



DUDLEY METROPOLITAN BOROUGH COUNCIL

UNAUDITED DRAFT STATEMENT OF ACCOUNTS FOR THE

YEAR ENDED 31 MARCH 2021

Page No.

1.	Narrative Report by the Director of Finance and Legal	2
2.	Movement in Reserves Statement	27
3.	Comprehensive Income and Expenditure Statement	29
4.	Balance Sheet	30
5.	Cash Flow Statement	31
6.	Notes to the Core Statements	32
	i. MiRS Notes	34
	ii. CIES Notes	39
	iii. Balance Sheet Notes	56
	iv. Cash Flow Statement Notes	91
	v. Other Notes	94
7.	Housing Revenue Account	115
8.	Collection Fund	120
	Signed Statements and Certificates	
	a. Statement of Responsibilities for the Statement of Accounts	122
	b. Certificate of the Director of Finance and Legal Services	122
	c. Independent Auditor's Report	123
9.	Annual Governance Statement	124

NARRATIVE REPORT BY THE DIRECTOR OF FINANCE AND LEGAL

Purpose

The purpose of this report is to provide an easily understandable guide to the most significant matters reported in the accounts. The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

Introduction

Dudley borough is proud to be the historic capital of the Black Country and home of the Black Country Flag. With a rich industrial past, built on the hard graft and work ethic of local people, the borough remains home to a host of innovative and prosperous businesses. Through its local schools and colleges, including ongoing exciting developments at Dudley College, the borough is working to ensure it is home to the skilled workforce of tomorrow.

Residents live in close-knit communities across a borough made up of vibrant and diverse towns and neighbourhoods and the borough has a growing visitor economy which contributes to our ambitious future whilst celebrating our pioneering past.

Located centrally, challenges with our transport network are recognised as we work to improve connectivity, which will be boosted by the arrival of the Midland Metro.

Perhaps surprisingly, given our industrial past, Dudley borough is also home to places of inspiring natural beauty. Approximately 30% of the borough is green space through its range of award winning parks and nature reserves.

Since originally setting the 20/21 budget in March 2020, the Council's operations and finances have been significantly impacted by the Covid-19 pandemic. In response to Covid 19, the Government has directed significant additional funding to councils which has enabled the Council to increase its General Fund balances in the short term. There is still significant uncertainty about the path of the virus, the nature and duration of the public health measures and the severity of the economic impact, so the impact of Covid 19 on the medium to long term finances of the Council continues to be a risk. The 2021/22 budget set in March assumes that any income losses or additional expenditure will be funded by government grants and includes a contingency of £8.8m.

Dudley Borough in numbers 2020

Population 321,596 (2019)



Number of young people aged under 15 is
58,560



Number of people aged 65 and over is
65,602

Health



Average life expectancy for men **79.0** years



Average life expectancy for women **82.8** years

Life expectancy for men in the most deprived areas of Dudley is **9 years lower** than in the least deprived areas, **7.6 years lower** for women

Housing



139,987 residential properties (PMIC 2018)

21,405 Council housing (PMIC Review 18/19)



the average house price is
£196,783
West Midlands average is
£210,405 (to year ending 30/06/20)

Welfare & benefits

26,475 claimants in receipt of Housing Benefit or Council Tax Reduction

18,476 Universal Credit claimants within the Dudley borough (MAY 2020)

£549k awarded in Discretionary Housing Payments to date 2019/20



Employment



Employment rate is **73.3%**, highest employment rate in the Black Country (July 19 – June 20)

TOP THREE EMPLOYMENT SECTORS ARE



Retail (13,000 staff)



Education (11,000 staff)



Health (11,000 staff) (BRES 2019: open access)

Median wage is **£30,742**, highest average full-time earnings in the Black Country in 2020



Tourism

Internationally recognised Zoological Gardens, open-air Black Country Living Museum and Dudley Canal Trust



Over **4.5m** day trips are made to Dudley each year contributing **£117m** to the local economy (by period from 2017-18)

Business & investment

Total businesses in Dudley is **10,775** highest in the Black Country



DYA, DUDLEY'S BUSINESS AND INNOVATION ENTERPRISE ZONE HAS SUPPORTED THE CREATION OF **741** Jobs

£1 Billion

INVESTMENT PIPELINE INCLUDING THE WEDNESBURY TO BRIERLEY HILL METRO EXTENSION

Level of homelessness (PMIC 2018)



Around **2,500** households presented as homeless, many just need housing advice.



826 households were prevented from becoming homeless in 2018



Rough sleeping reduced from **11** cases in 2017 to **5** in 2018

Deprivation

104th most deprived of 317 local authorities in England (years of multiple deprivation, 2019/20)

28.1% of the Dudley population live in areas amongst the 20% most deprived in England

17.3% of the Dudley population live in areas amongst the 20% least deprived in England



Environment

Area of **38 sq miles/ 98 sq km**, of which...

14% is publicly accessible open space (2019)

Education

59% of Dudley pupils are meeting the expected standard at Key Stage 2 compared to 65% for England (2018)

78.2% of Primary children and

72.1% of Secondary children attend a Good or Outstanding school (2019)

83.6% of young people aged 16-18 are participating in education, employment or training compared to 86.3% for England (2019)



Safety



Dudley remains one of the safest borough within the West Midlands Police area for total recorded crime per 1000 population

Dudley Borough Vision

The Dudley Borough Vision is a partner and community led vision that outlines ambitious plans to create a thriving borough by 2030 where people want to live, work and visit.

The Vision has seven aspirations for the future of the borough including:

- 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;
- A place of healthy, resilient, safe communities with high aspirations and the ability to shape their own future;
- Better connected with high quality and affordable transport, combining road, tram, rail, and new cycling and walking infrastructure;
- 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 to visit and enjoy that drives opportunity, contributing to its ambitious future while celebrating its pioneering past;
- Full of vibrant towns and neighbourhoods offering a new mix of leisure, faith, cultural, residential and shopping uses.

Dudley Council is playing a key part in the development and delivery of the ambitions as well as local NHS organisations, the police, the fire and rescue service, colleges, tourist attractions, businesses, faith leaders and many more.

A Forging a Future Executive has been formed to drive forward these ambitions with each aspiration having a partner lead, action plan and set of key workstreams.

Priorities for the Council

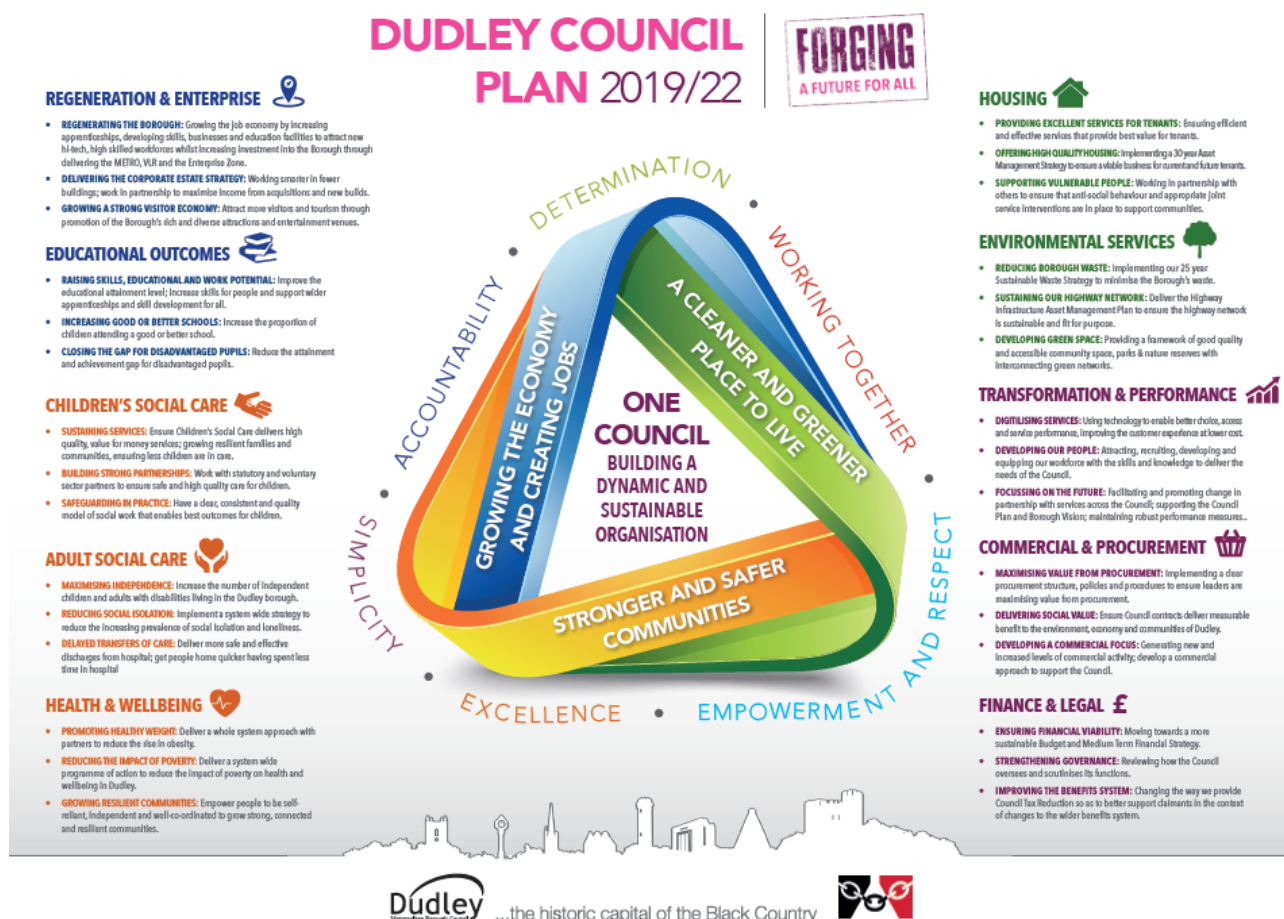
Our Council Plan is built around 4 key priority areas and gives a commitment that the Council will constantly strive to improve the way we deliver services to meet the needs of local people and to ensure that we can measure and demonstrate our achievements. The core priorities are:

- Support stronger and safer communities
- Create a cleaner and greener place
- Grow the economy and create jobs
- Building a dynamic and sustainable organisation

A Future Council programme is being developed that will reflect the direction of travel the Council needs to work towards in order to deliver the outcomes of the Borough Vision and Council Plan. The programme will be centred around 3 key priorities:

- Future Workforce, delivered through the People Strategy
- Future Technology, delivered through the Digital Strategy
- Future Facilities, delivered through the Corporate Estates Strategy

Each directorate has a Directorate Plan that aligns to the priority outcomes that the Council is striving to achieve, as outlined within the Council Plan, and includes an assessment of how the service has contributed towards these priorities along with a range of key performance indicators to enable us to keep track of progress.



