

Meeting of the Audit and Standards Committee

**Monday, 23rd January, 2023 at 6.00pm
in Committee Room 2, The Council House,
Priory Road, Dudley**

Agenda - Public Session

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meetings held on 23rd November, 2022 and 5th December, 2022 as a correct record (Pages 5 - 17)
5. [External Audit Findings Report 2020/21 – Updated \(Pages 18 – 68\)](#)
6. [Annual Governance Statement \(Pages 69 – 105\)](#)
7. To consider any questions from Members to the Chair where two clear days notice has been given to the Monitoring Officer (Council Procedure Rule 11.8).

Under the provisions of Part I of Schedule 12A to the Local Government Act 1972, the Monitoring Officer has decided that there will be no advance disclosure of the following report because the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

8. Resolution to exclude the public and press

Chair to move:

“That the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information relating to any individual(s) and to the financial or business affairs of any particular person (including the authority holding that information) under Part I of Schedule 12A to the Local Government Act 1972, as amended.”

Agenda – Private Session

(Meeting not open to the public and press)

9. [Annual Audit Report for the Chief Executive \(Pages 106 - 243\)](#)



Chief Executive

Dated: 13th January, 2023

Distribution:

Members of the Audit and Standards Committee:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, P Atkins, J Cowell, M Evans, E Lawrence, J Martin and A Taylor

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**Minutes of the Audit and Standards Committee
Wednesday 23rd November, 2022 at 2.00pm
in Committee Room 3, the Council House, Dudley**

Present:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, P Atkins, J Cowell, M Evans, E Lawrence, J Foster and A Taylor

Officers:

B Heran (Deputy Chief Executive), G Harrison (Head of Audit and Risk Management), A Taylor (Senior Principal Auditor), M Grainger (Corporate Fraud Manager) and S Griffiths (Democratic Services Manager)

15 Apologies for Absence

Apologies for absence from the meeting were submitted on behalf of Councillor J Martin.

16 Appointment of Substitute Member

Councillor J Foster was appointed as a Substitute Member for Councillor J Martin for this meeting of the Committee only.

17 Declarations of Interest

Councillor J Foster declared a non-pecuniary interest in Agenda Item No. 7 (Internal Audit Report) due to her attendance at the event referred to in the report during 2019.

Councillor S Ali declared for transparency purposes that he was a Member referred to in the report to be considered under Agenda Item No. 7.

18 **Exclusion of the public and press**

Resolved

That the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information relating to any individual(s) and to the financial or business affairs of any particular person (including the authority holding that information) as defined under Part I of Schedule 12A to the Local Government Act 1972, as amended.

19 **Internal Audit Report**

The Committee considered a report of the Deputy Chief Executive on the findings of an internal audit report.

Following a detailed discussion and consideration of the report, together with responses to comments and questions raised by Members of the Committee, it was

Resolved

- (1) That the report of the Deputy Chief Executive together with the internal audit report, as set out in Appendix 1 to the report submitted to the meeting, be received and noted.
- (2) That the recommendations set out in Section 6 of the internal audit report be endorsed.
- (3) That further work be undertaken on the issues identified concerning compliance with formal processes, policies and the Constitution and that the following additional recommendations be made:



- That the findings in relation to any individual or individuals be investigated under appropriate procedures to ascertain whether any further action is required and that this investigation include interviews with Members as appropriate.
 - That the Head of Procurement submit a report to the Committee by April, 2023 concerning exceptions to contract standing orders.
 - That the appropriate Director review the current capacity within internal audit to determine whether this is sufficient.
- (4) That a further report be submitted to the Committee in due course to give an update on any actions required and/or any further processes or steps considered to be appropriate.
-

The meeting ended at 5.20pm

CHAIR



**Minutes of the Audit and Standards Committee
Monday 5th December, 2022 at 5.00pm
in Committee Room 3, the Council House, Dudley**

Present:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, J Cowell, E Lawrence and J Martin

Officers:

I Newman – Director of Finance and Legal, G Harrison – Head of Audit and Risk Management, R Cooper – Head of Financial Services, A Taylor – Senior Principal Auditor (via MS Teams), S Carter – Finance Manager (via MS Teams), M Landy – Senior Principal Auditor (via MS Teams), J McGregor – Senior Principal Accountant (via MS Teams), E Newman - Principal Auditor (via MS Teams) and H Mills (Senior Democratic Services Officer) (Directorate of Finance and Legal); J Branch – Assistant Director People and Inclusion, B Clark – Head of Payroll, Pension and Recruitment (Chief Executives Directorate); M Abuaffan – Acting Director of Public Health, K Graham – Service Director of Children's Social Care, M Smith – Head of Business Support (Children Services Directorate)

(Vice-Chair in the Chair for the commencement of the meeting)

20 Apologies for Absence

Apologies for absence from the meeting were submitted on behalf of Councillors P Atkins, M Evans and A Taylor.

21 **Declarations of Interest**

No Member made a declaration of interest in accordance with the Member's Code of Conduct.

22 **Minutes**

Resolved

That the minutes of the meeting held on 26th September, 2022 be approved as a correct record and signed.

23 **Statement of Accounts 2021/2022**

A report of the Director of Finance and Legal was submitted on the Statement of Accounts, informing the Committee of the progress with the audit of the accounts. The Statement of Accounts, and the audit of them, was the main formal and public report on the financial standing of the authority. A copy of the Statement of Accounts 2021/22 had been circulated to Members.

The Director of Finance and Legal gave a brief presentation and in doing so outlined the authority's funding basis and clarified that the presentation of the accounts was from two perspectives namely funding and spending (governed by statutory regulations), and external reporting (governed by the Code of Practice/International Financial Reporting Standards (IFRS)). It was further stated that both views were reconciled together in one statement known as the Movement in Reserves Statement (MiRS) detailed on page 25 of the accounts submitted. A simplified version of the MiRS table was presented to the Committee.

The Director of Finance and Legal reported on the Audit progress and confirmed that a review, conducted by Grant Thornton, was still ongoing. Initial feedback from Grant Thornton had been positive, with just a few minor adjustments identified in relation to the Business Rates Appeals Provisions, Pensions and Asset Valuations.

Arising from the presentation and a question from Councillor S Ali in relation to whether there was anything in the accounts that the Committee should be particularly concerned about, the Director of Finance and Legal commented that the reduction in earmarked reserves was mainly a technically adjustment related to Covid relief. This was a timing issue and there were no issues of significant concern. However, the Committee would need to be mindful moving forward of the level of overspend in the current financial year. This would be identified in the Statement of Accounts for 2022/23.

Resolved

- (1) That the information contained in the report on the Statement of Accounts 2021/22, be approved, and the Chair of the Audit and Standards Committee be authorised to sign and date the Statement of Accounts.
- (2) That the Chair of the Audit and Standards Committee, in consultation with the Director of Finance and Legal, be authorised to approve any changes to the Statement of Accounts arising from audit work, after the date of the Committee meeting, provided that there is no impact on useable reserves at 31st March, 2022.

24 **Annual Governance Statement**

The Committee considered a report of the Director of Finance and Legal on the Council's Annual Governance Statement for 2021/22, which was required to be included as part of the Annual Statement of Accounts and detailed how the Council had complied with the local Code of Corporate Governance, the effectiveness of the governance framework and described any significant governance issues and how these would be addressed.

The Head of Audit and Risk Management stated that the Council had carried out a self-assessment against the principles and sub-principles within the framework and a revised code of Corporate Governance had been considered at the Audit and Standards Committee in September, 2022.



Arising from the presentation of the report, Members asked questions, made comments and responses were provided where necessary as follows:-

- a) In referring to Section 4.7 of the Annual Governance Statement, in particular the increase in sickness absences for 2021/22, Councillor S Ali questioned if this was as result of Covid related illnesses and if any absence related to long-Covid. It was also recognised that return to work interviews were conducted, however, it was questioned as to whether exit interviews were conducted to establish the reason for the high turnover rate, particularly within Children Services.

The Assistant Director People and Inclusion agreed to provide a breakdown of sickness absences and exit reasons. It was confirmed that exit interviews were undertaken, although it was an employee's choice as to whether or not they wished to participate. These interviews helped to develop an understanding of the reasons for leaving, and employees would always be encouraged to attend.

- b) Councillor S Ali requested further information in relation to the number of breaches under the Employee Code of Conduct and what these breaches related to, ie performance etc, as well as how these had been dealt with. The Assistant Director People and Inclusion agreed to provide the relevant information following the meeting.
- c) Arising from a question raised by Councillor S Ali with regard to the independent review into race inequality and what progress had been made to implement the identified recommendations, the Assistant Director People and Inclusion confirmed that progress had been made and a report would shortly be shared with employees, Elected Members and submitted to the Future Council Scrutiny Committee. It was reported that recruitment was now anonymised and candidate details were only provided when a candidate attended an interview; more information on protected characteristics was collated; a number of network groups had been established to help strengthen policies and processes and it was confirmed that trade unions had been involved and consulted throughout the process.

- d) In referring to paragraph 5.1.4 of the Annual Governance Statement and the five high level priorities for Children Services, Councillor S Ali commented that it would be useful to see a description of what the challenges related to.
- e) In referring to Paragraph 5.2.6 of the Annual Governance Statement, Councillor S Ali commented on the £17.2 million deficit in the High Needs Block. This was recognised as a reoccurring issue and an explanation was requested on the current position. He also questioned what radical changes to services would be made as referred to in paragraph 5.3.2 of the Annual Governance Statement.

In responding the Director of Finance and Legal commented that the High Needs Block was funded through the Dedicated Schools Grant and the deficit was a recognised issue across the majority of Local Authorities. Dudley was in receipt of support from the Department of Education and Newton Europe to address the issue, however, it was predicted that the deficit was expected to get worse before it started to improve.

- f) Councillor S Ali referred to Section 5.6 of the Annual Governance Statement in relation to Dudley Integrated Health and Care NHS Trust and the recent update advising that the Integrated Care Partnership would no longer be progressed and asked what impact this had to services that were being transferred and how much money had been spent on the project from the Council's perspective.

The Acting Director of Public Health and Wellbeing stated that 17 services had been mapped out to transfer and that it had been the Black Country Integrated Care Partnership's decision to halt the transfer. However, although recognised to be a challenge, Dudley would now look to procure services. It was estimated that the overall costs were £20 million. From the Council's perspective definitive figures were not known, however, as no additional staff had been employed and work on the ICP had been undertaken as part of existing workloads, it was considered that there had been no financial waste. A decision from the ICB was still awaited with regards to the integration of Children Services.

- g) Arising from a question raised by Councillor D Borley, in relation to whether the CCTV service was adequately resourced, the Director of Finance and Legal agreed to ensure that a written response was provided following the meeting.

(At this juncture, Councillor A Lees took the Chair)

In considering the recommendation to approve the Annual Governance Statement, reference was made to the deliberations at the Audit and Standards Committee on 23rd November, 2022. In light of the fact that these deliberations were held in private session, it was

Resolved

That the public and press be excluded from the meeting for the remainder of this agenda item, on the grounds of the likely disclosure of exempt information relating to any individual(s) and to the financial or business affairs of any particular person (including the authority holding that information) as defined under Part I of Schedule 12A to the Local Government Act 1972, as amended.

At this juncture, all Officers (with the exception of the Head of Audit and Risk Management and the Senior Democratic Services Officer) withdrew from the meeting.

Resolved

- (1) That the report on the Annual Governance Statement be deferred to a future meeting of the Audit and Standards Committee, on a date to be arranged.
- (2) That the Assistant Director People and Inclusion provide a breakdown of the different reasons for sickness absences and for leaving the Local Authority.
- (3) That the Assistant Director People and Inclusion provide further information in relation to the number of Employee Code of Conduct breaches, what these breaches related to and how these had been dealt with by the Local Authority.



- (4) That the Director of Finance and Legal provide a written response as to whether the CCTV service was adequately resourced.

(At this juncture the meeting returned to public session and all Officers returned to the meeting)

25 **Risk Management**

A report of the Director of Finance and Legal was submitted on the risks reported to the Strategic Executive Board (SEB) and the status allocated by the risk owner and to provide an update on the embedding of the Risk Management Framework.

The Head of Audit and Risk Management stated that there were 17 risks rated extreme at the gross level and five rated extreme at net level which related to recruitment and retention of staff, children's safeguarding, budget, regeneration benefits and delay or withdrawal of the proposed METRO route. These risk scores were considered generally unacceptable and needed to be addressed.

At this juncture, the Assistant Director People and Inclusion gave a detailed presentation on Risk R.399 in relation to the inability to recruit and retain staff, and in doing so commented that this was a situation experienced nationally with 46% of recruiting employers having hard to fill vacancies particularly within the health care sector. The measures implemented in the short term to mitigate the risk were outlined, which included upskilling of existing staff; the promotion of the use of apprenticeships and the benefits for working for Dudley and a review of job specifications to ensure all requirements were needed. It was reported that workforce planning on an annual basis had helped to identify roles that were considered difficult to recruit and plans were developed to mitigate the impact.

Members were advised that it was the intention for Dudley Council to become an employer of choice and to provide a shop window to current and prospective employees and improve the candidate's experience. Alternative ways to apply for a vacancy were being explored, which included the submission of a CV as well as a focus on retention, to support career and leadership development and provide relevant and adequate training.

It was recognised that Dudley had reached its highest turnover rate, with the top five reasons for leaving identified as being in relation to career progression, better pay elsewhere, issues with manager or management team, workload pressures and lack of development and training. It was noted that there were 454 very difficult to fill posts with 80% of those vacancies being in areas with the highest turnover. It was further noted that the majority of Dudley Council's workforce was aged 50 years or over, with twice as many employees within the 55 to 69 age bracket than the 16-34 bracket, which identified there to be an issue with the recruitment and retention of younger people.

Arising from a question raised by Councillor J Martin in relation to whether the Local Authority could finance the vast number of vacancies should they all be filled, the Director of Finance and Legal clarified that there were not currently 454 vacancies, however, this was the number of posts considered to be hard to fill over time. It was acknowledged that in the current financial year, the post vacancies had provided a great degree of offset to the budget, however the adverse effect vacancies had to service delivery was recognised.

The Assistant Director People and Inclusion referred to the five priorities incorporated into Dudley Council Our People Strategy 2022-2025 to tackle the issue of employees leaving and the need to modernise recruitment to make the process more candidate friendly and attractive was emphasised.

