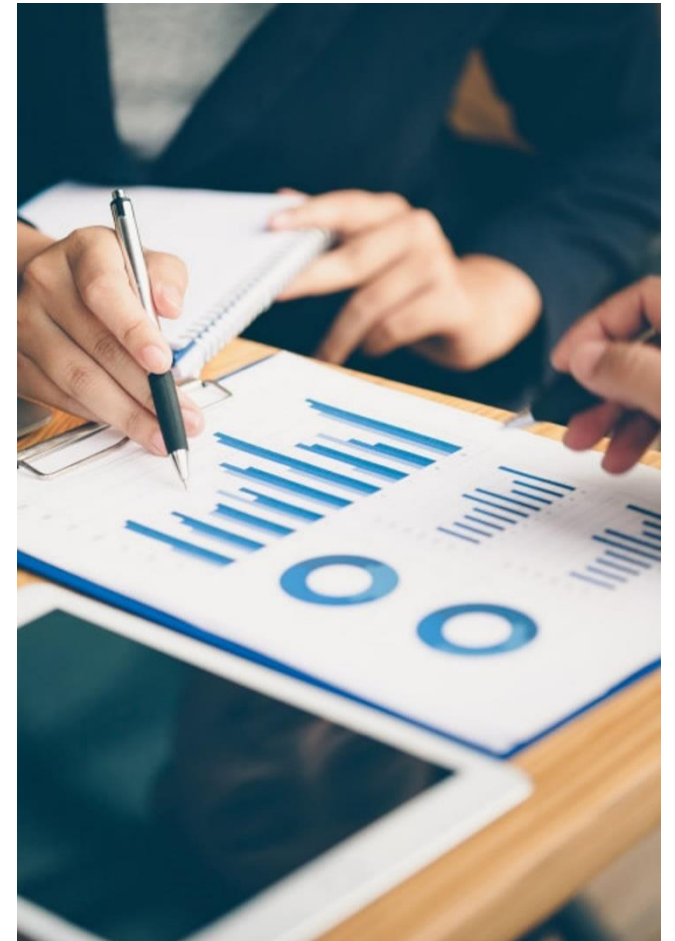
1. Corporate Performance Indicators
2. Finance
3. Customer Experience
4. Organisational Health (to be reported annually)

The Quarterly performance management framework monitoring reports outlining progress against Corporate Performance Indicators and the Corporate Plan, an overview of progress within directorates and performance against the in-year budget are presented to Cabinet. The PMF is mapped clearly to the Corporate Plan and the Council's strategic objectives which are:

1. The best start in life for children and young people
2. People live well and age well
3. Strong resilient communities
4. Quality homes in thriving neighbourhoods
5. A strong include economy
6. One team one Council

It also includes a 'Corporate Plan Monitoring' report which RAG rates progress against strategic objectives and provides narrative around areas for improvement.

The PMF provides an effective mechanism to review the Council's performance across various indicators as it provides a rounded overview of progress. The SLT find it helpful to have all performance indicators in one place.





# Improving economy, efficiency and effectiveness (continued)

Our review has demonstrated the new PMF allows Cabinet to have more effective conversation about strengths and weaknesses in performance in relation to the Corporate Plan and the Governance Improvement Plan and any risks and issues that could impede progress. To support the new framework, the Council have set new Performance Board will have a central role in driving continuous improvement.

The remit of the Performance Management team at Sandwell extends beyond just providing performance monitoring reports. They have an integral role in monitoring progress against the Governance Improvement Plan, assisting directorates with policy and the establishment of performance indicators and driving overall performance culture. As part of their bid to deliver this, the Performance Management aim to further utilise business insight tools and benchmarking to compare the Council's performance nationally and regionally. For example, the 2023/24 year-end outturn of the percentage of employees that have left Sandwell Council will be benchmarked against other West Midlands Authorities when the data becomes available. In our prior year report, we recommended the use of national and regional benchmarking should be used when available and appropriate. The Council must continue to deliver this.

Quarterly Performance Monitoring reports capture progress towards achieving the strategic objectives, using them as indicators. The latest Performance Monitoring report published in March 2024 outlines issues with staff capacity as a key concern across all 6 indicators, particularly in Adults Social Care. Other key areas of concern include the growing budget deficit associated with Sandwell Children's Trust and the Housing Revenue Account and the overall underperformance in Children's Social Care and Housing which is addressed in other areas of this report.

We did note that the Performance Monitoring report outlines many issues. The March 2024 report described a total of 34 areas for concern, which is too high an amount to feasibly review and discuss in Cabinet meetings. A recommendation that we have is for Performance Monitoring reports to outline the main areas for improvement based on importance and urgency. This will make the report more comprehensive and digestible and provide the space for effective discussion around a manageable number of issues. **(Recommendation 6)**

Overall, it is clear the Council have a proactive approach to performance management, which is commendable considering the Governance intervention they underwent in recent years. Sandwell have demonstrated ability to drive improvement and have created the appropriate mechanisms to continue to hold themselves accountable through the new PMF.

## The Improvement Plan

In Grant Thornton's December 2023 Governance Review Follow Up, we stated that improvement activities in Sandwell have become successfully embedded within the Council and result in identifying and realising the organisational changes and savings required.

Sandwell have established a transformation programme, referred to commonly as the Improvement Plan, which is linked to their MTFs and covers a range of areas across the Council through eleven projects. Transformation projects are active across many Council directorates and are associated with six key themes as outlined in the Council's Improvement Plan:

1. Organisational culture
2. Corporate oversight
3. Strategic direction
4. Decision making
5. Procurement and commercial
6. Partnerships and relationships

During 2023/24, significant progress was made towards achieving objectives of the Improvement Plan. The Council used Grant Thornton's 2021 Governance Review to measure their progress. All three statutory recommendations from that Review were lifted in the December 2022 Follow Up, which activities of the Improvement Plan contributed to.