Borough partnership work in Dudley

Dudley has taken great strides in recent years to develop and enhance its partnership working and reinforce its role as enabler and facilitator in the process.

Our partnership approach with business, tourism, education and voluntary sectors has led to a real 'One Place' ethos that has received praise by national government and led to very significant funding opportunities being supported.

National and regional partners

The Council works closely with the West Midlands Combined Authority, Black Country Chamber of Commerce, Black Country LEP, West Midlands Growth Company, Homes England, Midlands Engine and private developers to stimulate regeneration and investment in Dudley.

The Council has been working extensively with our regional partners to secure funding for a variety of major projects; some of which the council are delivering directly or with external partners and stakeholders.

The West Midlands Combined Authority has helped to secure government funding that is helping to drive our economic performance.

The key benefits from the WMCA for Dudley so far include:

- £200m investment into the land remediation fund for the Black Country to bring contaminated brownfield land sites back into use
- Transforming Cities provided funding for the Brierley Hill Metro Extension which will get £208m of the £250m funding available
- New Dudley Interchange Bus Station and highways infrastructure funding
- Dudley Business and Innovation Enterprise Zone DY5
- Funding for the Demolition of Cavendish House to enable the Portersfield Regeneration Development
- Investment for the development of Resonance Music Institute in Brierley Hill
- Development of an Institute of Technology at Dudley College
- Very Light Rail Test Track and Innovation Centre

Meanwhile Dudley's relationship with its nearest neighbours in the Black Country is re-enforced through the Association of Black Country Authorities (Dudley, Sandwell, Walsall and Wolverhampton) which provides a forum for discussion and joint working opportunities for shared objectives, particularly over the economy.

As part of this work Dudley is taking the lead in the development of the Black Country Core Strategy which will identify the land required for housing and employment uses across the four authorities to 2036 in order to secure economic growth in line with the objectives of the Black Country and WMCA SEPs and also ensure we meet the housing needs of our combined communities.

External Consultation & Engagement

Engaging with our communities is vital and we use a variety of face to face and digital channels to keep people informed and get residents involved with their local council.

Dudley Council supports ten Community Forums across the borough as a key mechanism for engagement with local communities. The forums, which meet quarterly and are chaired by local councillors and shared with police colleagues with the aim of communities working together with the council and the police to tackle local issues.

Dudley has also sought to innovate to find other ways to engage with its residents. It runs an online Facebook forum ahead of each round of face to face community forums which give residents direct Q&A with the leader of the council. The Facebook forums won the UK Public Sector Communications Award for Community Relations Campaign of the Year in 2015 and in 2019 received national recognition through the Municipal Journal.

Dudley is one of three Councils that have been selected for the national Innovation in Democracy programme. This is a way to give a voice to local people. Dudley's People's Panel gives members of the public the opportunity, time and space to learn about a topic, before giving detailed recommendations for politicians to consider and respond to. Linked into the Forging a Future vision, Dudley's People's Panel is looking at the topic of the future of Dudley and Brierley Hill town centres.

Targeted engagement with tenants and residents is done through the Housing Service in the form of Tenants and Residents Associations, local estate forums, estate walkabouts, surveys, High Rise Living Forum, networking events and an annual conference.

Dudley Federation of Tenants and Residents Associations is the umbrella group for TRAs across the borough and offers an important link to our communities. Meanwhile Dudley's Housing Board provides a community based scrutiny function of the housing service, to help to ensure that services meet residents' needs and are of the highest standard. The board comprises of up to 11 community volunteers, the cabinet member for housing, communities and residents' welfare, and cross-party councillor representation.

Green Care actively work with 26 Friends of Parks Groups, working together on the development of Parks Management Plans, external accreditations (such as Green Flag) and external grant applications.

Dudley Youth Council/Children in Care Council

Dudley Youth Council and Children in Care Council are supported and resourced by the local authority in order to ensure that young people, in particular those looked after, are working towards;

- Stimulating and improving joint working between young people and decision-makers
- Developing and leading projects that benefit and improve facilities and services within the local area for young people
- Promoting positive images of young people
- Encouraging and supporting young people to become involved in community action
- Acting as a voice for young people's views
- Contributing to oversight and scrutiny

Both groups and their associated projects, including UKYP and Youth Crime Commissioners, work with local authority decision makers in order to contribute to the leadership, governance and future planning within the borough when addressing services for children and young people as well as their wider community.

Organisational leadership and governance

Political arrangements

The Council is divided into 24 three-member wards with election by thirds in three out of every four years. The Council operates under a Leader and Cabinet model. The Cabinet, Cabinet Members and Directors are responsible for most day-to-day decisions within the Council. The Cabinet is made up of the Leader appointed by the Council and up to 9 other Councillors (Cabinet Members) appointed by the Leader. The Council has adopted a written Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

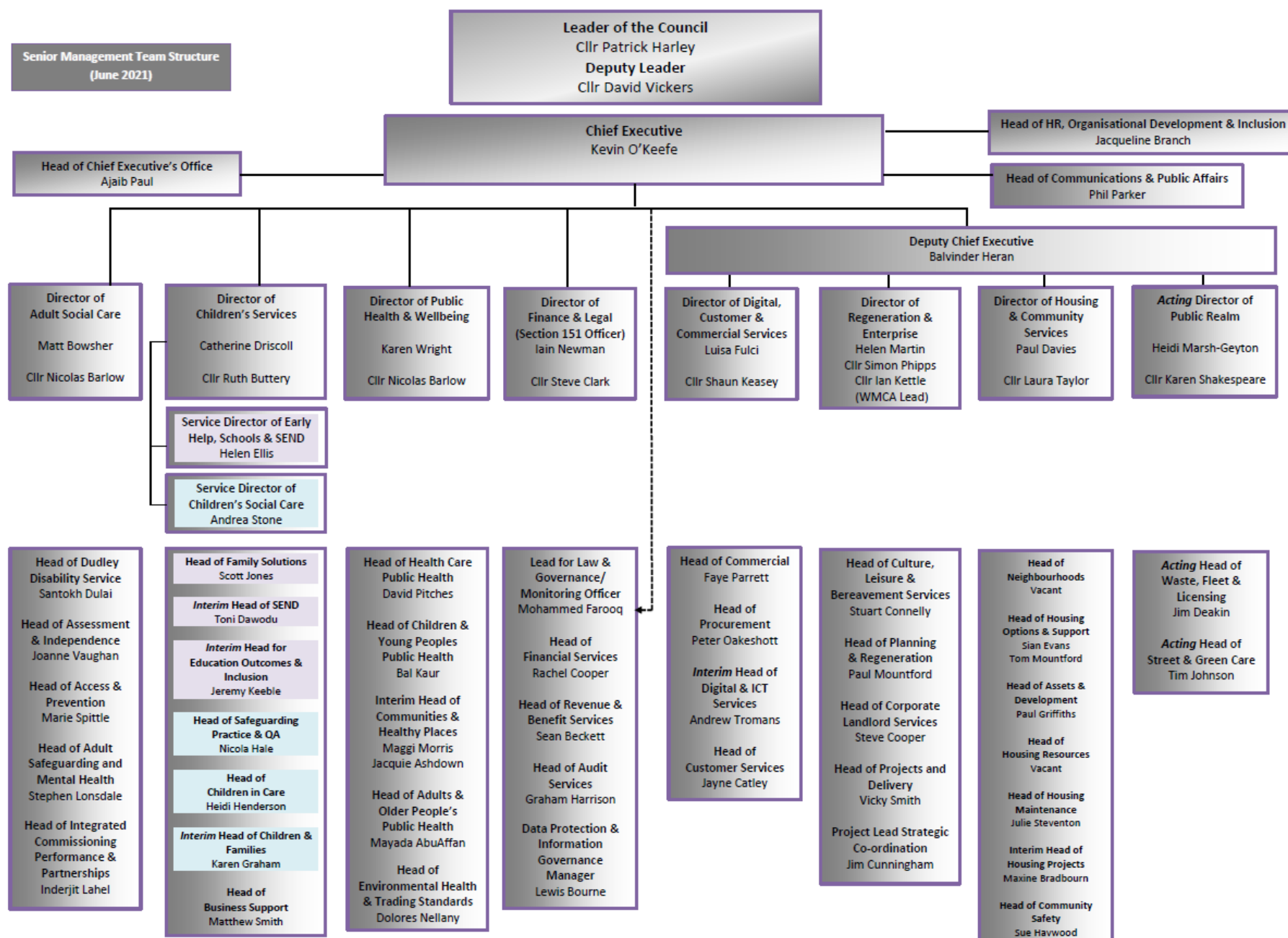
Cabinet portfolios and the delegated responsibilities of Directors are set out in the Constitution. This assists the development of strategy and policy and decision making.