Arising from the presentation, Members asked questions, made comments and responses were provided where necessary as follows:-



- a) In response to a question raised by Councillor J Cowell with regard to staff working from home and how this impacted upon team connections, the Assistant Director People and Inclusion stated that staff/teams that were agile based, were encouraged to attend collaborative team meetings, when everyone attended the office. It was emphasised that should an employee wish to attend the office on a daily basis, arrangements could be made to accommodate this.
- b) Councillor S Ali welcomed the promotion of Apprenticeships and also encouraged additional work to be undertaken with local schools and colleges to highlight available opportunities for young people.
- c) Councillor D Borley also welcomed the progression of apprenticeships and suggested that Elected Members be consulted in relation to recruitment days/events that were arranged to help provide support and to promote events.
- d) In response to a question raised by Councillor J Martin in relation to how successful the apprenticeship programme was, as it had been reported that a significant number of trainees had not completed the programme, the Assistant Director People and Inclusion was of the view that it would take longer than 12 months to see a difference, although it was recognised that more needed to be done to bring people into the organisation. Moving forward it was important not just to rely on apprenticeships and to also consider providing entry training and on the job learning opportunities.
- e) Councillor E Lawrence welcomed the use of apprenticeships, however, considered it vital that mitigating steps were implemented to ensure retainment of the trainees once the programme was completed.

Resolved

- (1) That the information contained in the report in relation to Risk Management be received and noted.



- (2) That Risk R.404 in relation to failure to demonstrate compliance with Contract Standing Orders/Procurement legislation affecting the Council's ability to deliver effective procurement/value for money, be identified as the specific risk for in-depth scrutiny at the Audit and Standards Committee in April 2023.
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26 **Exclusion of the public and press**

Resolved

That the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information relating to any individual(s) and to the financial or business affairs of any particular person (including the authority holding that information) as defined under Part I of Schedule 12A to the Local Government Act 1972, as amended.

27 **Annual Audit Report for the Chief Executive**

Resolved

That this agenda item be deferred to the next scheduled meeting of the Audit and Standards Committee.

The meeting ended at 7.05pm

CHAIR



Audit and Standards Committee – 23rd January 2023

Report of the Director of Finance and Legal

External Audit Findings Report 2020/21 - Updated

Purpose of Report

1. To consider the external auditor's Audit Findings Report and formal Management Representation Letter to the Auditor.

Recommendation

2. It is recommended that:-
 - the Committee considers the Updated Audit Findings Report 2020/21 (Appendix 1).
 - the Committee considers the Letter of Representation (Appendix 2).
 - the Committee authorises the Chair to sign and date the final version of the Letter of Representation in due course.

Background

3. The Council has delegated the responsibility for the approval of the Statement of Accounts, and all audit matters, to the Audit and Standards Committee.

4. The Audit Findings report, presents the observations arising from the audit of the 2020/21 accounts which the auditor deems significant to those charged with the governance to oversee the financial reporting process. The 2020/21 AFR was originally presented to committee on 20th September 2021, since then a number have changes have been made, in particular to property valuations. However, there have not been any changes to the Council's usable reserves. Appendix 1 will be presented by the external auditor.
5. Towards the end of each audit of the annual accounts, the Director of Finance and Legal provides a management representation letter (sometimes known as a letter of comfort), confirming the completeness and reliability of the information and records supplied to the auditors. The external auditors request that this letter should also be signed by the Chair of Audit and Standards Committee, to evidence members' acknowledgment of responsibility for financial management. A draft of this letter is attached as Appendix 2. This letter was originally presented to the Audit Standards Committee on September 20th 2021 and remains unchanged.

Finance

6. This report is financial in nature but does not give rise to any direct costs.

Law

7. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972 and the Local Audit and Accountability Act 2014.

Risk Management

8. The proposals contained within this report do not raise any "material" risks.

Equality Impact

9. The proposals take into account the Council's Policy on Equality and Diversity.

Human Resources/Organisational Development

10. There are no Human Resources or Organisational Development implications resulting from the items in this report.

Commercial/Procurement

11. There are no implications associated with this report.

Environment/Climate Change

12. There are no environmental/climate change issues associated with this report.

Council Priorities and Projects

13. The work undertaken by Audit and Standards Committee helps to ensure Council priorities are achieved by ensuring the Council has an effective framework of governance, risk management and internal control.



Iain Newman

Director of Finance and Legal

Report Author: Rachel Cooper

Telephone: 01384 814844

Email: rachel.cooper@dudley.gov.uk

List of Appendices

Appendix 1 – Audit Findings for Dudley MBC (updated)

Appendix 2 – Draft Letter

The Audit Findings for Dudley Metropolitan Borough Council (updated)

Year ended 31 March 2021

13 January 2023



Contents



Your key Grant Thornton team members are:

Mark Stocks

Key Audit Partner

T 0121 232 5437

E mark.c.stocks@uk.gt.com

Terry Tobin

Senior Manager

T 0121 232 5276

E Terry.p.tobin@uk.gt.com

William Guest

Manager

T 0121 232 5319

E william.guest@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Other statutory powers and duties
5. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dudley Borough Council's ('the Council') financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was carried out between July 2021 and January 2022. The accounts were prepared to a good standard together with appropriate working papers available from the start of the audit for most areas. A notable exception to this were the papers for property valuation.

At the time of drafting our report to the September 2021 Audit and Standards Committee, our audit work was still in progress and we had issues to clear most notably in relation to council housing and land and buildings valuation. This audit work has now been completed. As a result of this work, the valuation of other land and buildings increased by £90.8m and the valuation of council housing increased by £11.8m a combined increase in Property Plant and Equipment of £102.6m as at 31 March 2021. Significant changes were also needed to the two prior years' accounts in relation to other land and building valuations. These audit adjustments are detailed in Appendix C.

Subsequent to the resolution of this issue, the audit was suspended awaiting a solution to a national issue on the accounting for infrastructure assets. Please see page 5 for more detail.

We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is now substantially complete and subject to the outstanding items set out on page 5 being resolved, we anticipate issuing an unqualified audit opinion.

We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited

1. Headlines

Value for Money (VFM) arrangements

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 now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We completed our VFM work and issued our Auditor's Annual Report in March 2022.

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. As part of our audit planning we identified a risk in respect of financial sustainability. Our work on this risk was completed and is summarised in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's whole of government audit work..

Significant Matters

We encountered significant difficulties in obtaining some key reports from the Council's valuer.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you in April 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved including outstanding infrastructure work and the receipt of an updated letter of representation, we anticipate issuing an unqualified audit opinion as detailed in Appendix E.

We received the information needed to conclude our work on land, building and housing valuation which had not all been made available to us initially. When we received this we found significant errors which necessitated major reworking of 2020/21 and prior year valuation figures. This is the second year that this has occurred. We escalated this to the Chief Executive and the responsible director. This is an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years.

The Code requires infrastructure assets to be valued at depreciated historical cost. It also requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component is derecognised to avoid double counting. Most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced. However, there is often a lack of evidence to support this assumption and some subsequent expenditure is often in addition to the previous asset rather than being a direct replacement. There was a significant risk that local authority financial statements could be subject to qualified audit opinions in this area if no action was taken. The Department for Levelling Up, Housing and Communities (DLUCH) therefore prepared a temporary statutory override with regards to infrastructure assets, whilst a permanent solution is developed by CIPFA. This statutory override was effective from 25 December 2022. In parallel to this, CIPFA revised the Code so that it reflects this temporary statutory override. We are now working through an audit work programme to make an assessment of whether there could be a material risk of misstatement for the Council. We expect to be in a position to complete this work in January 2023.

We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited

We would like to take this opportunity to record our appreciation for the very good assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan. We detail in the table below our determination of materiality for the Council

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	10.25m	We determined materiality for the audit of the Council's financial statements as a whole to be £10.25m, which is 1.5% of the Council's gross operating expenses in 2019/20
Performance materiality	7.687m	We used a lower level of materiality, to determine the extent of our testing. We set this at 75% of financial statement materiality.
Trivial matters	512k	We determined the threshold at which we would communicate misstatements to the Audit and Standards Committee at £512,000 (5% of financial statement materiality)
Materiality for senior officer remuneration	100k	We have set a lower level of materiality for senior manager remuneration disclosures because we believe these disclosures are of specific interest to the reader of the accounts.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We</p> <ul style="list-style-type: none"> - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence - tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>There were no significant issues identified from our testing of journals.</p> <p>We note that there is not a formal process for the routine authorisation of journals. The finance team do carry out some spot checks focussing in particular on accruals due to the heightened risk. Budgetary control is also expected to pick up errors or fraud, however, we consider that the lack of authorisation processes exposes the Council to the risk of fraud and error. We have recommended in Appendix A that the Council review its controls on the authorisation of journals.</p>
<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable <p>In addition we completed our understanding of the processes and controls surrounding COVID-19 grant income and determined that this can also be rebutted.</p> <p>Therefore we do not consider this to be a significant risk for the Council.</p>

Significant audit risks

Risks identified in our Audit Plan

Valuation of land and buildings

The Council re-values its land and buildings on a rolling five year programme to ensure that the carrying value is not materially different from fair value. It also carries out a desk top exercise each year to ensure that those assets not revalued in that year are not materially misstated. This represents a significant estimate by management in the financial statements due to its size as land and buildings form a significant part of the Authority's assets.

We identified the valuation of land and buildings valuations as a risk requiring special audit consideration.

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Commentary

Auditor commentary

Our audit work included, but was not restricted to:

- assessing management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluating the competence, capabilities and objectivity of the Council's management experts;
- writing to the valuers to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met
- challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- testing revaluations and ensuring they are input correctly into the Council's asset register and accounted for correctly
- discussing with the valuer the basis on which the valuation was carried out, including challenging the key assumptions used; and
- evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

The Council's accounting policy on land and buildings PPE valuations is shown in note 33 to the financial statements and related disclosures are included in note 17.

Our work in this area was significantly delayed again this year as we awaited key information to conclude our work. This included a valuation report, evidence to support valuations and responses to our queries. **We escalated this to the Chief Executive and the responsible director and this was eventually received. This is an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years. When the information was received we found material errors in the valuations. The building cost indices used for 2020/21 and prior years were incorrect leading to a change in valuation in the accounts of £90.8m as at 31 March 2021. In addition, the original valuation of your council housing stock did not reflect information provided by other valuers. Your valuer reconsidered this leading to an increase in valuation of council houses of £11.8m.**

Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Authority's net pension fund liability represents a significant estimate in the Authority's financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice for Local Authority Accounting (the applicable financial reporting framework) We have therefore concluded that there is not a significant risk of material misstatement in the IAS19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS19 estimates is provided by the administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS19 liability. We have therefore concluded there is a significant risk of material misstatement in the IAS19 estimate due to the assumptions used in the calculation. With regard to these assumptions we have therefore identified the valuation of the Authority's pension fund net liability as a significant risk.

Auditor commentary

Our audit work included, but was not restricted to:

- Update our understanding of the processes and the controls put in place by management to ensure that the net pension fund liability was not materially misstated and evaluating the design of the associated controls;
- evaluating the competence, capabilities and objectivity of the Council's actuary who carried out the pension fund valuation;
- undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary and performing any additional procedures suggested within the report;
- confirming the consistency of the pension fund gross asset and gross liability figures and associated disclosures in the notes to the financial statements with the actuarial report from the actuary;
- obtaining assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements
- performing analytical procedures in respect of the gross pension fund assets and liabilities.
- evaluating the instructions issued by management to their management expert (the actuary Barnett Waddingham) for this estimate and the scope of the actuary's work;
- assessing the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; and
- testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

The Council's accounting policy on the valuation of the net pension fund liability is shown in note 33 to the financial statements and related disclosures are included in note 28.

We note that the auditor of the West Midlands Pension Fund identified an understatement in the valuation of the Fund's assets during the course of their audit. The issue arose as a result of a lag in the valuation process for the Fund's assets. This is a function of the Fund's reporting process and is not considered indicative of a control weakness at the Council. This is not an unusual finding at Pension Fund audits, with the size of the variance being attributable of the ongoing volatility of markets at the time.

The auditor reported an extrapolated understatement in value of £79m in the value of level 3 assets (which included a quantifiable difference of £66.3m) and an actual difference of £11m in the value of level 2 assets. The Council's (7.64%) share of the total £90m difference is £6.876 million. The Council has amended for their share of the quantifiable element of £66.3 and £11m, (£77.3m in total). The adjustment was c£6m. This has reduced the Council's net pension liability and increased the return on assets in the other comprehensive income. The remaining share of £0.97 million remains an unadjusted error

2. Financial Statements - other risks

Risks identified in our Audit Plan

Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note

Risk relates to the Council only

Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2021, the net book value of infrastructure assets was £418m which is a significant multiple of materiality.

In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated

historical cost. With respect to the financial statements, there are two risks which we plan to address:

1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.

For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.

Commentary

We have:

- Reconciled the Fixed Asset Register to the Financial statements
- Using our own point estimate, considered the reasonableness of depreciation charge to Infrastructure assets
- Obtained assurance that the UEL applied to Infrastructure assets is reasonable
- Documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated

We are currently completing the work as set out above. The Council does not derecognise Infrastructure assets on replacement. As such, we cannot conclude that the disclosure is not materially misstated. This is a national issue and, as set out on page 4, the Department for Levelling Up, Housing & Communities (DLUHC) have worked on a Statutory Instrument and laid this in Parliament on 30 November 2022. It come into force on 25 December 2022. It is hoped that this Statutory Instrument, together with updates to the CIPFA Code, will resolve the majority of the ongoing audit challenges related to infrastructure asset balances

Other audit risks

Risks identified in our Audit Plan

Auditor commentary

Senior Officers Remuneration

With a lower materiality applied owing to the sensitivities around these disclosures, there is heightened risk that a material misstatement may occur

We:

- gained an understanding of the process used for recording Senior Officer Remuneration and evaluate the procedures;
- agreed, on a sample basis, entries in the remuneration report to payroll evidence and pension disclosures.

Our work did not identify any significant issues.

Completeness of non-pay operating expenses and payables

Non-pay expenses on goods and services represent a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of costs yet to be invoiced. There is a high instance of these estimated accruals at the year-end.

The Council has processed a number of COVID 19 related grants in 2020/21. We consider that these present an increased risk of fraud or error.

We therefore identified completeness of non-pay operating expenses and payables as a risk requiring audit consideration.


We

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- tested a sample of balances included within trade and other payables;
- tested a sample of expenditure and year end balances related to COVID grants;
- tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period.

Our work has not identified any significant issues.