In 2023/24, the most significant progress was made under the Organisational Culture theme of the Improvement Plan. The Council had given this area the required level of focus following the initial Governance Review in 2021 and put in the effort to rebrand their culture and have demonstrated improvement in member-officer relationships and awareness of the Council's values and expectations of behaviour.

Expanding on this progress, the Leadership team approved a new People Strategy in October 2023, and the temperature among employees was captured through employee surveys in November 2023. The Council have embedded expectations of values and behaviours through weekly communications with staff.

# Improving economy, efficiency and effectiveness (continued)

In addition, employee appraisal processes have been updated to use a coaching-based approach to support development. This new method was launched in April 2023. The Council's commitment to maintaining a positive, people-focussed culture that encourages good practice and compliance sets them up to continue delivering sustainable improvement. This is captured by one of their objectives of the Improvement Plan, which is to become "Brilliant at the Basics."

Another key area of Improvement Plan is Finance, which feeds into the procurement and commercial theme. As part of an exercise to realign the Council budget during 2023/24, the Finance team decided to terminate their financing of three of their leisure facilities – the swimming pools at Sandwell, Smethwick and Langley Leisure centres. One of these facilities was Sandwell Aquatics Centre (SAC), which opened to the public in July 2023. A paper was presented to Cabinet in October 2023 highlighting the risk relating to the ongoing responsibility for maintenance and repairs costs at the SAC. Work is now being undertaken to allocate budget and funding to leisure facilities, however this amongst a backdrop of cuts in leisure subsidies from central government.

It is imperative the Council manage risks around sinking funds and plan for them with the consideration of cuts in facilities funding. The Council are aware of this risk, so progress in this area will need to be monitored in the medium term.

We have noted that the Council is working towards improving the management of the waste service where we have identified significant weaknesses in prior years (see Key Recommendations 3 and 4 issued in 2022) and that there has been uncertainty over the accounting for the SERCO waste contract (See Key recommendation 1 in this report).

We are satisfied with the contract arrangements in relation to the SERCO Contract, and that the Council is actively recovering costs where there has been underperformance.

## The Corporate Transformation Programme

Like many other Council's, Sandwell have a clearly defined Corporate Transformation Programme that summarises transformation activity across the board. Sandwell's Corporate Transformation Programme is integral to the Council in shift away from a state of recovery to a more business-as-usual state. There are currently eleven Corporate Transformation Programmes as listed on the right. Most programmes will deliver savings against the MTFs apart from the Constitution Review, Value Realisation, Waste Management and Fleet Review which will deliver operational efficiencies. The Council have employed several delivery partners to support their transformation demonstrating commitment delivering value.

Moreover, elements of the Corporate Transformation Programme address previous significant weaknesses and areas where we have made recommendations. For example, in July 2022 we recommended the Council 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. The objective of the Value Realisation transformation programme is to improve accountability through renewed policies, which will support the Council in ensuring timely review of policies.

There are suitable governance arrangements around the Corporate Transformation Programme. A Corporate Project Governance Framework was established in April 2024 for the to provide progress monitoring and monitoring against savings of the Corporate Transformation Programme on a quarterly basis. The Board are presented with a progress report where the status of each transformation programme is RAG-rated. Moreover, they are presented with progress reports for individual transformation programmes too where key activities are RAG rated for clear visibility of risk. The Council are in the process of rolling out their new monitoring tool Verto which will be used to monitor progress against savings going forward.

The Corporate Transformation Programme is largely informed by the Improvement Plan but is a separate programme of works. This wider transformation includes service and area-specific transformation projects. The Corporate Transformation Programme may aid the Council in moving away from a state of recovery, which was the purpose of the Improvement Plan which was created in consequence to the Governance intervention, in a more strategic direction.

# Improving economy, efficiency and effectiveness (continued)

We recognise that there is a connection between the Improvement Plan and Corporate Transformation Programme, however their relationship is not properly understood or articulated. For greater clarity of the purpose, aims and objectives of both programmes of work, we recommend that the Council integrate the Improvement Plan to the Corporate Transformation programme by:

- Differentiating the purpose of the Improvement Plan and Corporate Transformation Programme
- Defining exactly how and where the Improvement Plan has informed the Corporate Transformation Programme
- Mapping projects under the Corporate Transformation Programmes to key themes and objectives of the Improvement Plan

## *(Recommendation IR7)*

While the Corporate Transformation Programme is still being developed in more detail, we are satisfied that Sandwell are using it as a tool to deliver monetary and operational efficiencies, address weaknesses and deliver value for money.

## Adult's Social Care

Adults Social Care is an area that the Council are currently investing in. Challenges faced by the directorate in recent years include high demand for care home placements and other social care packages due to an ageing population, an increasing number of local young adults presenting with complex mental health conditions and learning disability needs. A key focus of the transformation in ASC is, therefore, ensuring the directorate have the bandwidth to cope with increasing demand.

In recognition that the directorate have ambitious transformation objectives, the Council set up an ASC Transformation Board in 2023/24 to standardise and monitor transformation activities across the directorate and ensure consistency and consideration of wider Council activities. This is an appropriate governance mechanism to oversee the change activities and ensure data, insight and lessons learnt are captured and disseminated from a central body.

The Council have employed two delivery partners to assist with their ASC transformation programme. To further understand the challenges and what needs to be done, the Council commissioned a diagnostic from PWC. They have also commissioned ARCC to review the ASC commissioning strategy. This is one of ASC's key achievements in 2023/24; data and insight gathered from these reviews will form their strategy going forward. It exemplifies a proactive and sustainable solution to delivering better services in ASC in the context of rising demand, inflationary and funding pressures. Further to this, ASC are seeking a core transformation partner to assist them with delivery of the wider programme.

Staff capacity is the main issue in ASC at present. There are currently 38 vacancies in the directorate. At present, the Council have developed a Workforce Strategy that focuses on retention and wellbeing of staff based on a key pillar established by the Care Quality Commission in regards to workforce support and wellbeing. Our review has found staff capacity is indeed an area of focus of for the ASC transformation programme. The Council must ensure benefits realised address the capacity issue. This will need to be continually monitored.