The Council has experienced a number of changes in political control in the past decade. There have been periods of Conservative and Labour administration and from 2016 to 2021 the authority was in no overall control.

The political balance of the Council as at 31st March 2021 was Labour 35 seats and Conservative 34 seats. There were 2 independent Councillors and 1 vacant seat. At the Annual Council meeting in May 2019 a Conservative Mayor was elected who remained in office for the 2020/21 municipal year due to the cancellation of elections during the Covid pandemic in 2020. The Mayor has the casting vote at full Council meetings. The Leader of the Conservative Group was elected as Leader of the Council at the start of the 2019/20 municipal year and remained as Leader for 2020/21.

Senior management arrangements

The Chief Executive is Kevin O'Keefe who has been in post since June 2019. The senior management structure is shown in the following diagram.



Aligning Capacity with Priorities

Our business planning processes are designed to ensure a clear link from the priorities set in the Council Plan, through Directorate Plans and service plans to the objectives agreed with staff at Annual Review discussions.

The Principles underlying the Medium Term Financial Strategy (see below) require that:

- As part of the annual budget review, each identified pressure will be considered in the light of its impact on Council priorities; proposals will be prioritised in terms of their necessity and contribution to the Council's priorities.
- Each year all revenue budgets will be reviewed to assess their contribution to the Council's strategic aims. As a result of the above, proposals will be brought forward for savings in light of the Council's overall financial position.

Resources - Finance

Background

- Our Settlement Funding Assessment per head is above the national average, but our Council Tax is well below average and so our actual spending per head is below average.
- We have a low level of un-ringfenced reserves - 16% of net expenditure against the national average of 45% (31st March 2020).
- We have an effective treasury management strategy with a Net Average Borrowing Rate of 3.71% compared to a benchmarking group average of 4.86% (31st March 2020).

Medium Term Financial Strategy (MTFS)

For accounting and financial management purposes, the Council's expenditure and income is split by law between the Housing Revenue Account (HRA) which covers Public Sector Housing (Council Houses) and the General Fund which covers all other activities.

The Council has separate Medium Term Financial Strategies (MTFSs), but with the same underlying principles, covering its HRA and General Fund. The principles underlying the MTFS apply to all aspects of Council activity, including the Housing Revenue Account (HRA).

General Fund MTFS

The current General Fund MTFS covers the period up to 2023/24. It was approved by Council in March 2021, following consultation on and scrutiny of initial proposals agreed by Cabinet in December 2020. It can be summarised as follows.

	2021/22	2022/23	2023/24
	£m	£m	£m
Total Service Spend	271.3	266.6	274.4
Total Resources	263.0	261.1	269.0
Deficit	8.3	5.5	5.4
Balances brought forward	24.5	16.2	10.7
Balances carried forward	16.2	10.7	5.3

The General Fund MTFS assumes that Council Tax increases by 4.99% in 2021/22 and 1.99% in subsequent years.

The budget for 2021/22 require a contribution of £8.3m from unearmarked balances. Based on income and spending forecasts, contributions would also be required in future years of the MTFS.

The Government has indicated that it will take stock of the previously proposed funding reforms (Business Rate Retention and Fair Funding Review) in the context of the position in which the sector now finds itself, both with regard to the impact the pandemic has had on the resources available to councils, and the demands on local services. This is a very significant area of risk and uncertainty. The MTFS assumes that underlying Government funding continues to increase in line with inflation in 2022/23 and 2023/24.

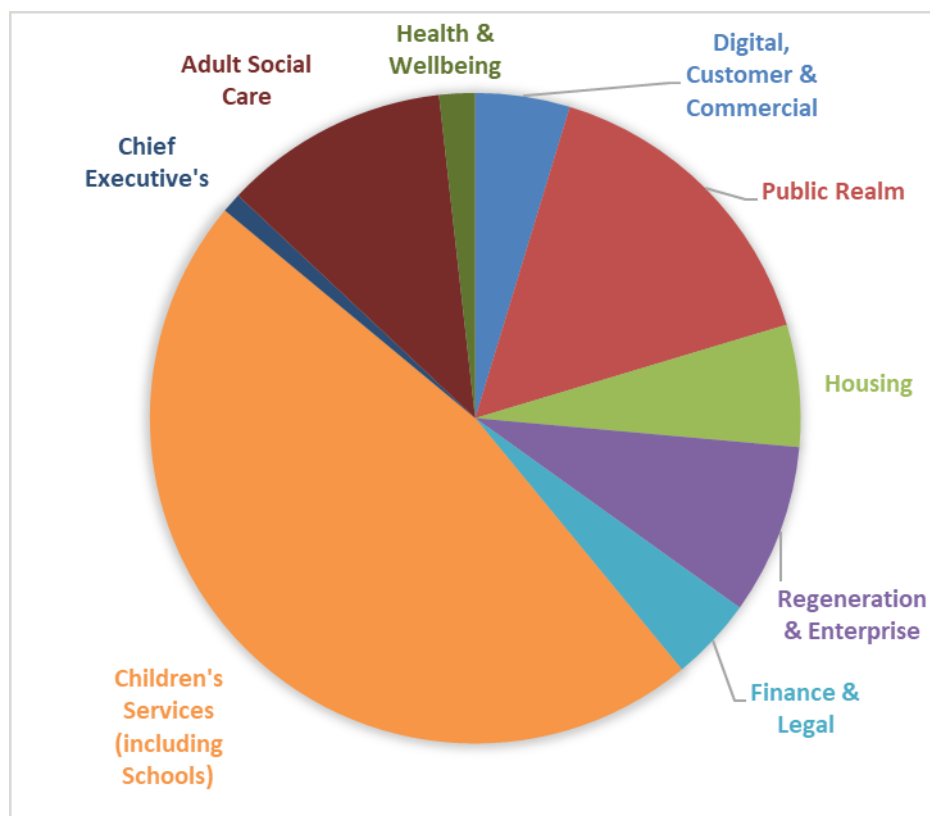
Housing Revenue Account MTFS

The Housing Revenue Account MTFS covers a five year period and is complemented by a thirty year Business Plan and the Housing Asset Management Strategy 2019 - 2029. The key elements of the Strategy are to:

- maintain the Decent Homes Standard;
- provide high quality affordable housing to provide safe homes that people want to live in and meet our diverse housing needs;
- manage our stock strategically to ensure future viability of affordable housing;
- improve the energy efficiency of the housing stock and address fuel poverty;
- invest in housing stock and minimise the number of void properties;
- review the suitability of the housing stock and explore the feasibility of new build to increase stock and / or replace properties that are in poor condition or that do not meet modern requirements;
- improve the offer for supported living to meet the needs of an aging and vulnerable population;
- address the housing and community needs of our residents and estates, particularly around health and wellbeing, addressing fuel poverty and promoting independent living;
- deliver community and estate regeneration, improving quality, sustainability and safety;
- ensure value for money through our housing services – maximising resources, income and opportunities for commercialism supported by efficient procurement;
- provide opportunities through construction to create jobs, employment, apprenticeships and training opportunities, making a positive impact on the economic prospects for the borough for businesses and individuals;
- set rents having regard to government rent policy for social housing and our investment needs;
- support the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment.

Resources - People

As at 31st March 2021 the Council employed 6,304 Full Time Equivalent Staff across its Directorates:



Our people resource is crucial to the successful delivery of the Council's strategic objectives, and through the People Strategy the Council sets out the organisational culture it intends to cultivate to enable our workforce to achieve and sustain excellence in all areas of work, with a specific focus on the following 5 priorities.

- Attracting, recognising, and retaining talent
- Developing a high performing workforce
- Delivering inspirational leadership
- Building a diverse, engaged, inclusive and healthy workforce
- Fostering a thriving learning culture which embraces change

Resources – Physical Assets

As at 31st March 2021, the assets used by the Council to provide services included:

51 Primary Schools and 1 Nursery School
 4 Secondary Schools
 7 Special Schools
 1 Pupil Referral Unit
 1,210 km of highways, 32,921 street lights and 4,399 illuminated traffic signals
 3 Leisure Centres
 Almost 21,400 Council Houses and Flats
 2 multi-storey, 1 two-storey and 60 other car parks

The Council has a Corporate Estate Strategy which reflects the key Council Plan aims, recognising that good asset management should help the Council to