2. Financial statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals	The Council are responsible for repaying a proportion of successful rateable value appeals. Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	The Council has made a provision for the Business Rate appeals that have been received but not settled at year end and an assessment of potential appeals. The Council's estimate is based on the likelihood of various types of claims having to be settled and the estimated value of the settlement. The Council's provision follows a similar basis to the previous year and overall we are satisfied with the approach taken and that the provision is not materially misstated.	 Green
Land and Buildings – Council Housing -	The Council owns 21,397 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged an external valuer to complete the valuation of these properties. The year end valuation of Council Housing was £937m in the draft accounts, a net increase from the 2019/20 balance of £925m.	We challenged the basis for this valuation and whether it meets the Code requirements. In particular we requested the external valuer to explain the reason for the uplift in values from the previous years compared to information available from other valuers. As a result of this challenge the valuer reviewed the valuation and this increased by £11.8M.	Red

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2020 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.	Our work in this area was significantly delayed again this year as we awaited key information to conclude our work. This included a valuation report, evidence to support valuations and responses to our queries. We escalated this to the Chief Executive and the responsible director and this was subsequently received. This is an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years. When the information was received we found material errors in the valuations. The building cost indices used for 2020/21 and prior years were incorrect leading to a change in valuation in the accounts of £90.8m as at 31 March 2021.	Red

2. Financial statements – key judgements and estimates

Summary of management's policy

Net pension liability – £m

The Council's net pension liability in its draft accounts at 31 March 2021 is £795m (PY £557m) comprises the West Midlands Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

Audit Comments

PwC were engaged by the NAO as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2021.

We use this report to inform our assessment of the valuation of the pension fund liability in the Authority's accounts. We have compared the assumptions used by the Authority's actuary against industry benchmarks. Based on the work performed we are able to conclude that management's assumptions overall are reasonable.

Assessment



Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2%	1.95% - 2.05%	
Pension increase rate	2.85%	2.80%-2.85% p.a	
Salary growth	3.85%	1% above CPI ranges of 2.80%-2.85% p.a	
Life expectancy – Males currently aged 45 / 65	Retiring today:: Males: 21.6 years Retiring in 20 years: after CMI 2020 update: Males: 23.4 years	Male Pensioners: 20.5 – 23.1 Non-pensioners: 21.9 – 24.4	
Life expectancy – Females currently aged 45 / 65	Retiring today: Females: 23.9 years Retiring in 20 years: after CMI 2020 update: Females: 25.8 years	Females: Pensioners: 23.3 – 25.0 Non-pensioners: 24.8 – 26.4	

2. Financial statements – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
Net pension liability	<p>We have also reviewed the:</p> <ul style="list-style-type: none"> • Completeness and accuracy of the underlying information used to determine the estimate • Reasonableness of the Authority's share of LGPS pension assets. • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements <p>We note that the auditor of the West Midlands Pension Fund identified an understatement in the valuation of the Fund's assets during the course of their audit. The issue arose as a result of a lag in the valuation process for the Fund's assets. This is a function of the Fund's reporting process and is not considered indicative of a control weakness at the Council. This is not an unusual finding at Pension Fund audits, with the size of the variance being attributable of the ongoing volatility of markets at the time.</p> <p>The auditor reported an extrapolated understatement in value of £79m in the value of level 3 assets (which included a quantifiable of difference of £66.3m) and an actual difference of £11m in the value of level 2 assets. The Council's (7.64%) share of the total £90m difference is £6.876 million. The Council has amended for their share of the quantifiable element of £66.3 and £11m, (£77.3m in total). The adjustment was c£6m. This has reduced the Council's net pension liability and increased the return on assets in the other comprehensive income. The remaining share of £0.97 million remains an unadjusted error</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment
Valuation of investment in Birmingham Airport	The Council holds shares in Birmingham Airport Holdings Limited (BAHL) and is required to record this investment in the accounts at fair value. As shares in this company are not traded frequently the Council has had to estimate the value of its investment. The Council has drafted an estimation approach in conjunction with other West Midlands Metropolitan Councils that also hold shares in BAHL	We assessed management’s expert as competent to carry out the valuation. Due to the additional risks, we employed our own valuation expert to review their work. We did not identify any significant issues in this work.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process and key assumptions to be reasonable

Estimates and judgements—review of issues raised in prior year

Issue and risk previously communicated

Estimates and judgements -PFI (Paragon Schools) disclosure

The Council is required to disclose the future unitary payments (split into service charges, repayment of Liability, and finance costs) for the life of the schemes. For the Paragon Schools disclosure we identified differences between the model used by the Council and our own model.

The differences were across the split of the unitary payment (service charge, liability and finance costs). Overall there was a trivial impact on the total future unitary payments disclosed. There is £907,000 difference on long term borrowing in the balance sheet.

Update on actions taken to address the issue

Pages 106 to 108 of the 2020/21 draft financial statements contains the required disclosure. As in previous years differences were noted, across the split of the unitary payment, between the model used by the Council and our own model. These differences are set out in the table below and overall there is a trivial impact on the total future unitary payments disclosed. Officers consider that their model is appropriate and have not adjusted for this.

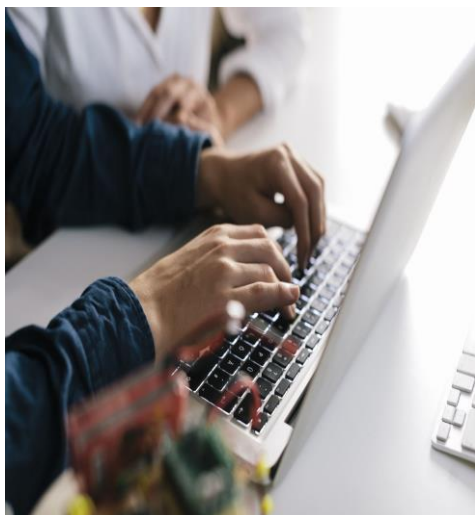
	Service Charge £000	Finance costs £000	Contingent Rent £000
Within 1 year	389	(300)	(138)
2-5 years	2,031	(1,027)	(680)
6-10 years	3,137	(647)	(1,045)
11-15 years	384	0	0
Total	5,941	(1,973)	(1,863)

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed but we do recommend that the Council review the related parties included in the accounts as they do not fully meet the definition in the Code of Practice of Local Authority Accounting.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation was obtained from the Council which was included in the September Audit and Standards Committee papers. We have requested an update to this letter.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to third party banks and other financial institutions and a number of other local authorities. This permission was granted and the requests were sent. Of these requests all were returned with positive confirmations.</p> <p>There are a number of third party balances where it is more efficient to undertake alternative procedures, including long term debt with the PWLB where we received central notification of the balances and temporary borrowing where the cash had been repaid before the audit commenced.</p>
Accounting practices	<p>Our review found no material omissions in the financial statements but there were some areas where there was not full compliance. These included compliance with IFRS15 disclosure requirements (Code section 2.7.4) and the disclosure required by Code 3.4.2.31 setting out the nature of the reclassification in CIES due to structural change and in particular the amount of each item reclassified.</p> <p>Note 36: Assumptions Made About the Future, and Other Major Sources of Estimation Uncertainty does not fully comply with the Code in reporting on uncertainty including the requirement to include a sensitivity analysis for all assumptions noted.</p>
Audit evidence and explanations/ significant difficulties	<p>Most information and explanations requested from management was provided promptly in carrying out the audit. The only significant difficulty we experienced was in obtaining information from the Council's valuer. This is the second year that this has occurred. We have escalated this to the Chief Executive and the responsible director. This is an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years.</p>

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p data-bbox="871 464 2056 608">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2016 673">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 986" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 1000 2056 1144">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1158 1973 1297" style="list-style-type: none"> • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1311 2051 1339">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1353 2051 1447" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. <p>We have nothing to report on these matters</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We have not yet completed this work.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of the Council in the audit report, as detailed in Appendix E, due to incomplete WGA work.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We issued our Auditor's Annual Report in March 2022. This was in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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. We identified the risk set out in the table below. Our work on this risk is now complete.

Risk of significant weakness

Work performed to date

The February 2021 update for Cabinet of the Medium Term Financial Strategy (MTFS) shows that the Council is planning to fund deficits in each of the next three years from reserves and at the end of the 2023/24 financial year, the General Fund reserve will reduce to £5.3m million.

We have reviewed the Medium Term Financial plan and in particular the assumptions built into this to ensure they are reasonable. We reported this work in our Annual Auditors Report in March 2022. We did not consider this was a significant weakness.

The Council needs to demonstrate that it has a medium term financial plan that will deliver a balanced and sustainable financial position in an environment of reduced funding.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	19,900	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non audit related			
Digital Forensics Work	20k	Self-Interest and Self review	Our Digital Forensics Group provided Freeths LLP with a data hosting platform so that they can undertake an investigative review on behalf of Dudley Metropolitan Council. The service is to be provided to Freeths LLP who will recharge the fee to Dudley Metropolitan Borough Council. We will not be reviewing the data and no judgement/opinions will be made on the data. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level..

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors All services have been approved by the Audit and Standards Committee None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	We identified some disposals included in the 2020/21 accounts which had been sold or transferred in the previous financial. Whilst not material these included schools transferred from local authority control and housing land left on the asset register after the property had been sold.	Improve the process for identifying asset disposals for accounts purposes. This will include improved communication processes between the relevant departments and central finance team.
● High	There was a significant delay in obtaining several key documents from the Council's in house valuation team. This included the valuation report for assets as at 31/3/21 and responses to questions raised at interim audit. This delayed progress on the audit. When this information was received it contained significant errors in relation to the assumptions on build cost.	Urgent action is needed to resolve this issue and to ensure that key documents supporting land and buildings valuations are available in future from start of final accounts audit and are accurate. We consider that the Council should undertake a governance review of the valuation team and determine how it can resolve the current delays
● High	There is not a formal process for the routine authorisation of journals. The finance team do carry out some spot checks focussing in particular on accruals due to the heightened risk. Budgetary control is also expected to pick up errors or fraud, however, we consider that the lack of authorisation processes exposes the Council to the risk of fraud and error.	Introduce a process for authorisation of journals
● Medium	We noted some zero value assets in the fixed asset register. We also noted that the vehicles depreciation accounting policy was incorrect and should be updated to reflect asset lives of between 3 and 25 years.	Review zero value asset lives in the asset register. In addition the vehicles lives accounting policy should be revised to more accurately reflect useful lives.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2019/20 financial statements, which resulted in the following recommendations being reported in our 2019/20 Audit Findings report.

Issue and risk previously communicated	Update on actions taken to address the issue
Accounts – valuation of Property Plant and Equipment Ensure that the Council's valuers provides workings to support valuations carried out in the year and an assessment of the potential impact of those assets not valued at the start of the audit. The valuer should also be on hand to respond promptly and appropriately to queries from the Finance team and auditors	This has not been actioned. See appendix A.
Accounts – valuation of Property Plant and Equipment The Council should have a formal engagement letter with its housing stock valuer Savills	Resolved in 2020/21.
Accounts – valuation of Property Plant and Equipment The Council should ensure that all information used to calculate the value of its land and buildings (such as floor areas) is accurate. To achieve this, the Council should introduce independent checks on the quality of this data	We have been told that Corporate Landlord Services have reviewed every file and updated each CAD drawing to ensure that accurate information is held and stored on the Technology Forge database. The drawings have all been through internal validation and verification checks. We found errors in this work, most importantly the build cost indicator used.

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations (continued)

Issue and risk previously communicated

Update on actions taken to address the issue

Value for money – Financial Sustainability

The continued use of balances to close the financial gap is not a realistic option. The Council is at risk of not being able to meet its statutory duty to set a balanced budget for 2021/22.

The Council needs to give urgent consideration as to what action it needs to take to ensure it is in sustainable financial position for 2020/21 and beyond.

The Local Government Finance Settlement for 2021/22 was better than anticipated at the time of the Audit Findings Report. However, uncertainty remains in respect of later years. In making his report to Council under Section 25 of the Local Government Act 2003, the Director of Finance and Legal noted: “Although adequate to set a lawful budget for 2021/22, reserves are low (based on most recent available data) by comparison with other councils. There are significant risks in future years and members should note that, if these risks materialise, there will be a need to identify further savings and/or additional income in order to avoid imprudent reductions to the level of reserves.”. Our conclusions were reported in our Auditors Annual Report.

Value for money –

The Dedicated Schools Grant (DSG) non schools central balance at 31 March 2020 was in deficit by £5.5m and is not forecast to return to a surplus position in the short-term.

There is currently no agreed robust financial recovery plan in place and this needs to be agreed and implemented as a matter of priority.

Nationally SEND is an area of concern and short term legislation has been passed to ensure the deficit is not accounted for as part of the General Fund. The DfE has allocated additional funding into SEND however at this time it is uncertain as to whether this will be sufficient to bring the budget back into surplus in the short/ medium term. Our conclusions were reported in our Auditors Annual Report.

Value for money – Children’s Services

There are interim arrangements in place for Safeguarding, Children in Care, SEND, Education Outcomes, Family Solutions and at Director and Assistant Director level in Children’s Services. In our view, ensuring that there is effective substantive service leadership is essential to delivering the agreed action plan.

The Council needs to ensure that priority to putting substantive leadership of Children’s services in place.

The Director of Children’s Services and the two Service Director roles have been appointed to and as of August half of the Head of Service posts have been appointed to on a permanent basis. Our conclusions were reported in our Auditors Annual Report.