In addition, partnership working is integral to the ASC transformation and to continue delivering good services. The Council recognise the important of collaborating with local ICBs and Trusts. They must strive towards a combined approach to delivering social care.

The Council are placing an appropriate level of focus in ASC transformation to address issues. They must ensure the transformation programme addresses the issues around workforce development for ASC recruitment and staff retention.

## Children & Education and Children's Social Care

As mentioned in the Financial Sustainability section of this report, Children's Social Care (CSC) is provided by Sandwell Children's Trust. A significant challenge Sandwell's CSC directorate is their growing budget deficit caused largely by high spend on SEND transport due to higher demand for the service. This remains a focal point for the Children & Education transformation programme. This will need continued focus and monitoring.

# Improving economy, efficiency and effectiveness (continued)

Regarding Children & Education transformation programme, the Council have employed Newton Europe as their transformation partner for Children & Education. They are currently in the process of completing an initial phase of a diagnostic review of the Council's services around SEND and Placement of children.

In terms of overall corporate performance, the Children & Education directorate are underperforming against the following indicators:

- The latest Performance Management report presented to Cabinet in March 2024 outlines numerous indicators for which Children's Social Care are underperforming:
- The '% of Schools 'Good' or 'Outstanding' OFSTED rating - Special and alternative provision' is below target - 71% against a target of 86%, rated 'red'
- Early Help - Referrals to Social Care with no evidence of Multi-Agency Early Help in the prior 12 months' is above target - 84%, rated 'red'
- The number of Children on a Child Protection Plan has increased in December 2023 to 501, now at a rate of 59 per 10,000. This is above Statistical Neighbour Average - 48.6 per 10,000, rated 'red'
- % Care leavers that are Not in Education, Employment or Training (NEET) (aged 19-21)' - above target at 58%, rated 'red'

This underperformance has remained similar since our prior year review. The Council should place continued focus on reversing underperformance, and we are satisfied that the transformation programme will aid this.

The Children's Services have, however, demonstrated significant improvement in the last few years. Their 2022 ILACS Inspection deemed Sandwell's Children's Services as "Requiring Improvement," which shows progress against their 2017 ILACS Inspection outcome which was "Inadequate."

While Children & Education and Children's Services have areas that require improvement, we are satisfied that the Council are aware and focussed on improving services.

## Oracle Fusion

A key element of the Council's wider corporate transformation is migration from their current Enterprise and Resource Planning (ERP) system Oracle E-Business Suite to a cloud-based version of the software, Oracle Fusion. This new software is expected to create efficiencies in financial and budget monitoring, data standardisation and accessibility, reporting and administrative tasks. The software was originally planned to go live in April 2024, however there were delays in finalising the design specifications for the HR and Payroll. As a result, the Steering Committee decided to split the programme into two phases to ensure sufficient time to perform build and test activities:

- 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

More recently, the Council have experienced further delays associated with the Finance and Core HR functionalities of the software. Delays have largely been caused by overlapping of resources, and the need for approval across multiple areas of the project. However, our review has demonstrated that the Council are making progress towards addressing these issues. The HR function is predicted to be ready to 'go live' by September 2024, and the Finance function October 2024.

In terms of Governance, the Council have appropriate governance arrangements to lead the Oracle Fusion programme. There is connection 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.

However, overall risk management around Oracle Fusion Implementation could have been more diligent. A risk management tool was not part of the original management plan, meaning there is still no visibility of risks associated with access privileges within the system. It is imperative that the Council run the risk analysis prior to Finance go live. Furthermore, there was a lack of evidence of budget planning and benefits realization around Oracle Fusion, which meant the Oracle Fusion management team did not have a goal or benchmark they were working towards and did not have a clear concept of 'what good looks like'.

# Improving economy, efficiency and effectiveness (continued)

Building on this, we recognise the need for ICT systems contract expertise within the Procurement function of the Council to ensure that Value for Money can be protected in Council negotiations with systems providers. Experts would have a more accurate overview of commercial aspects of IT systems such as cost and value for money. This will become increasingly important for all Councils in their move towards automation of functions and services. We therefore recommend that the Council employ ICT systems contract expertise within its procurement and contract management teams to ensure competitive pricing and Value for Money in ICT service offerings.

## **[Recommendation IR8]**

There is recognition that the Council are delaying migration to Oracle Fusion so they can have all the appropriate builds and assurances in place to go live. The Council are treating it as an area of focus and making continued progress towards finalising the software.

## **Housing – significant weakness**

Our prior year Annual Auditor's Report (2022/23) outlines various issues in housing associated with underperformance against targets as well as operational and compliance issues. Based on the latest Performance Management report, the Housing transformation plan is centred around better governance, management of resources and service delivery. In our prior year report, we recommended that Sandwell should focus their Housing transformation programme on addressing the weaknesses in the services.

The Housing Transformation Plan is yet to be presented to Cabinet. This will need to be monitored, particularly considering the significant weakness in the directorate.

Issues in Housing that we highlighted in our prior year report include:

- Stock condition surveys – no systems in place and outdated stock condition data.
- Component replacement – no asset management system in place to identify component replacements.
- Systems – no overall asset management system.
- Interim staff – heavy reliance on interim staff in the Housing directorate poses a risk.

- Self-referral to Housing Regulator – the Council referred itself to a Housing Regulator due to its non-compliance to Home Standard associated with damp and mould.
- Service underperformance – numerous areas of underperformance in Housing including percentage of homelessness, current tenancies with valid Home Check in place, Fire and Asbestos safety checks and number of residents assisted by Welfare Rights.

There is still a lack of progress around stock condition surveys. The Council recognise that stock condition data is still outdated and falls significantly below the regulator benchmark of using five year data. Although, stock condition surveys are due to reach completion during 2024/25. Findings from these will inform the HRA Business Plan which the Council are aiming to deliver by 2025/26. This demonstrates an acceptable level of progress.