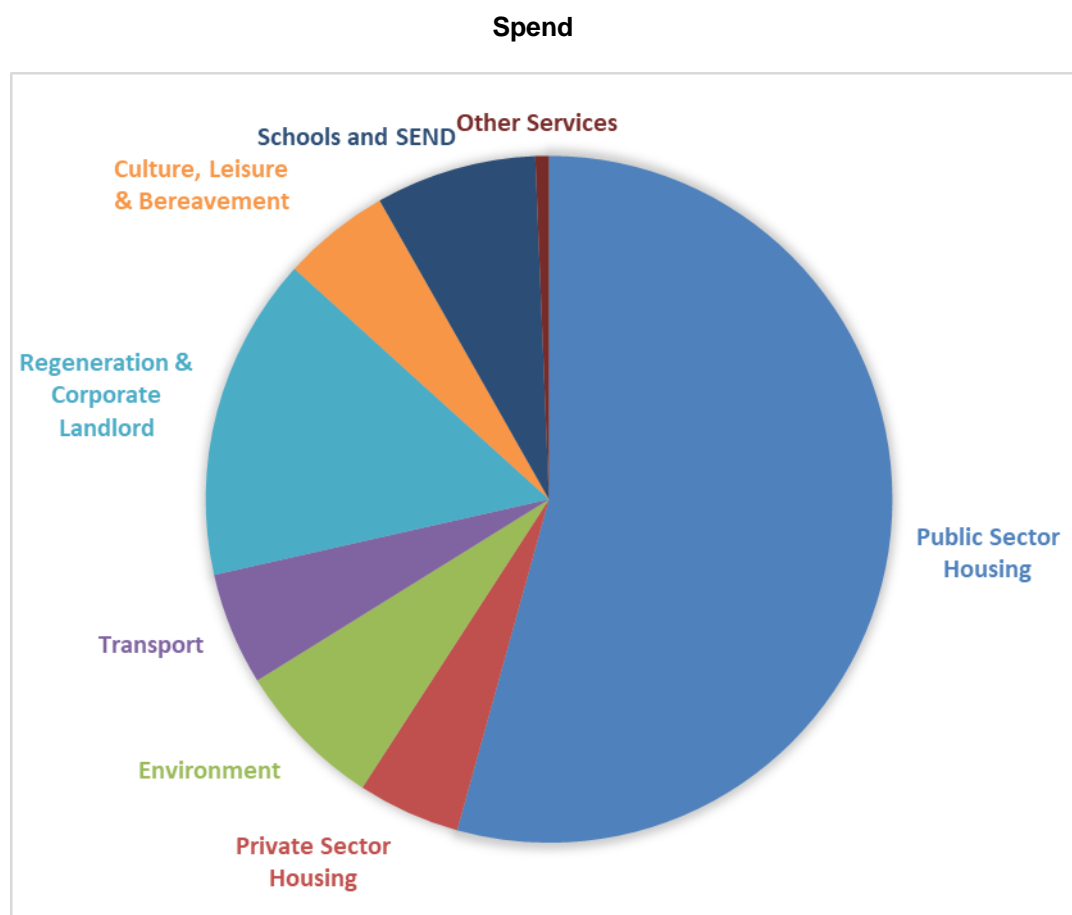
- Empower communities and engender civic pride;
- Improve the economic wellbeing of an area;
- Increase co-location, partnership working and the sharing of knowledge;
- Reduce carbon emissions and improve environmental sustainability;
- Prioritise and align resources with the Customer Connect initiative to deliver exceptional services for citizens of and visitors to Dudley.

The Estate Strategy comprises 3 main parts:

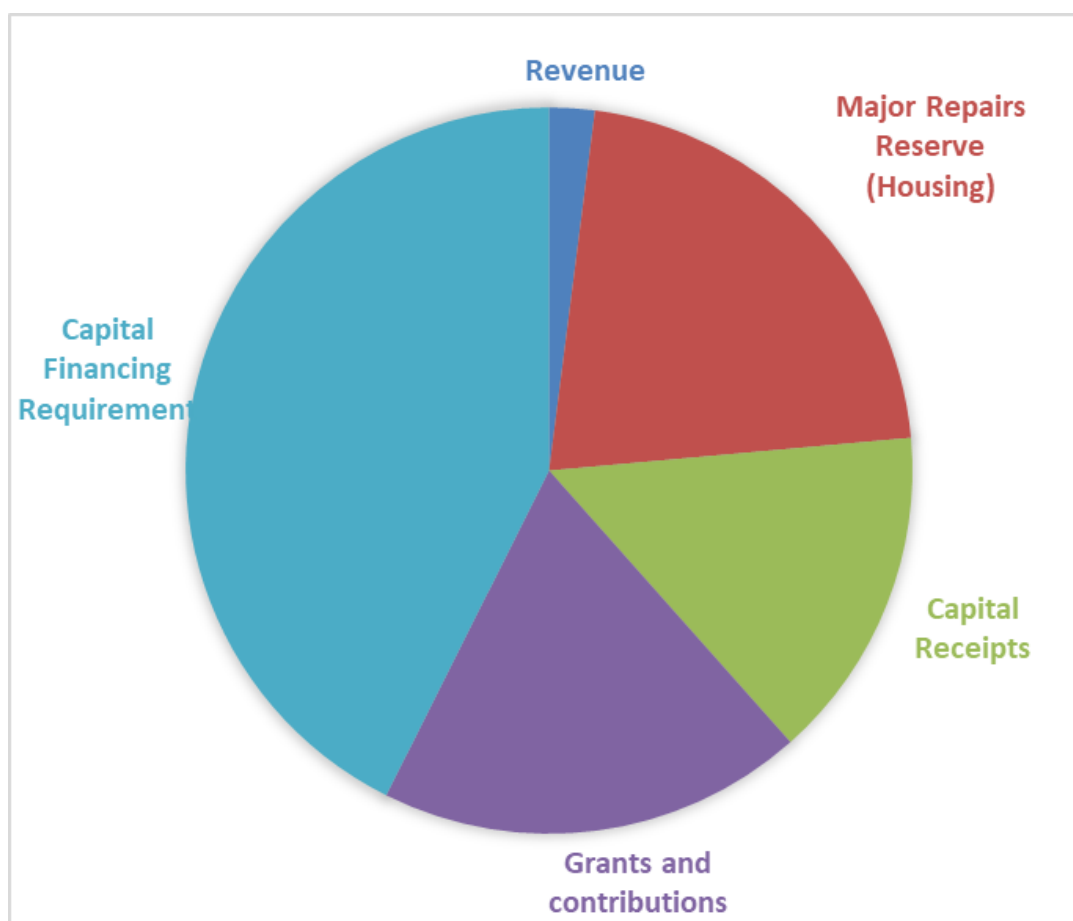
- The current position of the Council's estate.
- Its desired future position.
- How we propose to deliver it.

It will facilitate proactive management of the Council's assets and generate ongoing savings and/or new revenue income.

Taking into account the Council's capital grant allocations, together with affordable levels of "prudential" borrowing and locally generated capital resources in the form of capital receipts and contributions from revenue budgets, the current 3 year Capital Programme (2021/22-2023/24) totalling £353m and its funding is as follows:



Funding



Capital Investment Priorities

The Council's current capital investment priorities, including those where it is working in partnership, are as follows, as set out in the Capital Strategy agreed by Council in February 2021.

Public Sector Housing

Priorities:

- Planned programmes of expenditure to keep our homes in good order by providing efficient investment in key building components such as roofs, electrics, kitchens and bathrooms;
- Ensuring that as many of the Council's homes as are economically viable are available for occupation to a reasonable standard;
- Improving fuel poverty and energy efficiency for residents and contributing towards decarbonisation and the climate change emergency;
- Delivering social care programmes in residents' homes and improvements in sheltered schemes which increase the ability for residents to live independently in their own homes;
- Delivering regeneration, environmental and community safety improvements to our estates;
- Strategic stock investment and de-investment programmes in accordance with the Housing Asset Management Strategy 2019 – 2029 and providing necessary investment at affordable levels for communal facilities in flatted developments;
- Providing new affordable social housing within the borough;
- Providing an efficient repair service to undertake all statutory and compliance responsibilities, cyclical and routine maintenance.

Private Sector Housing

Priorities:

- Continued use of loan, grant and other forms of financial solutions to assist vulnerable occupiers living in the private sector to remain independent in their homes through property repair, improvement and adaptation;
- Winter Warmth / Energy Advice Service providing advice, practical support, equipment and repairs to ensure all vulnerable occupiers keep warm, healthy and heat their homes efficiently;
- Continued use of loan, grant and other forms of financial solutions to bring long term empty private properties back into use;
- Sustaining our improved performance in delivering adaptations for disabled persons through use of Mandatory Disabled Facilities Grants;
- Provision of rent deposit guarantees / loans to private sector landlords / potential tenants to facilitate access to accommodation for persons in need;
- Developing homes for private sale.

Highways and Transport

The Transport Capital Programme supports maintenance and improvement works on the Council's highway infrastructure and its associated assets, including street lighting, the repair and maintenance of pavements and public rights of way, structures, bridges and retaining walls.

Through effective asset management, the Council will continue to maximise opportunities offered by new technology using innovative ways of maintaining and improving its highway network.

By working with the Department for Transport, Transport for the West Midlands and the wider Combined Authority, West Midlands partners, local partners and the community, external funds will continue to be sought for existing and new projects. We will also, using Government Grants, continue to invest and improve the Borough's transport networks to ensure their safety, efficiency and minimise their environmental impact particularly associated with traffic congestion and air quality.

Current priorities:

- Delivery of the Highway Maintenance Programme for roads and pavements;
- Investment in the Street Lighting Infrastructure (to generate greater energy efficiency);
- Works on highway structures, bridges and retaining walls;
- Integrated Transport (minor schemes designed to improve the safety and increase the capacity of the highway network and encourage sustainable modes of travel);
- Completion of major and minor highway schemes and other projects.

Economic Regeneration

External funds are maximised to support the delivery of key economic regeneration projects and initiatives. This includes the Heritage Lottery Fund, European Regional Development Fund (ERDF), Growing Places, Local Growth Fund, Get Building, Future High Streets Fund and Towns Fund, and funding accessible via the West Midlands Combined Authority.

External Funding has already been secured to support the regeneration of Dudley Town Centre through the Townscape Heritage Initiative, for the development of Castle Hill as a major tourism cluster and to deliver public realm improvements in Dudley Town Centre.

The Council will seek to maximise the use of external funds through its engagement in the preparation and delivery of the Black Country Strategic Economic Plan, Black Country European Union Structural and Investment Fund Strategy and the West Midlands Combined Authority Strategic Economic Plan for key strategic projects.