Assessment

- ✓ Action completed
- ✗ Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The building cost indices used for 2020/21 (and prior years) were incorrect leading to an increase in valuation in the accounts of £90.8m as at 31 March 2021. There was also an increase in unusable reserves in the balance sheet of £102.732m		90,800	
The impact on CIES in 2020/21 was a £6.8m decrease in total comprehensive income and expenditure.	6,800		6,800
In addition as it had a material impact, the Council restated prior year statements. This increased expenditure in 2019/20 by £16.7m. It also impacted the comparatives for the cash flow statement by impacting on the Non-Cash Movements & Adjustments to the net Surplus or Deficit (£7.9m increase). Most importantly it increased the valuation of Property Plant and Equipment net book value as at 31/3/20 by £95.9 and £112.6m at 1 April 2019. This had a consequential impact on unusable reserves (revaluation reserve and capital adjustment account) in the Balance Sheet and comparatives in the Movement in Reserves Statement. The comparative figure for 2019/20 cash flow changed to reflect an increase in expenditure. The 2020/21 comparators in many notes to the accounts were also corrected and a prior period adjustment note added.			
The original valuation of your council housing stock did not reflect information provided by other valuers. Your valuer reconsidered this leading to an increase in valuation of Council houses of £11.8m.		11,800	
Debtors to the value of £881k were incorrectly classified. This was cash received but not yet matched to debtors. The impact of the correction was to both reduce the debtors balance and increase cash. Therefore there was no net effect on current assets or CIES.	0	0	0

C. Audit Adjustments



Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<p>We note that the auditor of the West Midlands Pension Fund identified an understatement in the valuation of the Fund's assets during the course of their audit. The issue arose as a result of a lag in the valuation process for the Fund's assets. This is a function of the Fund's reporting process and is not considered indicative of a control weakness at the Council. This is not an unusual finding at Pension Fund audits, with the size of the variance being attributable of the ongoing volatility of markets at the time.</p> <p>The auditor reported an extrapolated understatement in value of £79m in the value of level 3 assets (which included a quantifiable of difference of £66.3m) and an actual difference of £11m in the value of level 2 assets. The Council's (7.64%) share of the total £90m difference is £6.876 million. The Council has amended for their share of the quantifiable element of £66.3 and £11m, (£77.3m in total). This has reduced the Council's net pension liability and increased the return on assets in the other comprehensive income. The remaining share of £0.97 million remains an unadjusted error</p>	5,905	5,905	5,905

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. In addition to these some amendments were made for formatting and typographical errors.

Disclosure omission	Details	Adjusted
Note 28	The Council amended its pension disclosure note to refer to the highly significant early repayment of contributions.	✓
Capital commitments-note 27	Some changes were made to correct the values used in the capital commitments note	✓
Various	A number of presentational, grammatical and numerical adjustments and additions were completed to the financial statements to improve the readability and understandability of disclosures and to ensure that they are in line with the current International Financial Reporting Standards.	✓
Note 17	We noted errors on land and building disposals which effected the prior year comparators for land and buildings (PPE), Disposals of land and buildings were made in 2019/20 but not processed in the 2019/20 accounts. The total error was £6m. This did not effect the closing balance for PPE as at 31 March 2021.	✓

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Council has for several years been involved in a legal dispute with a former contractor. It is probable now that the Council will have to pay the former contractor between £580k and £615k in settlement. The Council has not currently provided for this in the 2020/21 accounts.	600	600	600	Not material
In addition to the PPE adjustments set out on page 31, our testing of PPE values also identified smaller errors on land and buildings values relating to the use of incorrect assumptions not related to build costs such as incorrect floor areas and obsolescence rates. The extrapolated error was a £5m understatement of PPE valuation.		5,029		Not material
During our testing of council house valuations, we found an error whereby a 3 bedroom flat which had been split into two 1 bedroom flats had not been moved to the correct valuation category (beacon). This lead to an extrapolated error of £6.7m. The Council also made us aware of an error of £452k due to houses being in the wrong valuation category increasing the total error to an £7.1m overstatement. This total error was reduced to a £1.1m overstatement following consideration of the assumed movement from the actual valuation date of 31/12/20 to 31/3/21 (which was an understatement of £6m)		1,100		Not material and mainly an extrapolated error

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>We note that the auditor of the West Midlands Pension Fund identified an understatement in the valuation of the Fund's assets during the course of their audit. The issue arose as a result of a lag in the valuation process for the Fund's assets. This is a function of the Fund's reporting process and is not considered indicative of a control weakness at the Council. This is not an unusual finding at Pension Fund audits, with the size of the variance being attributable of the ongoing volatility of markets at the time.</p> <p>The auditor reported an extrapolated understatement in value of £79m in the value of level 3 assets (which included a quantifiable of difference of £66.3m) and an actual difference of £11m in the value of level 2 assets. The Council's (7.64%) share of the total £90m difference is £6.876 million. The Council has amended for their share of the quantifiable difference of £66.3 and £11m, (£77.3m in total). This has reduced the Council's net pension liability and increased the return on assets in the other comprehensive income. The remaining share of £0.97 million remains an unadjusted error</p>	971	971	971	Not material

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee(£)	Final fee(£)
Council Audit	177,246	192,246
Total audit fees (excluding VAT)	177,246	192,246

See detail on next page

Non-audit fees for other services	Proposed fee (£)	Final fee (£)
Audit Related Services –housing benefits assurance	19,900	19,900
Audit Related Services –teachers pensions	6,000	6,000
Audit related-capital receipts return	5,000	5000
Digital Forensics Work	20,000	TBC

Appendix D

Fees

We confirm below our final fees charged for the audit and **provision of non-audit services**.

Audit fees	Proposed fee £
Council Audit	103,746
Increased challenge and depth of work	2,000
Materiality reduction	3,000
PPE - standard	4,350
PPE Valuation – auditor's expert including review	5,000
Pensions	3,500
PPE – local risks	22,650
VfM – Code change	26,000
ISA 540	10,000
ISA 240, 700	7,000
Infrastructure	5,000
Total audit fees (excluding VAT)	192,246

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Dudley Metropolitan Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Dudley Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are

relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Legal Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance and Legal Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance and Legal Services's use of the going concern basis of accounting in the preparation of the financial statements is appropriate

E. Audit opinion (continued)

The responsibilities of the Director of Finance and Legal Services with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Legal Services and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance and Legal Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Legal Services and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 124, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Legal Services. The Director of Finance and Legal Services is responsible for the preparation of the Statement of Accounts, which includes 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Legal Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

E. Audit opinion (continued)

In preparing the financial statements, the Director of Finance and Legal Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government and Housing Act 1989, the Local government Act 1972 and the Local Government Act 2003

- We enquired of senior officers and the Audit and Standards concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
 - journals that altered the Council's financial performance for the year
 - potential management bias in determining accounting estimates, especially in relation to
 - the calculation of the valuation of the Council's land and buildings and defined benefit pensions liability valuations; and
 - accruals of income and expenditure at the end of the financial year.

E. Audit opinion (continued)

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Finance and Legal Services has in place to prevent and detect fraud;
 - journal entry testing, with a particular focus on significant journals at the year-end which had an impact on the Council's financial performance;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of **land and buildings and defined benefit pensions liability valuations**;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to **land and buildings and defined benefit pensions liability valuations**.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:

- **the provisions of the applicable legislation**
- **guidance issued by CIPFA, LASAAC and SOLACE**
- **the applicable statutory provisions.**

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

E. Audit opinion (continued)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Dudley Metropolitan Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report and we had completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date

Appendix 2

Our Ref :

Service: Finance & Legal

Please ask for: Iain Newman

Direct Line: 01384 814802

email: iain.newman@dudley.gov.uk

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham B46AT

23rd January 2023

Dear Sirs

Dudley Metropolitan Borough Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Dudley Metropolitan Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the net

pensions liability and the valuation of land and buildings and council housing. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 23rd January 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Audit & Standards Committee – 23rd January 2023

Report of the Deputy Chief Executive

Annual Governance Statement

Purpose of the Report

1. To consider amendments to the Annual Governance Statement (AGS) to reflect previous discussions at this Committee.

Recommendations

2. That the Committee:
 - Approve the additional wording included at paragraph 6.4 of the Annual Governance Statement.
 - Approve the Annual Governance Statement (as amended) and refer it to the Leader of the Council and Chief Executive for signature.

Background

3. When the AGS was presented at the December meeting of this Committee, Members agreed that there needed to be a further meeting to determine whether amendments were required to reflect discussions and resolutions from previous meetings. The Committee is asked to consider the recommendations in paragraph 2 above.

Finance

4. This report has no direct financial implications.

Law

5. The Accounts and Audit Regulations 2015 require that the council conduct a review at least once a year of the effectiveness of its system of internal control and produce an Annual Governance Statement (AGS).

Risk Management

6. The proposals contained in this report do not create any “material” risks.

Equality Impact

7. This report does not raise any equality issues.
8. Whilst children and young people are not directly consulted on, or involved with the development of the AGS, it will help ensure their interests are protected.

Human Resources/Organisational Development

9. There are no human resources/organisational development implications arising from this report.

Commercial/Procurement

10. There are no commercial/procurement considerations relating to this report.

Environment/Climate Change

11. There are no environmental or climate change considerations associated with this report, although there is a section on environmental within the Annual Governance Statement.

Council Priorities and Projects

12. An effective framework of governance, risk management and internal control will greatly assist the Council in achieving its priorities.



Balvinder Heran
Deputy Chief Executive

Contact Officer: Graham Harrison

Email: Graham.Harrison@dudley.gov.uk

Telephone: 01384 815105

List of Background Papers

Appendix 1: Annual Governance Statement 2021/22

Annual Governance Statement

2021/22

Annual Governance Statement

1. Scope of Responsibility

- 1.1 Dudley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance (including the system of internal control) of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The purpose of the Annual Governance Statement (AGS) is to explain how the council has endeavoured to deliver good governance through the arrangements in place during the period covered and how the council has reviewed the effectiveness of these arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 to undertake a review of the effectiveness of internal control and publish an AGS. The AGS covers the financial year 2021/22 and the subsequent period up to the sign off of the 2021/22 Statement of Accounts and therefore governance issues up to the date of approval of the audited accounts need to be considered.
- 1.4 The AGS should be read in conjunction with the council's Code of Corporate Governance. The Code of Corporate Governance provides details of the framework the council has put in place to meet the principles of effective governance as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their guidance "Delivering Good Governance in Local Government".

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved. It places the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance structures and processes and stresses the importance of taking account of the impact of current decisions and actions on future generations.
- 2.2 Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve objectives and priorities and can therefore only provide reasonable and not absolute assurance of effectiveness.

The systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's objectives and priorities, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

- 3.1 Dudley MBC's governance framework comprises the strategies, plans, policies, procedures, systems and processes and values and behaviours that assist the council in delivering its strategic objectives/priorities and provide services in an appropriate and cost effective way.
- 3.2 The full Council is ultimately responsible for the development and maintenance of the governance environment. Responsibility is delegated down via the Constitution to Cabinet, other Member Committees and Officers (See **Appendix A** for a description of the council's structure).

The key statutory positions in relation to governance are:

- Head of Paid Service (Chief Executive) who must ensure that the council is properly organised and staffed,
 - Monitoring Officer (Lead for Law and Governance) who must ensure the lawfulness and fairness of decision making,
 - Section 151 Officer/Chief Finance Officer (Director of Finance and Legal) who must ensure the lawfulness and financial prudence of decision making and the proper administration of the council's financial affairs,
 - Head of Internal Audit (Head of Audit Services) who is responsible for delivering an annual opinion on the effectiveness of the framework of governance, risk management and internal control,
 - Statutory Scrutiny Officer (Democratic Services Manager), who promotes and provides support to the council's overview and scrutiny functions and gives advice to Members and Officers on these functions.
- 3.3 The Council's governance framework is detailed in a Code of Corporate Governance that is updated on an annual basis. The Code of Corporate Governance is based on the 7 principles detailed in the CIPFA/SOLACE guidance "Delivering good governance in Local Government":
- Behaving with integrity, demonstrating strong commitment to ethical values,
 - Ensuring openness and comprehensive stakeholder engagement,
 - Defining outcomes in terms of sustainable economic, social and environmental benefits,
 - Determining the interventions necessary to optimise the achievement of the intended outcomes,
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it,
 - Managing the risks and performance through robust internal controls and strong public financial management,

- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Code of Corporate Governance September 2021

4. Review of Effectiveness

4.1 General Overview

- 4.1.1 Many senior managers in the council have contributed in determining the effectiveness of the council's systems and processes and the Annual Governance Statement has been discussed and challenged by Strategic Executive Board. Assurance on the effectiveness of systems and processes comes from many sources such as Internal Audit, Strategic Executive Board, Members through full Council, Cabinet, Committees particularly Audit and Standards Committee and Scrutiny Committees, the work of council support services, risk and performance management systems, quality systems, corporate groups and individual Managers. The following sections detail some important elements of the council's governance framework, how effectiveness is determined for these areas and what key outcomes have been delivered.

4.2 Internal Audit and Fraud

- 4.2.1 Audit Services is the only internal source of independent assurance on the adequacy and effectiveness of governance, risk management and control processes within the council.
- 4.2.2 The Head of Audit Services reports to the Director Finance and Legal (Section 151 Officer) who is a permanent member of Strategic Executive Board. He oversees the performance of the service on a day to day basis.
- 4.2.3 The work of internal audit is monitored by Audit and Standards Committee, who approve the annual audit plan and receive regular monitoring reports. Audit Services completed 93% of the 2021/22 audit plan.
- 4.2.4 Audit Services are required to comply with the Public Sector Internal Audit Standards (PSIAS) and one of its requirements is for an external quality assessment against the standards to be undertaken every five years. Audit Services had an external assessment in March 2020 and were found to meet the standards and also compared favourably with other public and private sector providers.
- 4.2.5 The Head of Audit Services is required by Public Sector Internal Audit Standards to deliver an annual report which contains an internal audit opinion. The internal audit opinion must conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 4.2.6 This opinion is based upon the work carried out by Audit Services during 2021/22 and any significant external assurance received by the council. It must be acknowledged, however, that it is not possible to review all aspects of governance, risk management and control within a single year.

In giving the opinion it should be noted that assurance can never be absolute and the most that internal audit can provide is reasonable assurance that there are no major weaknesses in the council's governance, risk management and control processes. In assessing the level of assurance, the following have been taken into account:

- All internal audit reviews undertaken including consultancy for the year ending 31st March 2022,
- Follow up reviews undertaken on High priority actions and audits that have been given a Minimal assurance rating,
- Continuing work being undertaken by Management to respond to actions arising from internal audit work,
- Whether any Critical or High priority actions have not been accepted by Management,
- Any other assurance opinion given by other providers that Audit Services have relied upon.

4.2.7 The Head of Audit Services opinion is as follows:

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion as to the adequacy and effectiveness of Dudley MBC's overall internal control environment and there has been no limitations to the scope of our activity or resource constraints imposed on Audit Services which have impacted on our ability to meet the full internal audit needs of the council. Taking into account what is detailed in paragraph 4.2.6, for the 12 months ended 31st March 2022, I am able to provide 'Reasonable' assurance on Dudley MBC's framework of governance, risk management and internal control, which is required in order to achieve the council's priorities. The main concerns which I am required to bring to your attention are:

- Ofsted and the Care Quality Commission revisited the area of Dudley in January/February 2022 to decide whether sufficient progress had been made in addressing each of the areas of significant weakness detailed in their inspection report letter published on the 16 July 2019. Although sufficient progress has been made in addressing eight significant weaknesses, there are still six areas where sufficient progress has not been made. Further information is provided in Section 6."