There remains a significant level of service underperformance which are largely the same as those reported in our prior year report. In addition, the number of empty homes brought into use is also below target as identified in the Q3 Performance Monitoring report presented to Cabinet in March 2024.

Systems is an area of Housing that has seen improvement since our prior year report. The Council have employed a new asset management system, Civica. It is yet to be seen whether this new system drives efficiencies and integrates with other systems within the Council.

Regarding staff, the Council appointed a permanent Executive Director of Place under the restructure of the SLT; the directorate of Housing falls under this Executive and is under the remit of the Executive Director of Place.

Areas of focus for the new Executive Director of Place include the developing a new HRA Plan and developing more robust governance around housing and property options appraisals. Having a permanent Executive Director with clear areas of focus paves way for a sense of consistency and continued improvement in Housing that was lacking in previous years. It may also reduce reliance on temporary staff to uphold the directorate, which may alleviate some of the risk this directorate have been facing. To support with this, the Council have set aside a significant level of HRA reserves to manage risks in the Housing directorate and to address significant weaknesses. The estimated level of reserves for 2024/25 is £41.2m.

Overall, there has been a noticeable level of progress to improve Housing since our prior year report, however the Council must demonstrate progress across all weaknesses identified. Therefore, the significant weakness and prior year recommendation still stands.

# Improving economy, efficiency and effectiveness (continued)

## Alfred Gunn House – lessons learnt for Housing

Following the previous section, the Council recognise that the Housing directorate require improvements in governance and options appraisals. To support this, the Council have drawn on lessons learnt from the lack of proper planning for the Alfred Gunn House project, which have been explained in the financial sustainability section of this report. An overarching reason for slippage in delivery was due to the Council's failure to build the appropriate governance mechanisms from the beginning of the project. There was a lack of detail of roles and responsibilities, no contingencies built into the budget which led to significant cost incurrence and contributed to project slippage.

The Council have documented lessons learnt from the Alfred Gunn project and are keen to apply them to future housing and property projects. Lessons learnt include:

- **Project governance** – a new Major Capital Projects Board has been established oversee all HRA construction projects and are provided summaries, financial information and key matters and decisions of all projects.
- **Budget management** – all capital projects now report on total project costs from the outset and clearly identify a suitable level of contingency based on project risks. This will be presented to Cabinet in its totality.
- **Standard Operating Procedures (SOP)** – a SOP is currently being developed between Housing and UDDBS and will identify a clear 'gateways' of processes, permissions and approvals that need to be acquired at every stage of construction. It will also identify responsible owners of various stages of the project.

It is evident the Council are using their experience with Alfred Gunn House as a learning opportunity and are driving service improvement and striving towards best practice in Housing and Property processes as a result. We are satisfied that the Council have now established the appropriate mechanisms to ensure Housing and Property projects have a suitable level of planning, governance and management to avoid monetary and operational efficiencies during delivery of projects. This will need to continue to be monitored in line with overall service improvements required in Housing.

## Customer Journey

In response to Governance interventions, Sandwell's the Budget and Corporate Scrutiny Management Board agreed to investigate the experience of the Council's "Customer Journey" due to a high volume of complaints from residents and, difficulties in communication lines and to address part of the Council's Improvement Plan. In our prior year report, we recommended that 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.

The Board approved the scope for the review at its meeting on 12 January 2023. The outcomes of the recommendations from the Customer Experience review are intended to reflect best practice and the Council's Vision 2030. The latest Improvement Plan monitoring tool outlines slippage on the Customer Journey Strategy due to Council discussions and information capturing. This is sensible and not an area of concern particularly considering ward and casework management for the customer journey is progressing.

The review outlined 10 recommendations which allow for improved knowledge and training around the customer journey and allows for better information sharing through procuring a single joint Customer Relations System to better track available customer data, which addresses the requirements of our prior year recommendation. The Council must continue to place focus on this programme. We are satisfied that the Council are actively addressing improvements required in their customer journey.

# Improving economy, efficiency and effectiveness (continued)

## 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. 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 a Member Steering Group and annually to Cabinet through a Climate Change Action Reporting Tool which is under development.

The Council are involved in the WM-Net Zero project, which began in October 2023, led by the University of Birmingham. The overall aim is to transform regional Net-Zero policy solutions by adopting a health-centred systems approach and has been co-designed with the WMCA, local authorities, DEFRA and the community focussing on decarbonising regional transport, implementing net zero neighbourhoods and focussing on energy innovation.

Internal Audit highlighted Climate Change as an area of limited assurance due to a lack of formal monitoring to monitor progress towards achieving the objectives of the Climate Change Action Plan. However, our review has noted that there has now been a Programme Board 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 a Member Steering Group and annually to Cabinet through a Climate Change Action Reporting Tool which is under development. This demonstrates sufficient progress.

The Council are taking their Climate Change Strategy seriously and working with partners across the region to implement changes. Members and the public should be kept updating on the progress on this area, on a regular basis.

## Partnership working

Partnership working is core to the Council's service delivery. Over the last few years, they have strengthened their relationships with local partners. As outlined in our prior year report, the Council became a member of the Black Country Integrated Care System (ICS) and the Sandwell Health and Care Partnership in July 2022. This aids social care resourcing and planning within the Council as the partnership allows for larger capacity to manage collective challenges. There is work continuing building this relationship to ensure it remains effective for the collective aims of the system.

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. Our prior year report highlighted the Care Quality Commission (CQC) inspection which was reported on in September 2023. This highlighted some positive areas of progress but also the need to strengthen multi-agency working, development of co-production and increased short break opportunities to support children and young people with SEND. The Council and the SCT are working together to action these and have developed a Sandwell Inclusion Plan 2023-2026 governed by Sandwell Inclusion Boards.