The Metro Extension through Dudley to Brierley Hill is potentially an economic regeneration game changer for Dudley. It will help to realise the following key benefits:

- Support our housing regeneration priorities through improved connectivity to areas of housing development opportunity;
- Support economic regeneration by improving accessibility to major employment sites including Castle Hill; Dudley Town Centre; our emerging DY5 Enterprise Zone; the Merry Hill Centre; Brierley Hill Town Centre as well as improving access to key visitor attractions such as the Black Country Living Museum and Dudley Zoological Gardens ;
- Encourage modal shift from private car by delivering a high quality and reliable public transport service;
- Support an integrated transport network through providing seamless interchange

The Council is working with Transport for West Midlands (TfWM) to facilitate delivery of the Metro and this may also involve capital expenditure on Urban Realm and Highways measures to complement the Metro

TfWM is also proposing the creation of a new Transport Interchange for Dudley Town Centre which will replace the existing Bus station and link with Metro and potentially Sprint. A planning application has been submitted and TfWM are seeking financial support through the West Midland Combined Authority Transforming Cities, the Black Country LEP and the Council.

A recurring budget funded mainly by borrowing will be used for structural maintenance of Council buildings which cannot be met from other resources. Projects arising from the Council's Estate Strategy, including those in pursuance of the "One Public Estate" strand of the Council's Transformation agenda will also be progressed subject to value for money assessment.

Environmental Services

Current priorities are:

- redevelopment of the Lister Road Depot;
- possible alternative sites for the Household Waste Recycling Centre;
- ongoing programme for replacement of vehicles used to deliver services including exploring wider use of electric vehicles;
- delivery of the Green Spaces Asset Management Plan;
- promote and develop our open spaces and nature reserves through Geopark status and accreditation;
- develop a new sustainable Waste Strategy that is compliant with the emerging national picture.

Cultural

Current priorities are:

- replacement of Dudley Leisure Centre and major upgrading of Halesowen and Stourbridge Leisure Centres;
- refurbishment of Dudley Town Hall.

Schools

The key investment priorities for the use of available capital resources (mainly funded by a number of Government grants) are:

- Maximise the efficient and effective use of resources in collaboration with partners to improve service delivery.
- To work in joint partnership with schools to target available resources in accordance with the asset management programme.
- To address the backlog of urgent repairs and maintenance identified by condition surveys for all schools using fair and transparent prioritisation processes.
- To continue to address the issues of Basic Need requirements ensuring sufficient school places across the primary and secondary schools sector (maintained and non-maintained) through effective place planning processes.

- To continue to develop the infrastructure required to improve the Special Educational Needs (SEN) provision including the issues of Basic Need requirements ensuring sufficient school places for Special Schools in line with the SEND Strategy.
- To continue to maximise bidding opportunities for external funding to replace or upgrade those school buildings with the most urgent need as identified by the principles of Asset Management Planning.
- To continue addressing issues regarding access for disabled persons to all buildings and to ensure appropriate Accessibility Plans are in place for all schools in line with latest regulations.
- To ensure the continuing delivery of the Directorate's asset management plan in accordance with DfE requirements especially for the collation of robust data on school places and condition.
- To ensure revisions to regulations and guidance for school buildings are adhered to and complied with.
- To address effectively issues relating to health and safety, including fire risk, asbestos, legionella and site security.

Social Care, Health and Well Being

Working in partnership to address the Borough's Extra Care Housing needs.

Commercial and Customer Services

Ongoing programme for replacement and upgrading of ICT infrastructure used to deliver services.

Resources - ICT

The Council has made major investments in equipment and software to enable remote working as part of the Covid-19 pandemic response, including:

- Over 1000 laptops have been delivered;
- VPN technology deployed on Council devices allowing remote connection to our network, and support for connections from personal equipment via Citrix secure gateway;
- Deployed Microsoft Teams for remote meetings, collaboration and messaging to all Council staff able to access our network;
- Provided support materials for staff working from home, and for new products and services on a User Support intranet site;
- Made use of Teams for public meetings, including all Council committee and full council meetings;
- Move to 'softphone' technology, using Jabber rather than physical handsets for internal and external calling;
- Upgraded firewalls to cater for increased VPN use by remote workers;
- 66% increase in use of 'myMail' service for centralised printing and mailing to replace use of franking machines;
- Expanded electronic and automated telephone payment methods for payers previously using cash kiosks;
- Developed bespoke website pages on dudley.gov.uk;
- Provided a number of online forms for disbursement of various grants and booking of appointments.

We have also:

- Implemented a dark-fibre wide area network;
- Continued to replace older Windows hardware with modern replacements;
- Commissioned training in cyber security;
- Secured a grant for the improvement of technical backup facilities;
- Supported the implementation of the Successor project on new hardware;
- Implemented a major upgrade to a number of Housing key business systems.

Risks

A number of Corporate Risks have been identified which are generally acknowledged as being the most significant facing the Council. Strategic Executive Board, and the Audit and Standards Committee receive reports on Corporate Risks at least 3 times per annum and in addition, all Directors review risks on a quarterly basis. Audit and Standards Committee also approves the Risk Management Strategy. Current Corporate Risks are as follows:

-
- There is a risk that various changes to welfare and benefits systems could place people at risk and increase pressures on statutory services.
 - Risk of failure to protect adults in positions of vulnerability due to increasing demand, changing patterns of abuse (e.g. exploitation) and reducing resources
 - Risk of failure to protect children in positions of vulnerability, due to increasing demand, changing patterns of abuse (e.g. exploitation) and reducing resources.
 - Failure to have in place effective arrangements for managing health and safety leading to risks to council staff, service users and visitors to council premises
 - Risk of insufficient funding streams or failure to successfully bid for funds due to capacity and experience within the Team which could result in restrictions in regeneration activity.
 - Failure to adhere to the Equality Act 2010 and Public sector Equality Duty could result in reputational and legal consequences which could impact on recruitment and retention.
 - Failure to effectively implement the Local Outbreak Management plan will result in a rising infection rate, greater economic distress and increased deaths.
 - Failure to embed carbon reduction in all aspects of the Council's operation will result in the inability to achieve carbon neutral aspiration by 2041.
 - Failure to address the actions in the internal audit report may result in staff not being paid or not being paid correctly
 - If the council is unable to stay Payment Card Industry Compliant (P.C.I), several risks may arise/be incurred: financial penalties, reputational damage and the council's approach to income collection impeded.
 - Following the UK's exit from the European Union, risks remain in respect securing satisfactory international trading arrangements and agreements with the constituent states of the EU, the USA and other countries worldwide.
 - The council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available.
 - The council may fail to; assess the importance of information to the business and may be unaware of the potential impact on the organisation should the confidentiality, integrity or availability of information be compromised.
 - The council acknowledges that there is a risk of fraud across all areas of its operations and is working both internally and with external partners to prevent and reduce this risk.
 - Risk of failure to meet the Regulator of Social Housing "Consumer Standard".
 - Failure to adopt the good practice recommended by the National Cyber Security Centre could mean our networks and systems are unsecure and are open to attack resulting in possible data breach and loss of systems/facilities.
 - Failure to clarify objectives and resource requirements appropriately will result in the digital platform programme not delivering efficient services and a better experience for customers.

Income and Expenditure 2020/21

The accounts distinguish between revenue and capital expenditure. Revenue spending is generally on items which are used within a year. Capital spending is expenditure on the acquisition of new assets or which adds value to existing assets or which extends the life of the asset beyond one year and where it is appropriate to spread the costs across the tax and rent payers who will be receiving benefits over more than one year. Revenue expenditure therefore includes costs such as those of repayment of borrowing arising from capital expenditure in previous years.

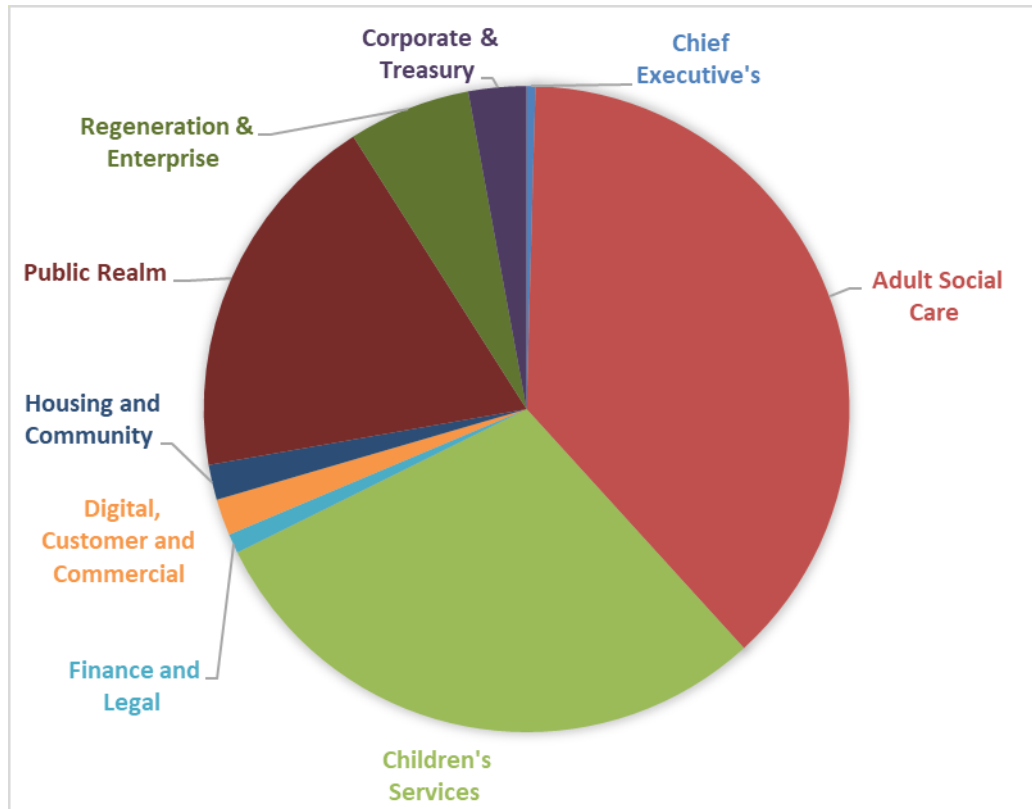
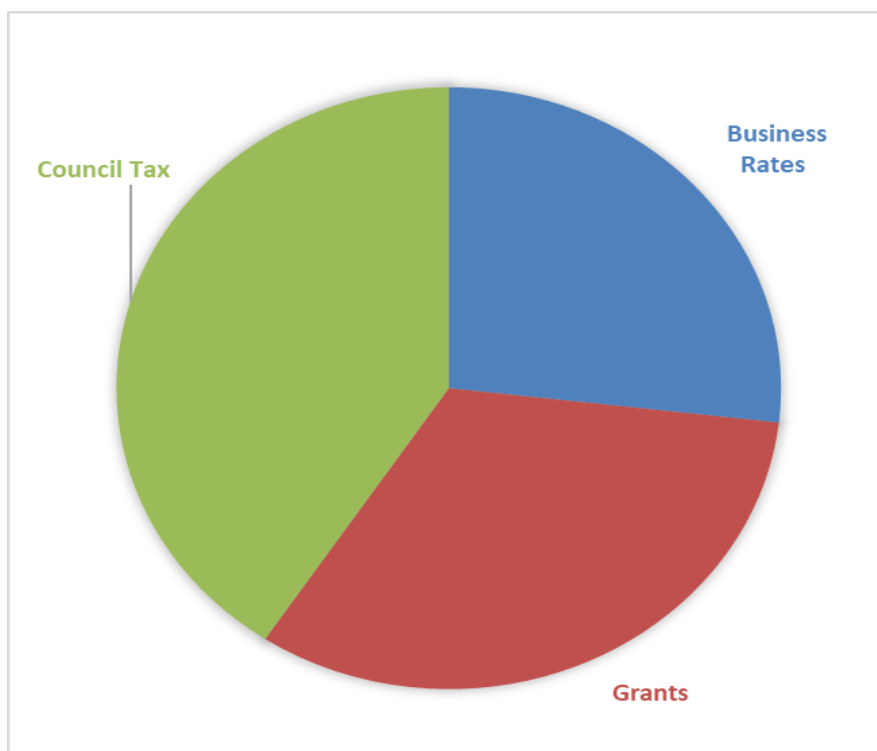
2020/21 was a "roll forward" settlement with significant additional funding directed to Adults and Children's Services via a Social Care Grant. However, the whole of 2020/21 was severely impacted by Covid 19 which resulted in the Council receiving up to 31st March 2021 £33.9m of unringfenced funding, £80.4m for specific increases in expenditure and support by the Council and £82.0m to be directed on behalf of Government Departments to individuals and businesses in the local area.