4.2.8 The council has a dedicated Corporate Fraud Manager, who is a qualified fraud investigator with many years' experience in this area. He is responsible for delivering against the Fraud Action Plan (which is made up of four elements: Prevent, Detect, Investigate and Resolve) and maintaining the fraud risk register. The council also maintains a Housing Fraud Team.

4.2.9 Regular reports on fraud activity are presented to Audit and Standards Committee.

4.2.10 The Annual Fraud Report details that during the period 1st January 2021 to 31st December 2021 the Corporate Fraud Manager completed 25 investigations of which 11 fraud/other inappropriate behaviour was established. There were also 21 cases in progress as at the 31st December 2021.

4.2.11 During the period 1st January 2021 to 31st December 2021 the Housing Fraud Team completed investigations into 567 referrals of which 58 were found to involve fraud. The notional saving to the council was approximately £443,760.

4.3 **Risk Management**

4.3.1 A new Risk Management Framework was approved by Audit and Standards Committee in April 2021. The new Framework brought in some significant changes including the identification of Gross and Target risks and a defined risk appetite level. However, it is acknowledged that due to the significance of the changes and the resources available to support the process, the Risk Management Framework will take time to embed.

4.3.2 Following approval of the Framework, briefings were given to Directorate Management Teams and risk identification workshops have been held.

4.3.3 The risk report that was presented to Strategic Executive Board in March 2022, had risks defined and rated in accordance with the Framework. This showed the following risk areas were rated as 'Extreme' at the net/residual level, which is above the council's risk appetite:

- Equality, Diversity and Inclusion,
- Digital Platform Programme,
- Children's Social Care,
- Recruitment and Retention.

For each of these risks further controls have been identified and once effectively implemented the risk rating will fall below risk appetite. Further information on each of these areas is included in Section 6.

4.3.4 Three risk management reports were presented to Strategic Executive Board and Audit and Standards Committee during 2021/22. For each of these meetings, Audit and Standards Committee selected a risk for discussion. This involved the officer responsible for the risk delivering a presentation on how the risk is being managed, which was then open to challenge by Members. During 2021/22 risks relating to Welfare Reform, Vulnerable Children and Health and Safety were subject to Member challenge

4.4 **Financial Management**

4.4.1 The Director of Finance and Legal is the officer designated under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the council's financial affairs. A review against CIPFA's statement on the Role of the Chief Financial Officer has been undertaken, which found all key requirements are being met.

4.4.2 The Council's Scrutiny Committees have a role in scrutinising the council's Medium Term Financial Strategy. The Capital Monitoring Programme is reported to all Cabinet meetings and the revenue position was reported to Cabinet four times during the year.

- 4.4.3 Directors, Deputy Chief Executive and Chief Executive have delegated authority to manage their budgets. They are each supported in this by a dedicated Finance Manager and a team of qualified staff who work closely to understand the business, but are professionally accountable to the Section 151 Officer. The council showed a favourable variance of £7.2m against the original budget for 2021/22 mainly due to the costs of managing the Covid pandemic being lower than the contingency set for that purpose.

4.5 Performance Management

- 4.5.1 The Council Plan (on a page) for 2022-25 was approved by Cabinet in February 2022 and sets out the strategic direction for the council for the next three years. The plan has 4 new priority areas:
- The borough of opportunity
 - A safe and healthy borough
 - The borough of enterprise and ambition
 - The destination of choice
- 4.5.2 The priorities have a clearer focus on our regeneration plans, our work to become a destination of choice for tourism, housing and educational needs and a place where communities can lead stronger, safer and healthier lives. The outcomes under each priority give our commitment that the council will constantly strive to improve the way we deliver services to meet the needs of local people.
- 4.5.3 The Council Plan on a page will be supported by a Strategic Council Plan document that provides more information on Dudley as a Local Authority and sets out our ambitions and priorities, the golden thread between the Borough Vision and our Council Plan and provides an overview of the governance processes in place.

Borough Vision 2030

- 4.5.4 At the heart of the Council Plan on a page is our Borough Vision – Forging a Future for All, which is built around seven aspirations and was developed with key partners and stakeholders. The aspirations for the Dudley Borough Vision by 2030 are:
- An affordable and attractive place to live with a green network of high-quality parks, waterways and nature reserves that are valued by local people and visitors
 - A place where everybody has the education and skills they need, and where outstanding local schools, colleges, and universities secure excellent results for their learners
 - Renowned as home to a host of innovative and prosperous businesses, operating in high quality locations with space to grow, sustainable energy supplies and investing in their workforce
 - A place of healthy, resilient, safe communities where people have high aspirations and the ability to shape their own future
 - Full of vibrant towns and local centres offering a new mix of leisure, faith, cultural, residential, and shopping uses

- Better connected with high quality and affordable transport, combining road, Metro, rail, and new cycling and walking infrastructure
- A place to visit and enjoy that drives opportunity, contributing to its ambitious future while celebrating its Pioneering past

4.5.5 A Forging a Future Executive is established, made up of key agencies and stakeholders to deliver the aspirations in the Dudley Borough Vision 2030. The Forging a Future Executive responded to the pandemic by transitioning to become Dudley's Covid-19 Strategic Partnership from April 2020.

4.5.6 Since 2021 the Executive has been working to review the aspirations in the Vision, running a series of workshop with strategic partners and stakeholder, and are now working on a performance framework to build greater synergies between partners priorities within their organisational plans and the collectively agreed aspirations of the Vision.

4.5.7 The Governance Structure for the Vision directly links into the workstreams of the council. Through the establishment of four Boards, whose role is to work jointly with partners to remove barriers, challenge and risk manage, the Executive provides effective leadership. Each Board is accountable for an associated area of expertise:

- Dudley Health & Wellbeing Board
- Dudley Safe & Sound Partnership
- Dudley Employment and Skills Board
- Dudley Economic Growth Board

Directorate Planning

4.5.8 Each directorate has a Directorate Plan that aligns to the priority outcomes that the Council is striving to achieve and includes an assessment of how the service will contribute towards delivering these priorities along with a range of key performance indicators to enable the Council to keep track of progress.

Future Council Programme

4.5.9 The Future Council programme is our internal change programme that will help the organisation to continually improve and develop. There are 4 themes in this programme with each being a key enabler to supporting service areas and officers and include:

- People, delivered through the People Strategy
- Place, delivered through the Corporate Estates Strategy
- Digital, delivered through the Digital Road Map
- Process, delivered through a number of policies, processes and procedures

4.5.10 The programme reflects the need to build a council that is financially sustainable and fit for the future. This will be achieved through developing our people, improving our service delivery through digital innovation and investing in our facilities to ensure they are fit for the future.

Performance Monitoring

- 4.5.11 Performance management and monitoring is key in ensuring the priorities in the Council and Directorate plans are delivered. Quarterly Corporate Performance Reports are developed and reported and reviewed by Strategic Executive Board, Informal Cabinet, the Deputy and Shadow Deputy Leader and Future Council Scrutiny Committee.
- 4.5.12 Progress against Directorate performance score cards are monitored at monthly directorate management team meetings and circulated to directorate scrutiny committees for information and consideration.
- 4.5.13 A Performance Management Framework has been developed that ensures a consistent approach to the way service performance and quality is managed, monitored, reviewed and reported at all levels in the Council.

4.6 Asset Management

- 4.6.1 The council's Estate Strategy 2017 – 2022 sets out key objectives for its land and property estate. Proposed actions that materialise in the implementation of the Strategy are reflected in an action plan which is monitored by Corporate Landlord Services at regular estates meetings. For those proposed actions to progress into capital projects, their business cases must obtain approval at the council's Commercial Opportunities Group, Strategic Executive Board and Cabinet.
- 4.6.2 The Corporate Asset Management Team (Corporate Landlord Services) have worked hard to keep buildings open and Covid-19 secure during this year.
- 4.6.3 The Covid-19 pandemic has changed the view on how council property is to be used in future, given the large number of staff who have successfully worked from home during the last 12 months or more. The Estate Strategy is being reviewed and will take account of the learning and changes brought about by the pandemic by ensuring a leaner estate is equipped to facilitate new workstyles. Various work is in progress to accommodate the Future Council.

4.7 People Management

- 4.7.1 A Corporate Workforce Analytics Report is presented to the Strategic Executive Board on a quarterly basis. This report provides a breakdown of the workforce including headcount, full time equivalents, proportion of full and part time workers and number of employees as identified by protected characteristics. The report also provides sickness absence rates, the rate of completion for Annual Review meetings with employees and other key workforce indicators that give individual directorates opportunity to identify trends and areas of improvement.

These reports are also provided to Directors on a monthly basis for consideration and discussion at directorate management team meetings. Human Resources Business Partners also discuss any key workforce issues at DMT's in Directorates offering advice to improve people processes and practices throughout the various service areas.

- 4.7.2 Sickness levels are high for 2021-22 with the overall FTE days lost having increased by 57% when compared to last year. Short term sickness has seen the biggest increase with days lost having more than doubled (from 6750 days lost to 16289) – this trend is Council wide.
- Days lost per FTE is 13.94 – above the corporate target of 10.5 and is an increase compared to 9.60 in 2020-21.
 - As previously reported, sickness was particularly low last year due to the initial covid lockdown, the closure of many services and changes to working arrangements. This compares with trends nationally.
 - Sickness rates have however increased when compared to pre covid 2019-20 (12.19 Days lost per FTE) albeit part of this can be attributed to Covid sickness absence. If sickness related to Covid was excluded from the current figures, sickness rates would be at a lower level than 2019-20 and 2018-19.
- 4.7.3 The current Turnover rate has seen an increase from 6.70% last year in 2021 to 9.30% this year (2021/2022) – 349 new starters and 456 leavers. Childrens Services have seen the highest turnover with 104 leavers in 2021-22 (11.4%). completed last year
- 4.7.4 A key aspect of the attendance management procedures is the completion of return to work interviews. The latest data available indicates that 94% of return to work interviews are being completed, which is an improvement on the 91% last year
- 4.7.5 The Council need to take note that although Return to work interviews and MARS are being completed, the data is showing that there is still a high turnover rate across the Council of employees leaving. This therefore indicates that further work needs to be done on engaging and retaining employees.
- 4.7.6 The council has performed well in creating new apprenticeship positions, with a total of 545 apprenticeships created since 2018 During the past year 6 new apprenticeship opportunities have been ringfenced for care leavers who undertake a level 2 customer service qualification with support from Dudley college. The work undertaken by the council in this area was once again recognised with Dudley Council named as one of the top 10 employers in the West Midlands for Apprenticeships

4.7.7 The People Strategy has been completed and is due to go to Cabinet for approval in June 2022, the strategy has five key priorities and key areas for delivery have been identified for each of these. The five priorities being:

- Attract, Recognise and Retain Talent,
- Develop A High Performing Workforce,
- Deliver inspirational and effective leadership,
- Build a diverse, engaged, inclusive and healthy workforce,
- Foster a thriving learning culture which embraces change.

4.7.8 Workforce planning activity during the past year has included a focus on the lessons learned from the covid pandemic around flexible working. This has been used to review and update the Council's people policies and to introduce 4 new workstyles across the organisation. With each employee assigned a workstyle according to the requirements of their role and the service they work in, with effect from 1st April 2022. The introduction of these workstyles has also been supported with new and updated people policies.

4.7.9 Under the direction of the People Strategy, the People Policies need review and development. The changes to these policies particularly in relation to Grievance, Disciplinary, Redundancy and the Absence Management all need to focus on language and tone, allowing managers to take more responsibility, early intervention and prevention of issues, de-escalation of complaints and underpinning the fundamental employment principals as set out in the Acas Code of Conduct. The Agile working policy was also launched in the Organisation on the 1st April 2022. This policy has allowed greater flexibility across the workforce which focuses on output of work from employees, objective setting and increasing performance in roles. The policy steers managers to allow work to take place around individuals personal needs, whilst meeting their contractual obligations and fulfilling the service needs. The change to this policy enables Dudley to become a more modern dynamic employer, who will hopefully attract more candidates

4.8 **Information Governance**

4.8.1 The Information Governance Board supported by the Corporate Information Governance Team oversees the operation of information governance processes and compliance with the UK General Data Protection Regulations and Data Protection Act 2018.

4.8.2 During the year the Corporate Information Governance Team have assisted in the drafting, the development and review of 25 Data/Information Sharing Agreements with partners, undertaken and assisted with 9 Data Protection Impact Assessments and 12 Cloud System Risk Assessments, published 8 new, and reviewed 12, Privacy Notices, received 1137 Freedom of Information requests, 697 Subject Access Requests and 117 Environmental Information Regulation requests. There were 139 suspected data breaches assessed for severity with 3 being reported to the Information Commissioner with "no further action outcomes".

4.8.3 The council has met to a "satisfactory" standard the requirements of the NHS Digital Data Security and Protection Toolkit which is needed to be completed by public bodies that operate an Adult Social Care or Health function on an annual basis.

During 2021/2022 the council worked with the Cabinet Office in line with accepted PSN compliance (assurance) requirements and standards. The council is fully compliant with the Payment Card Industry Data Security Standards (PCI-DSS) with existing certifications valid until 24th August 2022.

- 4.8.4 Work continues to be undertaken to ensure that the council is in compliance with UK General Data Protection Regulations whilst processing personal and special category data. This includes mandatory training and annual refresher training for all staff, and targeted data protection assurance audits on specific council service areas utilising the Information Commissioner's (ICO) accountability framework. Routine benchmarking with members of the West Midlands Information Governance Forum, including neighbouring Local Authorities, is undertaken ensuring consistency and quality of approach.
- 4.8.5 A new CCTV control room has been established overseeing cameras in a number of areas in the Borough – The control room and CCTV operation complies with both Information Governance and Biometric & Surveillance Commissioner standards. The operation of the CCTV control room and CCTV Camera Strategy is overseen by the CCTV Strategic Board. The programme of work to increase CCTVs coverage in the borough is underway. Work is also underway to improve partnership working arrangements between organisation with the development of a formal Information Sharing Agreement with West Midlands Police (WMP), and working with WMP, consideration of guidance prepared by the National Police Chiefs' Council (NPCC), The Public CCTV Managers Association (PCMA), the Biometrics & Surveillance Camera Commissioner (BSCC) and the Local Government Association (LGA).
- 4.8.6 The council has completed the PSN (Public Sector Network) related work in order to get PSN accreditation for the year 2022-23
- 4.8.7 As part of ongoing activities to ensure the council's cyber security posture is routinely reviewed, the council has recently been awarded a grant from the Department for Levelling Up, Housing and Communities, and agreed a Cyber Treatment Plan with them to improve a number of the council's Cyber Security features.