There has been a change of emphasis and increased working with the West Midlands Combined Authority. The Council are working with WMCA to develop proposals for a Levelling Up Zone, consulting on the City Region Sustainable Transport Settlement (CRSTS) and working together in a Joint Venture Agreement on Friar Park Housing Development. An update on this relationship and the joint project working was reported to Cabinet in March 2024 providing a comprehensive overview of the varying projects currently shared between the Council, the WMCA and other regional local authorities.

# Improving economy, efficiency and effectiveness (continued)

## Procurement and contract management

Our prior year report outlined that a Procurement Strategy would be in place for 2024/25 and the Council have indeed delivered on this. An updated Procurement Strategy was approved in February 2024. We are therefore able to close our recommendation outlined in our 2021/22 Value for Money report.

A key development of the updated strategy is the new Social Value Policy. Previously, the Council followed the 2010-2013 Social Value Policy, which required a weighting of 5-30% on Social Value for goods and services procured. The Council recognised that this is not representative of best practice today and did not align with ambitions outlined in the Sandwell Business Growth Plan that was presented to Cabinet in November 2023. Their updated Social Value Policy sees an increase of the minimum Social Value weighting from 5% to 10%. This demonstrates the Council's commitment to delivering value for money. It also demonstrates continuous progression in delivering the objectives of the Corporate Plan. Objective 14 was to embed the Council's approach to social value to get maximum benefits for Sandwell, and they have delivered exactly that.

The Procurement function at Sandwell does, however, have several areas they can improve. One of these areas is the reporting of their pipeline. As raised in our prior year report, Sandwell currently use a spreadsheet to report the procurement pipeline which does not provide the bandwidth and level of visibility required for effective resource planning.

Pipelines for the next three years will be transferred to Oracle Fusion, which will provide better transparency of the pipeline and will provide the mechanism needed to for standardised monitoring, reporting and approval of procurement activity.

Another area for improvement is the way exemptions are handled. There are currently a high number of exemptions that get approved. A total of 97 exemptions were approved in 2023/24 with a total value of £5,929,119. The Council are keen to implement more robust measures to prevent the approval of exemptions where they are not necessary. The Council recognise that exemptions are for emergency or extenuating circumstances and are endeavouring to build this into the procurement approach through training and increased scrutiny.

Internal Audit highlighted use of procurement cards as an area of limited assurance. Internal Audit found there to be a lack of control for approving use of procurement cards and a lack of compliance to the Purchase Card Policy. However, a follow up review for procurement card activities was undertaken in-year. The procurement team now recognise their role to suspend procurement cards from individuals who do not follow the proper approval process. We are satisfied that improvements have been made regarding compliance with procurement card policy, however the Council must continue to monitor its use. The areas requiring improvement in the Council's Procurement function show that clearer guidance and scrutiny is needed to monitor procurement activities. To support the Procurement function's improvement ambitions, the SLT has approved the establishment of a new Procurement Board to review and approve contracts and provide oversight of all procurement activity. The first Procurement Board meeting is confirmed for early September 2024.

The Procurement Board will comprise of 8 members of the SLT and will be chaired by the Head of Procurement. This should be an effective way to centrally manage procurement activities. It provides greater accountability for compliance around spend and approvals and encourages transparency of pipelines, which are currently areas of weakness.

We note that the Procurement team is currently below capacity with six vacancies, three of which are filled by interims at present. A Procurement Board will bolster procurement activities and provide a level of support and scrutiny as they fill their vacancies.

Our review evidenced that the Council are actively addressing issues and shortcomings in Procurement through development of more robust guidance, processes and training. Improvements in this area will be driven by Oracle implementation and the new Procurement Board. Therefore, we have not raised an improvement recommendation.

Lastly, Sandwell are aware of the new Procurement Act 2024 which is due to come into force in October 2024. An objective outlined in their Corporate Plan is to provide training for staff and local suppliers. The Council have already delivered training to staff around contract management and have the intention to continue to deliver wider training. The Council must ensure continued focus in training and development for procurement and contract management to foster a culture of compliance and good practice, particularly under the new Act.



# Improving economy, efficiency and effectiveness (continued)

## Conclusion

It is clear that the Council are proactively working to improve the economy, efficiency and effectiveness of their services and functions following the period of Governance intervention.

The new Performance Management Framework allows for a more effective overview of key areas for concern in the Council as a whole, and better illustrates how different facets of the Council interact with each other. Our recommendation to outline 3 – 5 main areas of concern will allow committees to effectively discuss key issues and decide on a suitable resolution.

From a service improvement perspective, the Council are focussing efforts on improving areas within Housing, Children & Education and Adult Social Care in particular. They are aware of service underperformance across all three areas and have established actions required to drive improvement. The significant weakness in Housing still stands, but we note progress made regarding stock condition surveys and the acquiring of a new asset management system.

The mobilisation of the Council's Corporate Transformation Programme has been strong so far. Efficiencies, including savings, have been mapped to the MTFS. The Council have a clear view of what needs to be achieved across directorates and key functions. We have raised a recommendation to clearly integrate the Improvement Plan into the Transformation Programme by aligning objectives and mapping transformation projects to the key themes of the Improvement Plan to enhance performance monitoring and to support the Council's strategic direction.

The Council remain committed to their migration to Oracle Fusion. Implementation of this new ICT system is set to drive efficiencies across the Council. While the 'go live' date has been pushed back again to Autumn 2024, the Council are doing the right thing by ensuring readiness to launch. We have recommended that they employ an ICT contract management expert to help them obtain Value for Money in future ICT system procurement negotiations.

The Council have placed renewed focus on various other areas in 2023/24, such as in climate change initiatives. The Council have cultivated stronger governance arrangements in climate change that keep them accountable in achieving their net zero goals.

Partnership working is another area of renewed focus. Sandwell have strengthened their relationship with the SCT and NHS Black Country ICB, which will be integral to driving improvement in Children's Social Care. They are also committed to working more closely with WCMA to develop various proposals.

Overall, it is clear that the Council are committed to delivering Value for Money through their services and internal functions. While there are multiple areas where the Council must drive improvement to achieve a reasonable standard of service, our review has found that the Council are clear on actions required and are consistently delivering against them.