	£m
General Covid-19 grant	25.9
Compensation for loss of Sales, Fees and Charges	5.8
Local Tax Income Guarantee	2.2
Total unringfenced grants	33.9

"Section 31" compensation for additional Business Rates relief	45.5
Small Business Grants Fund (SBGF), Retail Hospitality and Leisure Grants Fund (RHLGF) & Discretionary Business grants	58.4
Local Restrictions Support Grant	20.1
Additional Restrictions Grant (ARG) discretionary grant to support businesses	9.3
Wet led pubs support payments	0.2
Infection control - Care Homes	5.6
Adult Social Care Rapid Testing Fund	0.6
Staffing in care homes	0.8
Support from Clinical Commissioning Group (CCG) for hospital discharges	2.1
Hardship Fund to fund additional Council Tax relief	3.0
Test and Trace Support Payment for those on low incomes when requested to isolate	0.6
Emergency Assistance Grant (food and essentials)	0.4
Winter Grant Scheme (mostly ringfenced for food and bills)	0.8
Holiday activities and food programme	0.1
Test, Track and Trace	1.9
Test and Trace discretionary element	0.4
Compliance and Enforcement	0.2
Contain Outbreak Management Fund (COMF)	8.1
Clinically Extremely vulnerable	0.4
Lateral Flow Testing	0.6
Education - Catch up premium	1.1
School Emergency Support	0.3
Next Steps Accommodation Programme (Homelessness and Rough Sleeping)	0.1
Emergency Active Travel	0.3
Reopening High Streets fund	0.3
New Burdens- administration funding	0.5
Mental Health support for schools	0.1
National Testing programme	0.1
Home to School & College transport	0.5
Total ringfenced grants	162.4

Revenue Spend in 2020/21**General Fund**

The split of the Council's net General Fund service expenditure and corporate funding is as follows.

Spend – total £258.4m**Funding – total £318.0m**

The excess of funding over expenditure of £59.6m was transferred to earmarked reserves (£46.4m) and general balances (£13.2m). Spend compared with budget for each service and corporate funding is as follows.

	Budget	Gross Outturn	Transfers to/(from) earmarked reserves	Net Outturn	Variance
	£m	£m	£m	£m	£m
Chief Executive's	0.8	1.2	-0.6	0.6	-0.2
Adult Social Care	97.3	99.6	0.3	99.9	2.6
Children's Services	71.4	77.5	3.0	80.5	9.1
Health and Wellbeing	2.9	-5.0	6.1	1.1	-1.8
Finance and Legal	3.8	2.5	0.8	3.3	-0.5
Digital, Customer and Commercial	0.8	4.8	-0.5	4.3	3.5
Housing and Community	4.7	4.6	0.2	4.8	0.1
Public Realm	48.0	49.4	0.1	49.5	1.5
Regeneration & Enterprise	12.0	16.1	0.1	16.2	4.2
Corporate & Treasury	8.3	7.7	-0.2	7.5	-0.8
Total Service Costs	250.0	258.4	9.3	267.7	17.7
Business Rates	-85.3	-85.3	0.0	-85.3	0.0
Grants	-35.4	-103.4	37.1	-66.3	-30.9
Council Tax	-129.3	-129.3	0.0	-129.3	0.0
Total Corporate Funding	-250.0	-318.0	37.1	-280.9	-30.9
Net = Use of / Addition to (-) General Fund Balance	0.0	-59.6	46.4	-13.2	-13.2

Main reasons for variances were:

- We have identified £13.7m of service pressures arising from Covid-19 and we have received £30.9m of unringfenced Covid-19 funding for 2020/21 which will generate a net favourable variance of £17.2m. This does not include pressures on Business Rates and Council Tax income
- There are pressures arising from Children Looked After placements totalling £4.7m
- The Successor project is forecast to cost an additional £1.1m.
- Delayed deployment of budgetary growth has generated mobilisation savings of £0.9m within Public Realm.
- The budget included provision for a 2% staff pay award, but this has now been settled nationally at 2.75% which represents a £1.0m cost pressure.
- Due to slippage in the Council's borrowing requirement there are £1.0m savings in debt financing costs.
- Release of the £2m contingency provision from the original budget.
- An adverse variance of £0.3m in the provision for bad debts.
- Unbudgeted legal costs £0.3m.
- Other net pressure of £0.5m.

HRA

HRA net income of £0.9m (before transfers to earmarked reserves) compared with budgeted net expenditure of £0.3m. Main reasons for the variance include:

- Income from dwelling rents improved by the end of the year, following an increase in arrears during the pandemic.
- Additional income was received relating to grant funding and other non-rental income.
- The full budget to top up Discretionary Housing Payments was not required.
- Savings on Repairs and Maintenance as a result of slippage of works owing to the pandemic
- Other favourable variances included vacancies.
- As a result of the improved position, we were able to add to the revenue contribution to capital, supporting future investment in our properties.

What we spent the money on

In addition to managing and maintaining the Council's assets such as Schools, Highways, and Council Housing, as set out above, key outputs and outcomes included:

629 children looked after;
 22,481 children educated;
 4,472 adults receiving care;
 Refuse collected weekly from over 138,000 properties; green waste collections from over 132,000 properties fortnightly from April to November; kerbside recycling from over 136,000 properties fortnightly;
 Over 1,000 incidents of graffiti and 1,000 incidents of fly tipping dealt with;
 Over 900 potential homelessness cases prevented;
 Over 5,500 licenses issued;
 Almost 7,000 trees inspected and work carried out on over 2,500 trees;
 Over 12,000 new claims for benefits processed, together with over 133,000 notifications of claimants' changes in circumstances;
 3627 cremations carried out, and 687 burials (including cremated remains);
 10,700 Covid business grants totalling £82.3m.
 20,300 Covid council tax hardship payments totalling £2.8m.
 1160 Covid test & trace isolation payments totalling £0.6m.