4.9 ICT Management

- 4.9.1 In 2021-22 the Council set up a governance structure for Digital and Technology. The governance arrangements include a Digital Board that reports through SEB to Cabinet. The primary purpose of the Board is to advise on and monitor the progress the Council is making on its digital transformation journey and delivery of the "Future Digital" ambitions in the 2022-25 Dudley Council Plan. SEB agreed the terms of reference in October 2021 and the Board has met regularly since then. The governance arrangements also include a Councillor Digital Forum and a Digital and Technology Working Group. The former has met regularly since October 2021 whilst the first meeting for the latter is in May 2022. We needed to complete the restructure of Digital and Technology services before we could start the Digital and Technology Working Group meetings.

- 4.9.2 The restructure of Digital and Technology services completed in May 2022. It will enable a greater focus on strategic projects and greater accountability for the delivery of the digital and technology roadmap. The restructure included the set-up of a team dedicated to the development and management of the digital front door through which we manage our online engagement with residents and the content on the web site.
- 4.9.3 In September 2021 we agreed a roadmap of all digital and technology projects with directorates and SEB agreed the prioritisation criteria. The roadmap is a living document which the team worked against in 2021-22. With the governance in place and the restructure complete, we will use the roadmap to proactively manage projects and ascertain that workload at any one time can be achieved with the resources available.

4.10 Values and Behaviours/Codes of Conduct

- 4.10.1 To support the council's vision, the following values have been determined to guide the standard of behaviour expected from Members and Officers:
- Accountability,
 - Determination,
 - Empowerment and Respect,
 - Excellence,
 - Simplicity,
 - Working Together.
- 4.10.2 The values and behaviours remain a strong guiding framework for everything that the council does and strives to do. The values continue to underpin Leadership Forum and drives how engagement takes place with staff. The Values have been embedded into the council's mandatory induction process and induction materials and the Values are embedded into the new People Strategy and other strategic work such as Future Council.
- 4.10.3 The Code of Conduct for Employees is publicised widely and is promoted through Corporate Induction, as part of the mandatory training and policy acceptance. Compliance with the Code is an individual, line manager and corporate accountability. Each employee is required to formally accept the Code. Where there are breaches of the Code these are dealt with by advice, performance improvement or development or ultimately for more severe breaches use of the council's disciplinary policy.
- 4.10.4 Leadership accountabilities which set out the standards of behaviour expected of employees in leadership roles and strengthen accountability have been identified and promoted at Leadership Forum. Leadership accountabilities have been embedded into council induction and within new job descriptions. Work is ongoing to embed leadership accountabilities into the new manager induction, the review of council job descriptions and competencies framework. In addition a new leadership development programme will be launched in 2022 and improvements will also be introduced to the My annual review process .

4.11 Communication

- 4.11.1 The council's main way of communicating with staff is through the "Connect" intranet site. Internal audit reports and external reviews have identified issues with "Connect" particularly the locating of information and accuracy of content. "Connect" is being reviewed: a Managers' Hub (to replace the initiatives tab), Employee Hub (to replace the staff tab) and Policy Hub (to replace the documents tab) will help to ensure information can be easily located. This will be supplemented with regular checking to ensure information is up to date.
- 4.11.2 Besides "Connect", the Council has a number of other ways of communicating with its employees:
- "Rewind" which is an e-bulletin catch-up of all key news and information, which is sent out at the end of each week,
 - "Managing Matters", aimed at line managers across the authority, has been launched with the objective of ensuring all managers are informed and up to speed on key corporate messaging in order to support them in their role as managers in communicating with their workforce,
 - A new electronic "e-zine" was launched in May 2021 to provide fresh content to engage staff and provide a brief summary of core messaging.
 - A Chief Executive's "vlog" has also been launched to provide video content updates and posted through "Connect".
- 4.11.3 In addition to these online methods, the authority also provides key information for managers of frontline staff to print and share, whilst face to face briefings are also facilitated through Leadership Forum (for managers) and Express Briefings (for all staff).
- 4.11.4 In terms of communicating with Borough residents:
- The council publishes a quarterly resident magazine which is distributed to 125,000 properties (over 90% of Borough households) with latest news and information from the authority. This magazine is also published online and supports the continued growth of digital and social channels,
 - Social media channels such as Facebook, Twitter, LinkedIn, Instagram, Flickr and YouTube are well established with thousands of interactions with Borough residents every day. Facebook reaches around 180,000 accounts a month while more than 118,000 people see our tweets in an average month.
 - The Granicus e-bulletin continues to grow rapidly as a vital tool in sharing news information on council services to Borough residents. Recipients can tailor their experience to receive information on specific subjects. Open rates are well above the national industry average.
 - In addition, the Leader 'live' sessions proved effective in giving Borough residents access to key decision makers including the leader of the council and chief of police as well as representatives from higher education and health. Thousands of people "tune in" to the live broadcasts via Facebook and on Black Country Radio.
 - Analytical reports are available on Connect.

4.12 Customer Feedback

4.12.1 The council has a policy and procedure for formal complaints and compliments. All cases are logged on a central system. Every effort is made to informally resolve complaints as early as possible. Where this cannot be achieved, formal complaints are acknowledged, investigated and responded to by appropriate complaints teams and specialist officers within set timeframes. There are three Key Performance Indicators relating to formal complaints and compliments and associated data is collated and reported upon via Strategic Executive Board quarterly. Focus is driven around root cause analysis of complaints and taking action to prevent the same issues recurring through learning outcomes gathered within each service area. Officers and Members will receive data that helps them to assess performance and understand input.

4.12.2 In 2021, the council launched a new Resident Action Group, comprising senior complaints officers from key service areas, to:

- Deliver an effective and efficient complaint and failure management strategy and process.
- Resolve complaints by fixing the underlying issues: identify the failure, clarify the root cause and find a long-term solution.
- Deliver a resident experience that meets the needs of the resident by improving the ability for residents to feedback and acting on the feedback.

The Resident Action Group wants to make great strides in leveraging insight from complaints, making sustainable changes, delivering a process for complaints handling that resolves issues for residents in a timely, satisfactory and empathetic way and transforms the relationship the council has with residents to make them feel appreciated, valued and listened to.

Extensive communication is taking place to include key stakeholders in relevant initiatives and developments the group are delivering.

4.12.3 During 2021/22 the council received 143 statutory complaints of which 10% were upheld. The council received 1902 corporate complaints of which 37% were upheld or partially upheld. The council also received 979 compliments during 2021/22.

4.12.4 The Local Government and Social Care Ombudsman's annual review letter for 2021 notes that to allow authorities to respond to the Covid-19 pandemic, they did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints received and decided in the 20-21 year. 24 DMBC Ombudsman cases were subject to a detailed investigation between 1 April 2020 and 31 March 2021. The outcome of these detailed investigations was that 17 were upheld and 7 were not upheld. The number of upheld complaints decided by the Ombudsman for Dudley represented 71% of the detailed investigations undertaken. Similar Local Authorities had an average of 72% of their detailed investigations upheld. In 100% of cases the Ombudsman was satisfied the authority had successfully implemented their recommendations (compared to an average of 100% in similar authorities).

In 12% of upheld cases the Ombudsman found DMBC had provided a satisfactory remedy before the complaint reached them (compared to an average of 11% in similar authorities).

4.13 Equalities Framework

4.13.1 The Council's Equality Diversity and Inclusion (EDI) Strategy (2022-25) approved by Cabinet in March 2022, sets out the council's EDI commitments and how we intend to achieve our public equality duty as well as comply with the Equality Act 2010. It focuses on "Putting Equality at the heart of everything we do" and recognises that to achieve this we need to advance equality and inclusiveness in all aspects of the Council's work and our responsibilities in the following capacities as:

- **A service provider** - providing appropriate services that meet the differing needs of our local people regardless of their protected characteristic.
- **The Boroughs largest employer** - ensuring fair recruitment, having a diverse and inclusive workforce, and providing a working environment that is safe, accessible, and free from bullying, harassment, and discrimination.
- **Community leaders** - through our elected members, working with communities and partners in the statutory, voluntary, and private sectors to improve quality of life for Dudley Metropolitan Borough residents

4.13.2 There are 4 priority themes contained within the EDI strategy, each with identified actions and details of how we intend to achieve these, these themes are as follows;

- Understanding our diverse customers and residents
- Demonstrate Inclusive leadership and accountability for delivering EDI outcomes across the organisation.
- Ensuring the integration of equality objectives into the commissioning, procuring and delivery of services.
- An engaged workforce that reflects the diverse community we serve

4.13.3 The commitments within the EDI strategy will be realised through an annual delivery plan overseen by the Corporate Equalities board, which is chaired by the Chief Executive. This will also be subject to scrutiny through the Future Council Scrutiny committee and the Local Government Association who have supported the development of the EDI strategy, will continue to support the scrutiny of our delivery in this area. Arrangements are also in place for an annual review of EDI to be reported to Cabinet and a report on progress in implementing the delivery plan, including employment monitoring data for protected characteristics.

4.13.4 A small team comprising an EDI manager and an EDI support officer has been established to support the delivery of the corporate EDI work. This team have undertaken a review of Equality Data to ensure that the council is meeting its statutory requirements and has the information to support its future modernisation. Employment data is also benchmarked against other local authorities e.g. the gender pay gap data - which has resulted in some actions being identified to help close the council's gender pay gap.

4.13.5 Following an independent review into race inequality within the Council the Strategic Executive Board (SEB) accepted its findings and agreed an action plan to implement the recommendations from the review. This will be overseen by the Corporate Equalities Board. In addition, clear expectations have been set and communicated to leaders across the organisation for them to:

- Champion and embrace diversity and be proactive in their approach to advancing racial equality and actively demonstrating it in practice
- Listen to and communicate openly with staff as this level of communication is crucial and important to our workforce from diverse backgrounds and with diverse needs
- Act as role models who champion change
- Actively promote Equality Diversity and inclusion
- Bespoke learning and Development will be provided to strengthen performance this area and the new leadership development programme will also further develop our leadership competency in racial equality and wider EDI requirements.

4.13.6 A new Dignity at Work policy has been introduced within the council to ensure all employees are clear about acceptable behaviour in and outside of the workplace. It also provides all individuals with the opportunity to raise issues where dignity and respect have not been demonstrated. The policy sets out expected standards of behaviour for employees, in the way they treat their colleagues and those they come into contact with. The policy has a vital role in ensuring we create the conditions where all employees are treated with respect and dignity and are able to be themselves, feel they are valued and included.

4.13.7 The council has also moved to an anonymised recruitment model to reduce any unconscious bias during the recruitment and selection process, ensuring the shortlisting stage focuses on the skill set of a candidate alone. All candidates who apply for a post within the Council is identified via a unique candidate reference number, which will be used until they reach either the invitation to interview stage or are unsuccessful at the shortlisting stage.

4.14 Modern Slavery

4.14.1 Dudley MBC's Modern Slavery and Human Trafficking Statement has been updated and signed by the Leader of the Council, Leader of the Labour Group and the Chief Executive and is prominently displayed on the council's website <https://www.dudley.gov.uk/modern-slavery/>.

4.14.2 Concerns in respect of modern slavery should result in a referral into the relevant MASH (Multi-Agency Safeguarding Hub). Internally significant work has taken place, and continues, in respect of internal pathways for potential victims of various types of exploitation in both Children's and Adult's services.

4.14.3 Through the work of Dudley Safeguarding People Partnership both Child and Adult Exploitation Strategies have been developed and launched.

- 4.14.4 A robust communications plan is in place for the Safe and Sound Partnership – (Dudley’s Community Safety Partnership - CSP) with messaging in respect of Modern Slavery going out throughout the year, this includes additional messages at key points in the year, for example National Anti-Slavery Day. This ensures that members of the community are aware of these issues and where to report concerns / signpost victims, thus offering reassurance to the wider community and offering support to those who may need it. Information can be found on the Safe and Sound CSP website where we have a Help Hub for all services and public to access. <https://www.dudleysafeandsound.org/>
- 4.14.5 The Modern Slavery and Educational Resources pages on the Safe and Sound Partnership website are updated to ensure information, links (including to relevant e’learning) and resources are up to date and relevant.
- 4.14.6 While the face-to-face modern slavery training was put on hold due to the pandemic, work was undertaken to transfer existing courses into e’learning packages. Dudley Safeguarding People Partnership are hosting two multiagency eLearning courses in respect of Modern Slavery and Human Trafficking (MSHT). Dates for ‘virtual’ and face to face courses are currently being scheduled. This training will ensure that professionals across the Borough are aware of the different forms of exploitation and where to report concerns / signpost and support victims.
- 4.14.7 National Referral Mechanism training for relevant staff has also been progressed and promoted as appropriate and is available to access via the safe and sound website.
- 4.14.8 Actions in respect of Modern Slavery have been included in an overarching Action Plan for the Safe and Sound (Dudley’s Community Safety Partnership) Community Cohesion Strategic Group and is monitored by the Group.
- 4.14.9 Modern Slavery is a standing agenda item at the Rogue Landlords Operational group and where appropriate multi-agency meetings are coordinated to ensure a robust response to any concerns or cases
- 4.14.10 The number of people referred into the National Referral Mechanism by Dudley MBC as a first responder organisation was 50 for the year ending 31st December 2021.

4.15 Environmental

- 4.15.1 Full Council at its meeting of the 23rd July 2020 declared a Climate Emergency. It was agreed at this meeting that a cross-party Climate Change Working Group would be established to lead on the development and implementation of a Carbon Reduction Plan for Dudley. This Group would decide what activities are in scope which will then inform the setting of a realistic carbon reduction target.
- 4.15.2 Ongoing governance arrangements include a Steering Group that will provide leadership for the programme and three thematic groups: Buildings and Energy, Transport and Environment. The groups have been tasked with looking at what is possible and to formulate action plans around identified topics, together with carbon reduction and offsetting solutions.

- 4.15.3 The programme consists of two phases: Phase1 the council will look at itself and determine what direct action it can take and Phase 2 the work will be expanded to encompass our communities and other key stakeholders.
- 4.15.4 The council has a target of reducing carbon emissions by 90% by 2030 and it has been estimated to achieve this target 21,815 tonnes of carbon will need to be removed. The final 10% to achieve carbon neutrality, which will be the most challenging, has a target date of 2041.