# Improvement recommendations

## Improvement

Pinpoint 3 – 5 main areas of concern to focus attention as part of quarterly Performance Monitoring Reports. This will improve the presentation of the report and ensure members and officers have sufficient time to review and discuss key risks and issues in Committee meetings.

## Recommendation IR7

## Improvement opportunity identified

Having a small number of main areas of concern will allow members and officers to properly discuss and review issues in Committee meetings and decide on mitigating actions.

## Summary findings

At present, Performance Monitoring Reports capture all areas of concern regarding performance of the Council. The number of areas to review is exceedingly high and an unreasonable amount for members and officers to review or discuss during Committee meetings. This could result in key issues being missed and not addressed, which poses a risk to the Council.

## 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

At 31 March 2024, the Council was in the process of reviewing its corporate plan and associated key performance indicators. A new Council Plan has since been adopted in July 2024 and the number of indicators have been rationalised to focus on the key outcomes that the Council is working to deliver during the three-year life of the plan.

# Improvement recommendations

## Improvement

We recommend that the Council employ ICT systems contract expertise within its procurement and contract management teams to ensure competitive pricing and Value for Money in ICT service offerings.

## Recommendation IR8

## Improvement opportunity identified

The Council have purchased the Oracle Fusion software, which is an upgrade from their previous Oracle IT management system. Annual ICT system licensing fees are subject to increase, and having an ICT system contracts expert within the procurement and management team will provide greater knowledge and negotiating power for the Council.

## Summary findings

The Council have recently procured Oracle Fusion licenses which cost circa £1m per annum. We recognise that ICT systems can incur a high cost, and pricing and contracts must be reviewed and negotiated by subject matter experts to ensure value for money.

## 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

A comprehensive set of documents are now available on the intranet comprising of guidance, templates, flowchart, training course slides and checklist. A review of contract managers identity and contracts they are responsible for is currently underway. Contract management is a standing agenda item at the Procurement Board, where contract managers are invited to give an update on current position.

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.

# Follow-up of Governance Review 2021/22

## key recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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.	Key	December 2022	Employee appraisals are in the process of being reviewed and an objective of the Improvement Plan is to map employee performance reviews and objective setting to the Corporate and Directorate Plans. This will need continued monitoring.	Yes (Superseded)	No
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.	Key	December 2022	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. This will need continued monitoring.	Yes (Superseded)	No

# Follow-up of Governance Review 2021/22

## key recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3 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.	Key	December 2022	The Council have undertaken a comprehensive review of the Constitution previously. However, our discussions with officers have highlighted that this is under a further update.	Yes (Superseded)	Yes
4 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.	Key	December 2022	<p>The Council have implemented an Asset Management Strategy. Sandwell Leisure Trust Annual Report for 2022/23 was filed with Companies House in January 2024. However, work continues to respond to recommendations in other areas highlighted as part of the overall improvement programme, on which further detail can be found in the 3Es section of this report. We recognise this will take time to action and embed and will be followed up on during 2024/25 reporting.</p> <p>Management response: Work continues on development of the Strategic Asset Management Plan. This is due for member approval in December 2024. Savings on asset management are ongoing and being tracked as part of the MTFS development and the in-year monitoring for 2024/25. Good progress is being made on the Corporate Landlord Model. Reports have been taken to Leadership Team, with recent approvals for progress being made in October 2024.</p>	Yes (Superseded)	Yes

# Follow-up of Governance Review 2023 key recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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.	Key	2023	<p>The Council have been undertaking a review of property and surplus assets, with a report due to Cabinet in Summer 2024/25. This includes an update to the Asset Management Strategy and plans to move towards a Corporate Landlord Model.</p> <p>The Council have identified over 4000 surplus assets and will be reporting to members on potential options to help realise £2.5m of savings, in line with the MTFP.</p>	Partly	Yes
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.	Key	2023	<p>Budget and Corporate Scrutiny Management Board have established 10 recommendations to improve the customer journey. The recommendations should result in better use of customer data and a better customer experience but plans still need to be implemented</p> <p>Management response: Customer Focus is one of our organisational Values and continues to be a strategic priority under the new Council Plan. Progress is being made in defining customer service standards and delivering specialist customer service training for frontline staff.</p>	Partly	Yes

# Follow-up of Governance Review 2023 key recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3 The Council should retain corporate focus and attention on key service and operational risks, in particular the implementation of Oracle Fusion, placed based working with SCT and the effective management of SCT's operational and financial challenges, industrial action in the waste service, putting a clear plan in place for the subsidy to SLT being eliminated, financial statement production, and reducing reliance on the level of interim appointments in the finance team.	Key	2023	<p>The Council are continuing to place focus on key service and operational risks. The Council are progressing towards readiness to migrate to Oracle Fusion. The CSC directorate is undergoing transformation and focus is continuing to be placed on strengthening their relationship with SCT.</p> <p>Management response: Strategic Risks are reported to Leadership Team and the Audit and Risk Committee. Ongoing monitoring takes place at the new Performance Board. Oracle Fusion went live for all users on 21st October 2024. Partnership boards monitor performance with the SCT, risks associated with spending are to be reviewed via in-depth review as part of the autumn review of the commission. The Finance structure remains reliant on temporary resources during peak activity to close accounts, implement Oracle Fusion and develop the MTFS. A revised finance structure is under development.</p>	Partly	Yes
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.	Key	2023	<p>The Council have completed an initial phase of a Strategic Leadership Team restructure. There are now 4 Executive Directorates: Place, People, Finance &amp; Transformation and Assistant Chief Executive. Of these, the Council have appointed permanent EDs for Place, Finance and Assistant Chief Executive and are prioritising hiring an ED for People as soon as possible. The second phase of the restructure will include employment of new ADs.</p> <p>Management response: The Council has a confirmed Strategic Leadership Team structure in place and is now considering options in respect of the next tier of leadership. It is anticipated that this work will be concluded by the end of the current financial year.</p>	Partly	Yes