In addition to the above, we have successfully worked jointly with our local partners, organisations, businesses and public to implement our response to the Covid pandemic through:

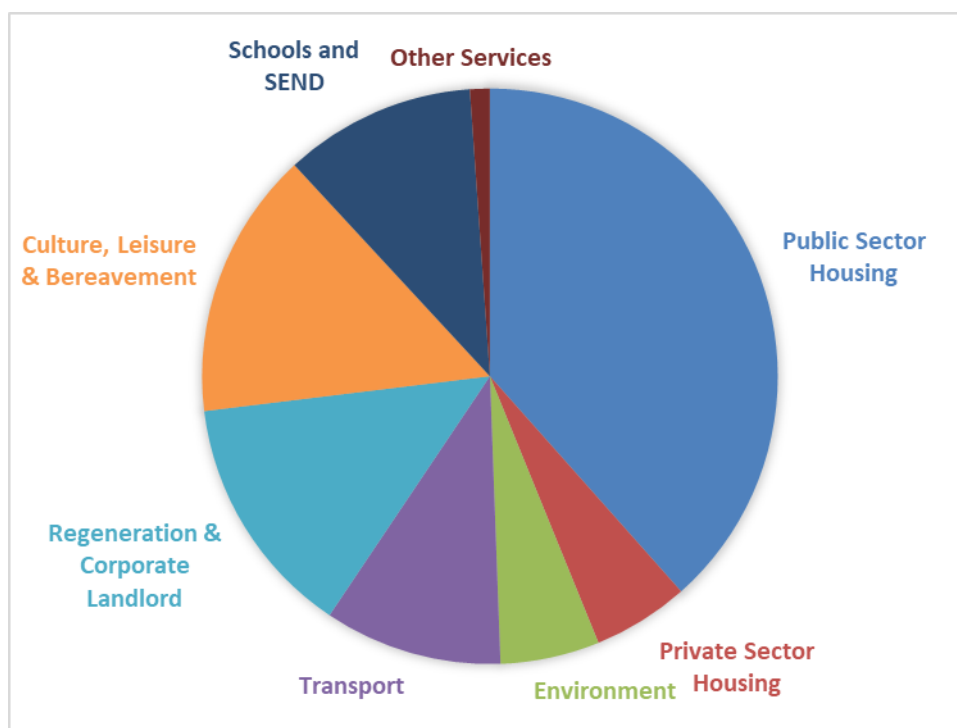
- creating effective agile systems for sharing hard and soft intelligence at a local, subregional and regional level to inform actions to best protect and support our local communities.
- undertaking a comprehensive and agile communications and engagement to build trust and participation in the response.
- continuing to provide key council services to our residents.
- agreeing a process for data sharing between key local and regional organisations and data integration from a number of sources. Through automation of data reporting we have been able to provide rapid and frequent data reports to all partners. This has ensured that we are able to identify issues, trends, outbreaks at an early stage. As a result, we have responded to concerns in a timely fashion and reduced the risk of transmission.
- ensuring that our frontline and key workers have access to testing. Establishing local testing sites where infection numbers were highest and testing rates were low. We were one of the first areas to be roll out asymptomatic testing in the community. We have rapidly extended the testing access by introducing testing in pharmacies. This model is being replicated in other areas now.
- providing a local seven day contact tracing offer which has resulted in an increase in success rates for contacting residents who tested positive and supporting them effectively. We have demonstrated the importance of understanding our local community to connect with and support people.

- providing guidance, support, communications, we have established strong working relationships with our high risk settings and locations and have developed a system wide approach to the issues of Covid-19. Working as a single voice to get message and guidance has ensured that settings can implement Covid-19 secure measures and respond effectively to outbreaks.
- supporting schools and businesses to re-open in a Covid-19 secure manner including rolling out of asymptomatic testing and assisting with putting infection prevention and control measures in the settings.
- providing a community response to Covid-19 in the borough through working with voluntary and community groups and the volunteer sector to mobilise essential social support for the most vulnerable.
- supporting self-isolating individuals who are not eligible for government grant through Dudley local welfare and discretionary grants.
- establishing a team of Covid-19 business advisors to visit public-facing businesses including shops, banks, takeaways and hairdressers to offer advice and support.
- establishing Covid-19 Community Champions programme, with nearly 200 local people, disseminating key messages and feeding back from their networks to inform the Covid-19 response.

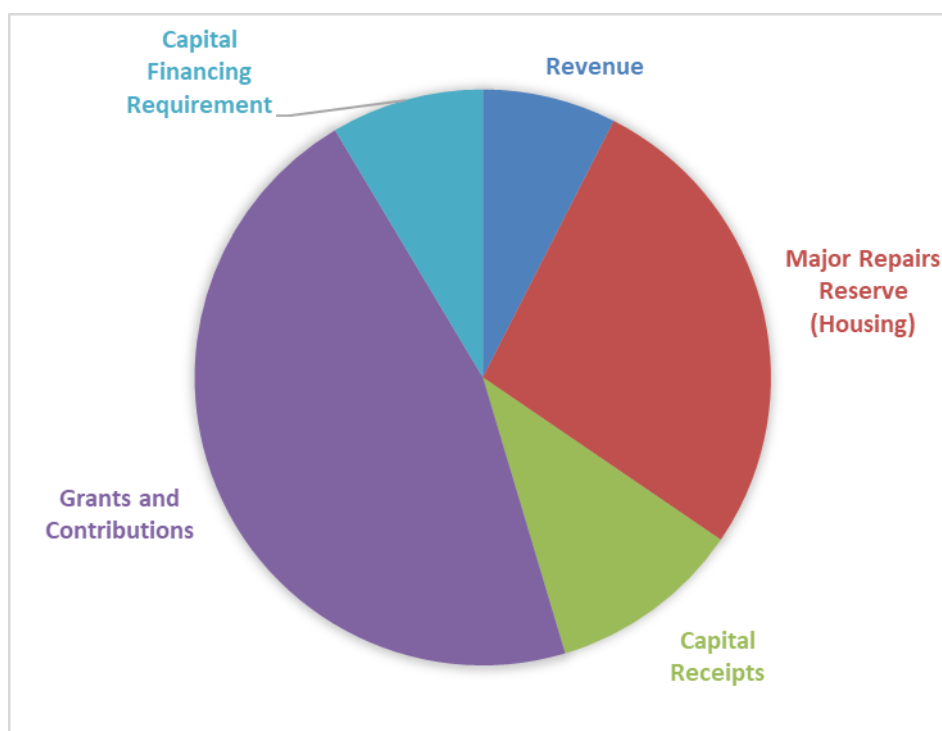
Capital Spend in 2020/21

The breakdown of the Council's total capital expenditure of £89.1m in 2020/21 is shown below.

Spend



Funding



Capital projects completed, or substantially completed, in 2020/21 included the following schemes.

- Public Sector Housing:
 - 38 new council homes completed, with 55 new homes started on site
 - Over 4,700 existing homes having some form of capital improvement:
 - o Around 400 bathrooms;
 - o More than 500 kitchens;
 - o Over 700 electrical improvements;
 - o 40 dwelling and 2 blocks re-roofed;
 - o Just under 770 new windows to 200 homes;
 - o Over 850 new external fire doors, and 540 external composite doors to dwellings;
 - Over 760 homes (just over 3.5% of the council's housing stock) benefitted from energy saving fuel poverty measures, including almost 370 new modern efficient boilers. The average SAP rating of the council's housing stock has remained at 71.
 - The independent living programme adapted 201 homes for persons with a disability.
- Private Sector housing:
 - 89 Housing Assistance Grants for emergency safety improvements;
 - 215 Disabled Facilities Grants schemes completed.
- School projects:
 - Huntingtree Primary School – replacement of Key Stage One Building;
 - Howley Grange School - curtain wall windows;
 - Cotwall End School - new roof;
 - Maidensbridge School - roofing project;
 - Old Park Primary School - ventilation units.
- Refurbishment of Children's Care Home at Maitland Road.
- Social Care IT System (Liquid Logic) - Phase 1 completed.

- Installation of 2,450 LED lanterns on Main Road Street Lighting to improve energy efficiency and replacement of 475 Lighting columns.
- Ongoing replacement programme of the Council's fleet of vehicles.
- Reconstruction of 0.9km of classified roads and 14.8km of unclassified roads. Surface treatment to 3.3km of unclassified roads. Reconstruction of 14.9km of footway on unclassified roads.
- 8 pedestrian crossings upgraded.
- Stourbridge Crematorium upgrade project completed Dec 2020. The work included upgrading the cremators and extending the chapel ensuring an increased seating capacity.
- Relocation of CCTV Control room from adjacent to Sedgley Police Station to ground floor accommodation at 7 St James Road. The works used existing office space, following extensive refurbishment, to form a dedicated CCTV control room and Emergency Planning Hub.
- Completion of retaining wall and associated earthwork banks to allow the Wednesbury Brierley Hill Extension Metro line to pass adjacent to the Very Light Rail National Innovation Centre Building site.

Performance

Performance against targets is reported quarterly to the Strategic Executive Board and to the Corporate Scrutiny management Board.

Reports focus on the priorities contained in the Council Plan and provides a detailed review of the progress of the quarterly corporate key performance indicators on a balanced scorecard model. These Performance Indicators and parameters aid early indication of change; these are sufficiently in our control to effectively be actionable to promote improvement. The indicators in this category are either business critical to the Council meeting its core priorities or are areas of particular concern to Strategic Executive Board/ Cabinet at the present time where change and improvement are required.

There are 34 quarterly and 11 annual Key Performance Indicators, which monitor the progress of the delivery of the Council Plan 2019-22. The table below summarises performance against targets, and trend, comparing Quarter 4 2020/21 against Quarter 4 2019/20. For example the first figure shows that 9 performance indicators are on target and improving, and so on.

Performance Is...	On Target	Tolerant	Below Target	Total
Improving	9	2	3	14
Consistent	5	0	0	5
Worsening	8	2	10	20
New KPI	3	0	2	5
Delayed Data	-	-	-	1
Total	25	4	15	45

Statement of Accounts 2020/21

The pages which follow are the Authority's final accounts for 2020/21, and comprise the **Core Statements**:

- Movement in Reserves Statement (MiRS)
- Comprehensive Income and Expenditure Statement (CIES)
- Balance Sheet .
- Cash Flow Statement

The Core Statements are followed by **supporting and disclosure notes**, which:

- gives more detail behind the figures in the accounts;
- outline the judgements and estimates used in preparing the accounts;
- explain the accounting policies which have been applied.

The remaining statements are regarded as subsidiary to the core statements:

- **Housing Revenue Account** - this reflects a statutory obligation to account separately for local authority housing provision. These accounts are fully included within the main Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement.
- **Collection Fund** - This shows the transactions of Dudley as a billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to precepting authorities and to Dudley's General Fund.

The **Annual Governance Statement** accompanies the published Statement of Accounts, but is not part of it.