4.16 Scrutiny Committees

- 4.16.1 Scrutiny Committees approve and monitor their Annual Scrutiny Programmes. The Chairs and Vice-Chairs of all Scrutiny Committees meet together to co-ordinate the work of the various Scrutiny Committees. Scrutiny Committees have considerable flexibility to amend the Annual Scrutiny Programme to reflect developments during the year.
- 4.16.2 Scrutiny Committees report annually to the full Council with details of Scrutiny activities and the annual work programme. Minutes of Scrutiny Committees are submitted to full Council to increase transparency. The Overview and Scrutiny Annual Report for 2021/22 was reported to full Council in April 2022 and made available on the council's website. This set out the key issues considered and the outcomes of scrutiny work during the municipal year.
- 4.16.3 The Council's Overview and Scrutiny arrangements are kept under ongoing review as part of the annual review of the council's constitution. A Scrutiny Committee development session was undertaken with the Local Government Association in March, 2022 and the outcomes have been reported to the Strategic Executive Board ahead of the 2022/23 municipal year.

Scrutiny Annual Report

4.17 Audit and Standards Committee

- 4.17.1 Audit and Standards Committee are responsible for approving the annual review of the Code of Corporate Governance and approving the Annual Governance Statement prior to its signing by the Chief Executive and Leader of the council.
- 4.17.2 The Committee's terms of reference has been updated to reflect good practice issued by CIPFA and there are regular assessments undertaken and discussed with the Committee to ensure that it is working effectively.
- 4.17.3 New committee members are requested to complete a skills assessment to identify any training needs.
- 4.17.4 Audit and Standards Committee produced an annual report for the municipal year detailing the work that they have completed and the outcomes achieved; this is to be presented to full Council in July 2022.

Audit and Standards Committee Annual Report 2021-22

5. Update on previous issues raised

5.1 Children's Services

- 5.1.1 Senior leadership arrangements in Children's Services were revised in autumn 2020 with the establishment of two Service Director posts – one for social care and one for Education, Early Help and SEND. Permanent appointments to these roles started in October 2020. A permanent Director of Children's Services was appointed and took up post in February 2021. This senior permanent team provides clarity and certainty to the workforce in responding to the improvement challenges.
- 5.1.2 Children's Social Care Services remain in Department of Education (DfE) support and supervision where they have been since the Ofsted inspection in October 2018. In November 2020 Ofsted reported on a further focus visit that "There are serious weaknesses in many service areas in Dudley. This is because of long-standing instability in the senior leadership team that has led to delays in addressing strategic and practice deficits." The improvement work is overseen by a DfE appointed improvement advisor who chairs the Improvement Board that meets six times a year. In addition the DfE carry out formal reviews of improvement work on a six monthly basis.
- 5.1.3 The DfE formally reviewed the Authority's progress in January 2021, May 2021 and December 2021. At these meetings, progress was noted and additional targets were set for achievement. The May review meeting confirmed that progress was sufficient to ensure that the DfE did not need to issue DMBC with a statutory Improvement Notice.
- 5.1.4 The review meeting in December 2021 noted positive progress and approved the revised Improvement Plan for January 2022 to end of March 2023, recognising that significant challenges remain. The five high level priorities in the plan are:

Area	Description
Restorative Model of Practice	We will implement a restorative approach, so that our assessments and interventions with children take account of a family's strengths and their vulnerabilities, whilst creating opportunities for families to understand and take ownership of safe decision making and planning for children
Whole system	We offer the effective support to children and families in the least intrusive way. Where children's needs change, they and their family can easily access the support they need from the right part of the system
Learning organisation	We will develop a culture of continued learning, reflection and innovation at all levels of the service. Our continuous improvement will be informed by the voices of children, parents and carers. We will seek to learn from others from peer review,

	inspection and sector led improvement and draw upon research and evidence to inform practice. We will encourage learning from QA, feedback, complaints, serious incident, best practice and seek to incorporate this in our practice
Partnership	All children and families benefit from multi-agency support closer to home from early help to children in need/ child protection to children in care and care leavers. Partners will engage with families in an open, honest and respectful way as soon as they become aware that a child may need additional support, and seek to provide information, advice and signpost to other sources of help. We are committed to the principles of inclusion and trauma- informed practice with children and young people – meeting needs at the least intrusive effective level and seeking to keep children at home with their family, in school and accessing the normal range of community services. We will continue to develop and improve access to effective mental health support across the children's services system. We will continue to build strong and effective partnership relationships at both strategic and operation level, so that we make best of public sector resources to have greatest impact in meeting the needs of Dudley's children to effectively work with children and families
Workforce	We recognise that our workforce is the foundation to our success in making a positive difference and therefore, we are putting the conditions in place where professional expertise can flourish. We seek to be the employer of choice for children's social care where Dudley is a great place to practice. We are developing a stable workforce that is sufficient, suitably qualified and accredited to deliver high quality services to children and their families. Managers and practitioners will be skilled, able to learn, experienced, effectively trained and able to deliver high quality restorative practice which improves the lives of vulnerable children, young people and families.

- 5.1.5 The DfE intend to keep DMBC in support and supervision until the outcome of the Ofsted Inspection of Local Authority Children's Services (ILACS). The inspection was conducted between 31st October and 11th November 2022. The outcome is awaited.

5.2 Special Educational Needs and Disabilities (SEND)

5.2.1 Progress continued with the implementation of the detailed Improvement Plan in relation to the Written Statement of Action (WSOA). Ofsted and CQC revisited the Local Area from 31/1 to 3/2/2022 to assess the level of progress against the 14 areas of significant weakness identified at the inspection in 2019.

5.2.2 The inspection identified that sufficient progress had been made in 8 of the 14 areas which were:

- Area 1: Improvement strategies are not embedded, and they have not had a marked impact on improving outcomes for children and young people with SEND.
- Area 3: A strategic approach to assessment and provision mapping in Dudley is lacking. There is poor coordination of assessment information between agencies, resulting in fragmented information systems.
- Area 5: The designated medical officer (DMO) has insufficient capacity to promote SEND agenda across health providers.
- Area 6: Co-production with parents is weak. Co-production at a wider strategic level is underdeveloped.
- Area 8: There is a lack of understanding about inclusion in Dudley. The local area needs to change the culture and develop stakeholder confidence in the system.
- Area 9: The published local offer is poor. It is underused and difficult to navigate.
- Area 12: Pupils with SEND have higher absence and exclusion rates than other pupils.
- Area 14: Too few young people with SEND progress into employment.

The inspectors were positive about the progress made in these areas of previous concern.

5.2.3 The inspectors found that in 6 areas there had not been sufficient progress in a way that was sufficiently embedded although they did note progress in recent months:

- Area 2: The needs of children and young people with SEND have not been accurately identified or moderated over time.
- Area 4: Joint commissioning is underdeveloped. It is not always informed by accurate analysis of performance data, which is required to understand areas of need and gaps in current service provision.
- Area 7: There is a great deal of parental dissatisfaction. The passion and commitment of the various parent groups have not been harnessed. Many parents and carers feel disengaged from the system.
- Area 10: EHC plans are often of poor quality. They are not outcome focused and often lack information about health and social care. Completed EHC plans are often not shared with early years settings.
- Area 11: Pupils with SEND make slower progress than other pupils.
- Area 13: There is a lack of local provision post-19 for young people with the most complex needs.

- 5.2.4 DMBC and the CCG developed an Accelerated Progress Plan to set out the actions to be taken to improve outcomes in the 6 areas identified. This was submitted to the DfE by the deadline of 29/4/2022 and has been approved. A formal review is scheduled for the 29th November 2022.
- 5.2.5 The SEND oversight group continues to meet to oversee progress and includes DfE and NHS England representation.
- 5.2.6 Funding of children and young people with High Needs is provided by the Dedicated Schools Grant (DSG) which is a ring fenced revenue grant allocated to local authorities. For 2021/22 the provisional High Needs block allocation was £39.9m and there was a deficit of £17.2m. This includes a brought forward deficit from 2020/21 of £11.151m. A detailed recovery plan includes a number of efficiencies that coincide with the SEND Improvement Programme and this work is overseen by the Budget Working Group and Schools Forum.

5.3 Financial Sustainability

- 5.3.1 The Medium Term Financial Strategy approved by council on 7th March 2021 forecast a surplus of £2.2m in 2022/3 but deficits of £8.9m in 2023/24 and £2.5m in 2024/25. The Director of Finance and Legal, in making his report to the Council Tax setting meeting under Section 25 of the Local Government Act 2003 concluded as follows:

“In my professional opinion:

- The estimates made for the purposes of the calculation of the Council’s budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust.
- The financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate to enable the setting of a lawful budget for 2022/23.
- Although adequate to set a lawful budget for 2022/23, reserves are low by comparison with other councils. The rate of Council Tax (and as a result the level of spending) is also low compared to other councils. Forecasts already build in the maximum increase in Council Tax without a referendum for 2022/23 and assume similar increases in later years. There are significant risks to the forecast and Members should note that, if these risks materialise, there will be a need to reduce spending plans and/or raise additional income in order to avoid imprudent reductions to the level of reserves. This will be challenging in view of the context set out above.”

- 5.3.2 There has been a worsening of the financial position since the budget was set. The latest forecast is for a deficit of £7.5m in 2022/23 (an adverse variance of £9.7m compared with the planned surplus of £2.2m) driven in the main by the pay award being higher than budgeted, rising energy and fuel prices, increased costs of social care and trading income shortfalls. Many of these factors have ongoing implications for future years and the outlook for government funding is uncertain, pending the Local Government Finance Settlement. It is recognised that the Council may need to consider radical changes to services. A draft Medium Term Financial Strategy will be considered by Cabinet on 14th December.

5.4 Payroll Transactions

- 5.4.1 The 2021/22 draft Payroll audit report is showing an improvement in the assurance level from 'minimal' to 'reasonable'. A significant and lengthy period of work has been undertaken and completed to develop revised processes, update guidance and introduce new exception reporting to be accessed by managers, who have an important role in the initiation of, changing of and approval of payroll payments for their staff. The majority of payroll transactions continue to be processed the HR PIMS system which enables both employee and manager self-service. The direction of travel continues to be positive.

5.5 Senior Management Changes

- 5.5.1 All of the council's director level roles are filled by permanent appointments with the exception of the Director of Public Realm post which is occupied by an interim director.

5.6 Dudley Integrated Health and Care NHS (Integrated Care Partnership- ICP)

- 5.6.1 Although DIHC have become a legal entity in April 2022, the majority of the governance and check processes have not been completed such as the Integrated Support and Assurance Process (ISAP). DIHC have been identified as the preferred provider but the majority of contracts have not been awarded to DIHC.
- 5.6.2 Due to this delay, Dudley MBC obtained legal advice and decided to procure Public Health contracts in 2022-2023, this decision was informed by assessing the risk of extending contract further.
- 5.6.3 Public Health contract and delivery models are designed to support system integration and synergise with vertical integration models, which the NHS and wider system are currently working on; NHS system leaders have committed to working together through the clinically led Accelerated Solution Environment approach, with system solution events held in March and May 2022. These events included representative from the PH department to ensure the new organisation would focus on a population health approach.
- 5.6.4 The future vertical integration model for Dudley is dependent on the outcome of this process the process will not conclude until summer 2022.
- 5.6.5 A commissioning programme board has now been set up to oversee the recommissioning of PH contracts in line with procurement and legal regulations and guidance.
- 5.6.6 Public Health will go to market through open competitive procedures for the following:
- Adult Wellness/Healthy Lifestyle Services
 - Drug, Alcohol and Substance Misuse Services
 - Sexual and Reproductive Services
 - Children & Young People - Integrated service

- 5.6.7 A governance structure is in place reporting to SEB and Full Council. The meeting will be chaired by the Director of Public Health. A Project Plan detailing the project key timelines and major milestone is in place and will be reviewed regularly with all necessary project processes including risk included in the project management process.

5.7 Infrastructure Developments

- 5.7.1 The unprecedented level of investment and regeneration activity continued in 2020-21 as the council continued to roll out a £1 billion regeneration programme which will be the biggest investment ever made in the Borough. The projects onsite and in delivery cover key areas of connectivity/infrastructure, visitor economy, town centres, and skills:

Connectivity/Infrastructure

- 5.7.2 Metro, a total of £449 million will be invested by West Midlands Combined Authority (WMCA) in the Wednesbury to Brierley Hill Metro which will extend the West Midlands Metro from Wednesbury through the heart of Dudley town centre to Brierley Hill. This is due to open to passengers in 24.
- 5.7.3 Dudley Transport Interchange will be a world-class multi-modal facility tying together the new West Midlands Metro extension project and potentially the bus rapid transit SPRINT. This is now due for delivery in 2024 (delayed due to the need for a Compulsory Purchase Order).
- 5.7.4 Metro and Interchange investments will be complemented further with a substantial package of public realm and environmental improvement works focussing on improving the pedestrian connectivity between Dudley Castle, the University Park at Castle Hill and the town centre to create an integrated town centre.

Visitor Economy

- 5.7.5 The Castle Hill Vision and Dudley Castle Zoological Gardens (Phase 2) is a planned £13 million programme of development including restoration of Dudley Castle and Zoo along with the development and upgrade of visitor and education facilities. The council recognises that preservation of this heritage asset is key to improving the tourism sector for Dudley and it is working jointly with Historic England to deliver the necessary improvements and investment.
- 5.7.6 The Black Country Living Museum “Forging Ahead” Programme is the single largest capital development project in the Museum’s history. Forging Ahead is a scheme that will take the Living Museum’s story into the 1940s, 50s and 60s and deliver a new visitor welcome area, dedicated learning centre and industrial quarter. £24 million has been secured to develop the proposal.

- 5.7.7 New Dudley Leisure Centre is part of a wider package of £31.3m investment which includes refurbishment of Halesowen Leisure Centre and improvements to Crystal Leisure Centre. Investment is timed to take advantage of links to Birmingham Commonwealth Games in summer 2022. Black Country UNESCO Global Geopark – the council are in the final stages of recruiting a permanent Black Country UNESCO Global Geopark team. Talks are ongoing with WMCA and Midland Metro to promote Geopark opportunities. Dudley are due to host the UK Geopark conference in June 2022.