# Follow-up of previous AAR key recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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.	Key	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 2023/24 accounts are yet to be produced, this remains as a significant weakness in 2023/24.	Partly	Yes
2 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.	Key	January 2024	The Council have demonstrated progress towards addressing weaknesses outlined in the prior year report. Details of this are outlined in the 3Es section of this report.	Partly	Yes



# Follow-up of prior year improvement recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
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	The Council have updated various policies in 2023/24. The Council have updated their Counter Fraud Policy and are currently reviewing their Constitution for update. They have also implemented a new Social Value Policy that better reflects modern best practice. However, there is no evidence that their Whistleblowing Policy has been updated in recent years. The Council should continue to focus on updating policies. There is no evidence that the Council have a central system in place to ensure timely updating of policies. The Council need to continue their efforts in updating policies and establishing a system that allows visibility of policies which need updating.	Continuing	Keep under consideration
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	The Council agreed to develop a Corporate Data Strategy August 2022. There is no evidence that this has been developed. This is a high-risk item in the Performance Monitoring Framework.	No	Yes

# Follow-up of prior year improvement recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
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	The Council have shown some evidence that they will use benchmarking data as appropriate. For example, the 2023/24 year-end outturn of the percentage of employees that have left Sandwell Council will be benchmarked against other West Midlands Authorities when the data becomes available. The Council must continue to use benchmarking data to help understand their position.	Continuing	Yes
4	Improving economy, efficiency and effectiveness: Update the Procurement Strategy, which was last updated in 2010	Improvement	July 2022	The Council now have an updated Procurement Strategy in place that has increased the minimum weighting of Social Value scores from 5% to 10% for any suppliers applying to be a part of the Council's supply chain.	Yes	No
5	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

# Follow-up of prior year improvement recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6 The Council should ensure that the ongoing transformation programme is properly integrated with and supports the short-term budget saving development process.	Improvement	January 2024	The Council have built a savings programme which incorporates the aims of the transformation programme. This has been highlighted in the MTFP, which details each of the savings projects along the life of the MTFP.	Yes	No
7 The Council should expedite the paper identifying the options for dealing with the SAC maintenance and repairs costs	Improvement	January 2024	The Council have presented a paper to Leadership Team and completed agreed actions.	Yes	No
8 The Council should review its borrowing, its sustainability and the impact this will have on revenue expenditure	Improvement	January 2024	The Council have reviewed the borrowing strategy and have reduced the level of debt as no new long-term debt has been taken as originally budgeted, meaning a small underspend is included with the General Fund provisional outturn for debt costs. This has been driven by the higher long term borrowing costs as interest rates remain higher than previous years. The Council's current strategy is to take only short dated debt; therefore, our improvement recommendation has been actioned.	Yes	No
9 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	January 2024	The latest data available is from December 2023, so no evidence as of yet that there has been an improvement in compliance. This will be followed up on in 2024/25.	No	Yes
10 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	January 2024	The Council still use an Excel spreadsheet to monitor pipeline. This recommendation still stands, however Oracle Fusion is set to launch in July 2024.	No	Yes

# Appendices

# Appendix A: 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.

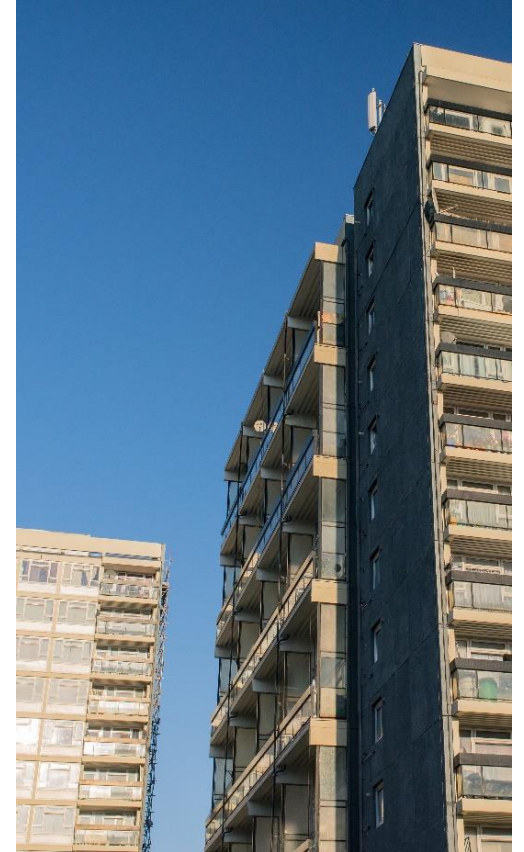
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

## 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	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
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	8-9, 45-48
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	20-23, 30-31, 42-43

# Appendix C:

## Responses from management

### Housing Services

The council accepts the auditor's assessment that during 2023/24 there were significant weaknesses within the Housing service, specifically in relation to the issues identified.

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

During 2023/24 and into 2024/25, significant changes in the Senior Leadership Team within the Housing service has taken place and all the issues addressed now form part of the Housing Improvement and Transformation process that has been put in place. All the issues identified by the auditor are now specific projects in the Housing Improvement and Transformation (HIT) Action Plan and associated risk register. Progress is overseen by the HIT Board, which meets monthly, and which is chaired by the Executive Director of Place, appointed during May 2024. The Board is attended by representatives from the council's Housing Leadership Team (two Assistant Directors), Housing Transformation Lead as well as legal and finance colleagues.

The Action Plan is regularly reported through to the council's Sustainable Neighbourhoods and Active Communities Scrutiny Board (quarterly) and the council's Audit and Risk Assessment Committee receive relevant reports where internal audit reports have found 'limited assurance'. In terms of specific responses to issues identified.