Town Centres

- 5.7.8 The Portersfield scheme is a town centre regeneration scheme, located just off Dudley high street. The scheme has already seen the demolition of Cavendish House. The Portersfield site is adjacent to the new Midland Metro route and planned transport interchange and suitably developed has potential to create a new vibrant quarter in Dudley Town Centre. Development Consultants are supporting the council in undertaking soft market testing and will be advising on an appropriate development mix and routes to market.
- 5.7.9 Brierley Hill Future High Streets Fund and Heritage Action Zone fund are concurrent programmes that will bring empty properties back into use for retail or housing. The plan is to make the gateway entrances more attractive and to improve the public realm including the provision of pedestrian links between the Metro/the High Street and Merry Hill.
- 5.7.10 Levelling Up Fund bids are being developed for Dudley North, Stourbridge (Lye) and Halesowen MP constituency areas. Bids must be submitted by 6th July 2022 and focus on town centre regeneration, culture (heritage) and transport.

Skills

- 5.7.11 Very Light Rail National Innovation Centre - this £28m project will provide a unique research facility for the development of Very Light Railway (VLR) technologies and projects. The project brings back into use a redundant stretch of railway to support the Innovation Centre and will develop and test the VLR prototype vehicle. The test track is complete, and the innovation centre will complete in May 2022.
- 5.7.12 Black Country and Marches Institute of Technology is a £26 million purpose designed facility, bringing together further and higher education providers with employers. The facility opens to students in September 2021.
- 5.7.13 The majority of the regeneration projects are delivered and therefore managed externally with their own governance arrangements. However, some funding streams require the council to underwrite bids so there is a need to monitor and evaluate these external bids. Key aspects of governance over the regeneration programme are as follows:

- 5.7.14 Council Regeneration Team, working in partnership with internal and external partners, has been set up to co-ordinate the regeneration programme from the council's perspective.
- 5.7.15 A Major Capital Investment Projects Board has been established, chaired by the council's Chief Executive. The Board considers all bids and emerging projects, identifies synergies and added value and approves progression. The Board also receives by exception, reporting on the risks and key milestones of major strategic projects. Project Boards and Steering groups feed into this Board.
- 5.7.16 The Towns Fund Board for Dudley has been operational since early 2020. Boards are being or will be established for Brierley Hill, Halesowen and Stourbridge that mirror the operation of this Board.
- 5.7.17 Regeneration and Enterprise Strategy Group meets monthly to receive reports from lead officers and steering groups.
- 5.7.18 A monthly status update report which "RAG" rates the progress of projects and emerging bids, is issued to Strategic Executive Board, Cabinet, shadow leads and Project Boards. This report also highlights key activity achieved, milestones in coming month and the key risks/issues.
- 5.7.19 Regular meetings are held between the Director of Regeneration and Enterprise with Local Enterprise Partnership Chief Executive Officer and WMCA Director of Housing and Regeneration on projects and funding.
- 5.7.20 A number of key challenges affect the regeneration programme including:
- Funding – European Union funding is being phased out and in its place the UK Shared Prosperity Fund will be implemented. Full details on this remain to be confirmed and it is likely the funds will be lower. Increasingly funds require a competitive bidding process. Therefore, there is a risk of insufficient funding streams or failure to successfully bid for funds.
 - Ambitious regeneration plans drive long term change and add value to the local economy but, at the same time, carry financial, commercial, planning, procurement and other compliance risk that will need to be carefully managed,
 - The level of information and breadth of detail required to submit and be successful in bidding is onerous and resource intensive. The council are required to demonstrate stakeholder engagement and have to explain the economic costs of the bid and the economic benefits arising.
 - Built environment, property/legal, bidding and procurement specialists are required and some of these skills are in very short supply and therefore could impact upon regeneration activity and responsiveness,
 - This huge regeneration programme creates enormous opportunities and potential benefits, but these need to be exploited, which will require a strategic approach, good co-ordination and sufficient and appropriate resources.

5.8 Covid-19

- 5.8.1 To improve governance and accountability of the Covid-19 response a new management structure was implemented to ensure compliance and oversight of workstreams and to allow the wider Health & Wellbeing workforce to begin to focus on other priorities.
- 5.8.2 The new management team focused on delivery of the response and the LOMP objectives streamlining processes and procedures to remove duplication and improve programme oversight
- 5.8.3 Oversight of the multi-agency report to Covid 19 remains through the Health Protection Board chaired by the DPH. Sub-groups of that Board provide assurance on specific workstreams e.g. care homes. Effective coordination of all activities was implemented at strategic and operational level and with partners and other agencies.
- 5.8.4 The Covid Outbreak Engagement Board provided the political ownership and public facing engagement and communication in relation to the response to Covid 19 supporting engagement with local communities, township and localised groups and dissemination of key messages.
- 5.8.5 The Authority's progress against the LOMP has been subject to review by the Health & Social Care Scrutiny Committee as part of the 2021/22 programme
- 5.8.6 Additional Senior Executive Board meetings have continued to report progress and challenges with regards the pandemic response
- 5.8.7 Since the development of the Local Outbreak Management Plan national policy and guidance has changed as the pandemic has evolved which has meant that some of the original objectives set out in the LOMP have needed to evolve and adapt with those changes. These have been implemented by the Covid 19 Management Team and reported through the governance structures listed above.
- 5.8.8 In line with the Contain Framework (Published in August) the ongoing focus for the Council has been to support our local residents and businesses, moving away from stringent restrictions to everyone's day-to-day lives and advising people on how to protect themselves and others, alongside targeted interventions to reduce risk.
- 5.8.9 The Local Authority has continued to offer a 7 day service to respond to Covid incidents and outbreaks and testing/vaccination engagement and promotion has continued throughout 2021/22. Local contract tracing and engagement with those testing positive has continued offering guidance and welfare
- 5.8.10 In February 2022 the Government published the Covid19 Response - Living with Covid 19 document that set out how the country would move into a new phase of living with Covid19

- 5.8.11 With effect from the 24th February 2022, the legal requirement to self-isolate was lifted and routine contact tracing ended and local authorities were required to manage local outbreaks through pre-existing Public Health powers and plans
- 5.8.12 The local contact tracing service led by Dudley Council Plus was stood down on the 24th February 2022. The 7 day service to respond to covid incidents and outbreaks delivered by the wider Health & Wellbeing Team was deescalated in March 2022 and responsibility transferred back to the Health Protection Team.
- 5.8.13 As the onus shifted from state mandation to personal responsibility the Local Authority has focused on:
- Integration of the COVID response into usual processes
 - Continuing to focus on protecting those settings known to be at highest risk through local COVID-19 outbreak investigation and management activities
 - Developing lessons learnt throughout the pandemic and gathering the legacy work from all teams involved in the covid response
 - Safely stood-down Covid support/responses in line with national guidance
 - Developed and maintained flexible capacity locally to respond to future outbreaks or pandemics
 - Reviewed how we can continue to support our communities
 - Reviewed our outbreak management plans – ensuring we have processes in place which can be stepped up if subsequent waves of infection/outbreaks occur
 - Continued to support our frontline staff providing care to our vulnerable residents with access to testing
 - Continued to routinely provide public health messaging and communications to set out advice about sensible behaviours and actions to their local residents.
- 5.8.14 The council has been closely monitoring all aspects of the financial impact of the crisis. During 2021/22 the council received £11.8m of unringfenced funding, and a further £36m for specific increases in expenditure due to the Covid response and for financial and non financial support for individuals and businesses in the Borough.

6. New and Emerging Significant Issues

6.1 Digital platform

- 6.1.1 The procurement and implementation of a new Digital Platform has been identified as a significant issue due to its risk rating.

Procurement

- 6.1.2 Learning lessons from the previously unsuccessful digital platform project, the council is taking a full competitive dialogue route to procure a new digital platform.
- 6.1.3 This will ensure a compliant and transparent approach. Competitive dialogue allows the council to negotiate a proposed solution and bidders to develop alternative proposals based on the Council's needs.

- 6.1.4 The process offers opportunity to review and evaluate interim submissions and close gaps until the Council finds a solution and contract that meets its needs.
- 6.1.5 This approach will reduce the risk of entering into a contract with a supplier with unknowns and minimises potentially costly change control notices and disputes.
- 6.1.6 A procurement timeline is being drafted with the aim of making recommendations to Cabinet for contract award in March 2023.

Governance

- 6.1.7 To ensure the level and breadth of engagement and buy-in is council wide, a new governance structure is being established.
- 6.1.8 This platform will create enormous opportunities and requires a strategic approach to exploit benefits, including good co-ordination and appropriate resources.
- 6.1.9 A digital platform steering group with broad membership representative of council services will enable and encourage views corporate wide and work in an open and transparent way to oversee the procurement, design and delivery of the platform.
- 6.1.10 This model will ensure clear objectives, collective internal decision making, business process agreement and technical agreement.
- 6.1.11 The digital platform steering group will report into the Digital Board (reports through SEB to Cabinet) which has been established and meeting since October 2021.
- 6.1.12 It is anticipated that the new digital platform steering group will commence June/July 2022.

6.2 Equality, Diversity and Inclusion

- 6.2.1 Section 4.13 refers to a number of emerging challenges in relation to Equality, Diversity and Inclusion, as well as actions to address these challenges.

6.3 Recruitment and Retention

- 6.3.1 The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise, together with emerging recruitment and retention challenges facing employers resulting from impact of the covid pandemic, has been identified as a significant issue due to its risk rating. This is currently being addressed in a number of ways including;
- Growing our talent pool through the use of apprenticeships
 - Procuring Interim consultants where appropriate to ensure the council has the skills and capacity needed to support the delivery of key services.
 - The introduction of new workstyles and promotion of agile/flexible working to ensure we attract the best talent for roles that can work remotely.

- Developing career pathways in a range of professional areas across the council to support employees to develop their careers over time and to retain talent, particularly in hard to fill roles
- Utilising market forces supplements to attract candidates to roles that are very hard to recruit to and to retain internal talent for these roles
- Workforce planning at directorate level on an annual basis to enable the identification of the roles that are difficult to recruit to and plans put in place to address/mitigate impact .
- Regular Horizon scanning to anticipate changes and trends to professional areas across the council together with keeping up to date on national trends for hard to recruit professions.

6.3.2 The Council's People Plan will set the direction for Dudley council to become an employer of choice and will provide a "shop window" to current and prospective employees, as well as identify the range of activities we have committed to that will improve the employee experience.

6.3.3 Work will be completed to further define and promote the Employee Value proposition (EVP) so that prospective candidates can easily identify Dudley Council as an employer of choice. In addition, further opportunities to strengthen recruitment and retention to such roles will be explored via the new joint venture recruitment agency.

6.4 **Governance – Programmes, Projects and Contract Management**

6.4.1 Issues have been identified with the council's approach to managing programmes, projects and contracts. Concerns raised include:

- Lack of clear roles and responsibilities e.g. having a designated project or contract manager.
- Lack of understanding of the contract in place.
- Payments not made in accordance with Financial Regulations and in line with the agreed contract.
- Procurement not undertaken in accordance with Contract Standing Orders.
- Lack of effective governance over projects (project plans, project reporting, project risks and issues, designated Senior Responsible Officer).
- Decisions not undertaken in accordance with the council's constitution.
- Project budgets not managed in accordance with Financial Regulations.
- Poor records management.
- Legal advice not obtained where appropriate.

6.4.2 The council has recently established a Corporate Portfolio Office who are currently reviewing processes and governance to support the delivery of programmes, projects and corporate initiatives.

6.4.3 The Deputy Chief Executive is to produce action plans to address the above issues which will be agreed with Audit and Standards Committee and they will be responsible for monitoring progress.

7 Action Plan

- 7.1 The issues identified in Section 5 and Section 6 will be the subject to separate Action Plans that will be monitored by Strategic Executive Board, Cabinet, Children's Services Improvement Board and other council Committees and Groups.

8. Conclusion

- 8.1 The council is very aware of the issues raised in Section 5 and Section 6 and will ensure progress is made during 2022/23. With the exception of these issues, the council's governance framework remains "fit for purpose".

P Harley
Leader of the council

K O'Keefe
Chief Executive

Appendix A

Dudley Council Governance Structure

Full Council

The full Council comprises all 72 elected members. It has responsibility for approving the overall policy framework including the budget. It retains responsibility for certain functions, however, most of its powers and duties are delegated to the Cabinet or committees operating within the decision-making structure set out in the Constitution. The full Council also has a key role in holding the Cabinet to account.

Cabinet

The Cabinet comprises of the Leader of the council plus 9 other Cabinet Members each with a defined portfolio (or areas of responsibility). The Cabinet meets approximately every 8 weeks, chaired by the Leader of the council. Shadow Cabinet Members attend meetings to speak but not vote. Collectively, the Cabinet makes decisions affecting local services and makes recommendations to the full Council on the overall policy direction. The Cabinet has to make decisions which are in line with the council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the council as a whole to decide.

Scrutiny

Scrutiny Committees undertake in depth scrutiny investigations/ enquiries and contribute to policy development in respect of issues/items falling within their terms of reference. The Scrutiny Committees submit reports and recommendations to the Cabinet and/or full Council on the outcome of scrutiny investigations, enquiries or reviews. An annual report is submitted to the Council.

Statutory and Regulatory Committees

The Council appoints the following committees to discharge the functions indicated:-

- Appeals Committee - The determination of all matters where a right of appeal to elected Members exists under any of the council's policies or procedures.
- Appointments Committee - Recommending to the full Council the appointment of a Chief Executive and deciding upon the appointment of Strategic Directors and Chief Officers.
- Audit and Standards Committee and Standards Sub-Committee - The overview of internal and external audit, risk management, fraud and functions relating to local government standards.
- Children's Corporate Parenting Board - Its role is to secure cross departmental involvement and commitment throughout the council to deliver better outcomes for children in care. The Board is responsible for the implementation of the Corporate Parenting Strategy and subsequent Delivery Plan, which will ensure the most effective means of achieving sustained service improvements.

- Planning Committee - Functions relating to town and country planning and development control, including tree preservation functions.
- Dudley Health and Wellbeing Board - This Board has been formed to recognise that the council has a key role to encourage coherent commissioning strategies across the NHS, social care, public health and other partners. The Board deals with the responsibilities of the Local Authority and the GP Consortia for the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment. It is also involved in developing a Joint Health and Wellbeing Strategy.
- Ernest Stevens Trusts Management Committee - To undertake the council's functions as a Trustee in relation to matters concerning the Ernest Stevens Trusts and all Trust land in the Borough.
- Licensing and Safety Committee and Licensing Sub-Committees (x4) - Licensing functions (apart from hackney carriage and private hire licensing), health and safety functions, other than those exercised by the council as employer.
- Taxis Committee - Functions relating to hackney carriage and private hire licensing.