A comprehensive stock condition survey has now been commissioned and funding approved. This will mean that during the remainder of 2024/25 and into 2025/26, stock condition surveys will be undertaken across the council's housing stock that will provide a clear picture of the repair, maintenance, and improvement requirements of the council's housing assets. This information will be used to update the council's 30-year HRA Business Plan and to inform priorities for inclusion within the Housing capital programme, thus ensuring that housing stock continues to meet the regulatory standards in terms of compliance and Decent Homes.

The lack of an effective Asset Management Strategy and effective means of capturing, updating and interrogating data is acknowledged. A draft Asset Management Strategy is due to receive approval from the council's Cabinet during December 2024. A key strand of the Housing Improvement and Transformation Plan, is the procurement of three key software packages that will significantly enhance the council's knowledge of and reporting on, asset management issues. A new compliance software package will be operational during Q4 of 2024/25 and provide significantly improved information on compliance with the major 6 compliance requirements of Fire Safety, Gas, Electrical, Asbestos, Water and Lifts, as well as Damp and Mould (meeting the requirements of Awaab's Law). A replacement housing management software package is also being commissioned to replace the unsupported 'Open Housing' software currently utilised and a new bespoke Asset Management Package is being specified at present, so that by the end of 2025/26, the council's asset management knowledge and capability will be significantly enhanced.

Due to significant turnover of permanent staff, there continues to be a number of interim officers filling critically important roles in relation to compliance and repairs in particular. However, steps are in place to recruit permanent officers to those posts. A new permanent head of Capital Projects is now in place. In the meantime, the recording and storage of critical data, of decision making and approved courses of action are now undertaken in a much more robust fashion, ensuring that regardless of staff turnover, there are clear records of decision making, approvals sought, and funding agreed.

The council 'self-referred' to the Regulator for non-compliance and continues to engage positively and transparently with the Regulator. Regular meetings are held with the RSH where progress towards compliance is discussed. Significant progress is being made in ensuring compliance data is in place and regularly updated, with the target for 100% compliance being March 2025. In relation to Fire safety, all high risk flatted accommodation has been assessed and repairs undertaken. Assessments of lower risk buildings are ongoing. While Asbestos checks are undertaken and there is a management plan in place where required, there has been no evidence of annual re-inspections, therefore the council has concluded that it must consider, as a 'worst case' scenario, that the compliance figure is 0%. However, by Q2 2024/25, that figure is now at 20% (36% as at October 2024) and targeted to be 100% by March 2025.

# Appendix C:

## Responses from management

### Housing Services (continued)

In terms of performance, a revised regime is now in place where regular updates are received (quarterly) on performance, in a meeting chaired by the Cabinet Member for Housing and Sustainability and accompanied by colleagues attending the HIT Board (see Para 2 above). Performance is now scrutinised, and benchmarking undertaken to compare performance with statistical neighbours etc. The council is part of 'Housemark' and can compare data from across the sector with performance measures identified. A Corporate Performance Board meets on a quarterly basis and is responsible for scrutinising performance across all services and challenging the Executive Director Place in relation to housing performance. The performance reporting is subsequently scrutinised by the Finance and Performance. While performance is improving, prioritisation is being given to critical issues such as compliance and repairs performance at present. All indicators relate to activity overseen by the HIT Board and are contained within the HIT action plan (see para 2 above).

In addition to the above, the council is in the process of commissioning an external expert housing consultant to advise on the content of the council's HIT action plan. It is intended to ensure that this provides third party assurance that the council has a comprehensive and robust approach to Improvement and Transformation and is identifying best practice across the sector and implementing it in Sandwell. At the same time, our retained consultant, 'Pennington Choices', have undertaken a 'Self-Assessment' Inspection against the Consumer Standards Framework to determine current performance and identify areas of improvement. Any new areas requiring action will be added to the HIT Action Plan.

### Financial Sustainability of Housing Revenue Account

The council acknowledges the need to ensure that the HRA is sustainable in the longer term and that it can ensure that the council both maintains its stock effectively and delivers its new-build programme. In particular, the need to provide a clear and deliverable new-build pipeline has been recognised to ensure that the council can effectively plan both in terms of capital cost, associated HRA borrowing and regular delivery of new-build housing for rent. The Assistant Director of Spatial Planning and Growth is responsible for new-build delivery and is currently reviewing the pipeline and means of delivery to ensure best value is achieved and that there is a clear and deliverable timetable in place for delivery of new-build units.

In terms of capital investment, an interim capital programme has been agreed with non-essential works deferred, pending the outcome of the ongoing stock condition surveys that will inform the council's HRA Business Plan moving forward. This will ensure that essential compliance and building safety work is undertaken but will minimise borrowing pending identification of areas for priority intervention and thus reduce the borrowing cost of HRA Capital.

In terms of Revenue, at P6 (end of quarter2), financial monitoring indicates that HRA is on programme to achieve 100% out-turn. The cost of essential work on compliance and stock condition has been built into the HRA programme for 2024/24 and 2025/26.

Contracts for the supply of materials and building components have been reviewed and renewed during 2024/25 in order to 'batch' similar requirements and thus secure better value from fewer but larger contracts. This will impact positively on the cost of delivering the council's repairs and maintenance programme moving forward.

As indicated above, when stock condition data is complete, a full review of the council's HRA Business Plan will be undertaken to ensure the ongoing viability of HRA. The review of the council's new-build programme will also be complete, facilitating development of a comprehensive and deliverable capital programme, delivering certainty in terms of costs, outcomes, and revenue impact, thus ensuring financial stability. During December, Cabinet will be requested to agree the rent, service charge and other fee increases in relation to the council's housing stock, which will be focussed on ensuring HRA sustainability in years ahead. 'Full Cost Recovery' will be the objective in relation to costs associated with Leaseholders Service Charges and for example, individual tenants heating costs where on a shared heating scheme and non-essential services will be required to be cost neutral or will be discontinued, subject to tenant / leaseholder consultation.

The robustness of financial monitoring of HRA has been significantly enhanced by the Executive Director Finance and Transformation and a bespoke HRA accountant appointed to oversee progress, which has significantly assisted financial control and oversight.