General Principles of Accounting Policies and Changes for 2020/21

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The Council is required to prepare an annual statement of accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS). Some necessary roundings remain.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

No changes introduced by the 2020/21 Code significantly affect the Council.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other, known as unusable, reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This true cost is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the change in the year to the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2020/21	Unearmarked General Fund Balance (including Schools Budget surplus / deficit at 31/3/20) £'000	Business Rates s31 and Tax Income Guarantee Grant Reserves £'000	Other Earmarked Reserves £'000	Total General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31/3/20	10,180	698	35,757	46,635	4,385	18,520	0	632	70,172	267,494	337,666
Reporting of Schools Budget Deficit to new Adjustment Account at 1st April 2020	5,539			5,539					5,539	(5,539)	0
Restated balance at 01/04/2020	15,719	698	35,757	52,174	4,385	18,520	0	632	75,711	261,955	337,666
Total Comprehensive Income and Expenditure	(13,228)			(13,228)	10,662				(2,566)	(260,949)	(263,515)
Adjustments between accounting basis and funding basis under regulations (Note 1)	72,847			72,847	(9,727)	1,106	0	508	64,734	(64,734)	0
Net increase or (decrease) before transfers to/from earmarked reserves	59,619	0	0	59,619	935	1,106	0	508	62,168	(325,683)	(263,515)
Transfers to/from earmarked reserves (Note 16)	(46,480)	46,566	(86)	0	0	0	0	0	0	0	0
Increase or (decrease) in year	13,139	46,566	(86)	59,619	935	1,106	0	508	62,168	(325,683)	(263,515)
Balance at 31/3/21	28,858	47,264	35,671	111,793	5,320	19,626	0	1,140	137,879	(63,728)	74,151

MOVEMENT IN RESERVES STATEMENT (Continued)

2019/20	Unearmarked General Fund Balance (including Schools Budget surplus / deficit)	Business Rates s31 and Tax Income Guarantee Grant Reserves	Other Earmarked Reserves	Total General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31/3/19	22,646	1,800	37,600	62,046	2,170	20,365	0	477	85,058	257,015	342,073
Total Comprehensive Income and Expenditure	(46,453)			(46,453)	360	0	0	0	(46,093)	41,686	(4,407)
Adjustments between accounting basis and funding basis under regulations (Note 1)	31,042			31,042	1,855	(1,845)	0	155	31,207	(31,207)	0
Net increase or (decrease) before transfers to/from earmarked reserves	(15,411)	0	0	(15,411)	2,215	(1,845)	0	155	(14,886)	10,479	(4,407)
Transfers to/from earmarked reserves (Note 16)	2945	-1102	-1843	0	0	0	0	0	0	0	0
Increase or (decrease) in year	(12,466)	(1,102)	(1,843)	(15,411)	2,215	(1,845)	0	155	(14,886)	10,479	(4,407)
Balance at 31/3/20	10,180	698	35,757	46,635	4,385	18,520	0	632	70,172	267,494	337,666

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2021

This is a summary of the funds raised and used by the council in the year. It shows the net cost for the year of the functions for which the council is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. The CIES follows International Financial Reporting Standards, and reconciles to the change in the year of the net worth as shown in the balance sheet.

	2020/21	2020/21	2020/21	Restated	Restated	Restated
	Expenditure	Income	Net	2019/20	2019/20	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executives	2,381	(619)	1,762	2,945	(690)	2,255
Adult Social Care	144,302	(67,251)	77,051	140,282	(55,666)	84,616
Dedicated Schools Grant	186,538	(177,402)	9,136	183,922	(173,204)	10,718
Children's Services	87,492	(6,323)	81,169	78,403	(8,214)	70,189
Public Health Grant	19,657	(21,642)	(1,985)	22,534	(20,617)	1,917
Health and Wellbeing	9,094	(11,601)	(2,507)	3,218	(181)	3,037
Finance and Legal Services	69,958	(66,023)	3,935	71,972	(66,941)	5,031
Digital, Commercial & Customer Services	8,425	(2,041)	6,384	6,081	(2,435)	3,646
Housing Revenue Account (HRA)	72,151	(90,214)	(18,063)	69,734	(87,021)	(17,287)
HRA - revaluation (gain) / loss on housing stock	(10,265)	0	(10,265)	665	0	665
Housing and Community	12,343	(7,460)	4,883	13,979	(6,480)	7,499
Public Realm	59,489	(7,226)	52,263	56,294	(7,781)	48,513
Regeneration & Enterprise	40,629	(21,992)	18,637	36,978	(26,431)	10,547
Corporate & Treasury	(4,596)	(638)	(5,234)	(819)	(991)	(1,810)
Net Expenditure of Continuing Operations	697,598	(480,432)	217,166	686,188	(456,652)	229,536
Other Operating Expenditure (Note 2)			26,871			21,577
Financing and Investment Income & Expenditure (Note 3)			38,434			35,765
Taxation and Non-specific Grant Income (Note 4)			(279,905)			(240,786)
(Surplus) or Deficit on Provision of Services			2,566			46,093
(Surplus) / deficit on revaluation of non-current assets			(1,294)			(11,636)
(Surplus) / deficit on revaluation of equity instruments (airport shares)			760			11,012
Remeasurement of net pension liabilities - Note 28			261,483			(41,062)
Other Comprehensive Income & Expenditure			260,949			(41,686)
Total Comprehensive Income & Expenditure			263,515			4,407

The 2019/20 figures have been restated due to small changes in the Council's directorate structure in 2020/21. The responsibility for Community has moved to the reshaped Directorate for Housing and Community Services and as part of that change Library Services moved from Health and Wellbeing. The figures shown for 2019/20 are as if the restructure was in place throughout 2019/20.

BALANCE SHEET

This sets out the authority's year-end financial position. It shows the balances and reserves at the authority's disposal and its long-term indebtedness, the long-term and net current assets employed in its operations, and summarised information on the property, plant and equipment and other long-term assets held. It includes the Collection Fund, but excludes Trust Funds.

	31 March 2021	31 March 2020
	£'000	£'000
Property, Plant and Equipment (Note 17)	1,547,595	1,525,286
Intangible Assets (Note 17)	840	613
Heritage Assets (Note 18)	23,814	23,798
Long Term Investments - Non property investments (Note 19)	16,438	17,698
Long Term Debtors (Note 20)	89,151	104,652
Long Term Assets	1,677,838	1,672,047
Short Term Investments (Note 19)	21,245	44,500
Inventories	1,840	1,602
Short Term Debtors (Note 20)	64,148	56,136
Cash and cash equivalents, etc. (Note 22)	12,508	5,901
Assets held for sale (Note 23)	744	2,048
Current Assets	100,485	110,187
Short Term Borrowing (Note 19)	(95,304)	(71,070)
Short Term Creditors (Note 24)	(92,713)	(68,234)
Short Term Deferred Liabilities (Note 19)	(2,641)	(2,612)
Provision (< 1 year) (Note 25)	(17,262)	(18,706)
Donated Inventories Account	(175)	0
Capital Grants Received in Advance (Note 14)	(316)	(4,837)
Revenue Grants Received in Advance (Note 14)	(6,710)	(466)
Current Liabilities	(215,121)	(165,925)
Long Term Deferred Liabilities (Note 19)	(14,401)	(17,042)
Provisions (> 1 year) (Note 25)	(3,498)	(3,458)
Long Term Borrowing (Note 19)	(675,014)	(700,330)
Net Pension Liabilities (Note 28)	(795,700)	(557,812)
Capital Grants Received in Advance (Note 14)	(436)	0
Long Term Liabilities	(1,489,049)	(1,278,642)
Net Assets	74,153	337,667
Total Usable Reserves (Note 16)	137,880	70,172
Total Unusable Reserves (Note 26)	(63,727)	267,495
Total Reserves	74,153	337,667

CASH FLOW STATEMENT

This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes:

	2020/21	2019/20
	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	2,566	46,093
Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements (note 30)	(42,446)	(153,115)
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 30)	49,908	49,097
Net Cash Flows from Operating Activities	10,028	(57,925)
Investing Activities - (Note 31)	3,081	52,159
Financing Activities - (Note 32)	(19,717)	14,434
Net (Increase) or Decrease in Cash and Cash Equivalents	(6,608)	8,668
Cash and Cash Equivalents at the Beginning of the Reporting Period	5,900	14,568
Cash and Cash Equivalents at the End of the Reporting Period (Note 22)	12,508	5,900

NOTES TO THE CORE STATEMENTS

Page No.

MIRS Notes

1.	Adjustments between Accounting Basis and Funding Basis under Regulations	34
----	--	----

CIES Notes

2.	Other Operating Expenditure	39
3.	Financing and Investment Income and Expenditure	39
4.	Taxation and Non-Specific Grant Income	39
5.	Expenditure and Funding Analysis	40
6.	Expenditure and Income analysed by Nature	44
7.	Segmental Reporting	45
8.	Combinations of Public Bodies	45
9.	Members' Allowances	46
10.	Officers' Remuneration	47
11.	Pension Schemes Accounted for as Defined Contribution Schemes	51
12.	External Audit Costs	51
13.	Use of Dedicated Schools Grant	52
14.	Grant Income	53
15.	Related Parties	54

Balance Sheet Notes

16.	Usable Reserves	56
17.	Property, Plant and Equipment and Intangible Assets	58
18.	Heritage Assets	62
19.	Financial Instruments	63
20.	Debtors	71
21.	Debtors for Local Taxation	72
22.	Cash and Cash Equivalents	72

23.	Assets Held for Sale	73
24.	Creditors	73
25.	Provisions	74
26.	Unusable Reserves	75
27.	Capital Expenditure and Capital Financing	81
28.	Defined Benefit Pension Schemes	82
29.	Contingent Liabilities	90

Cash Flow Statement Notes

30.	Cash Flow Statement - Operating Activities	91
31.	Cash Flow Statement - Investing Activities	92
32.	Cash Flow Statement - Financing Activities	92

Other Notes

33.	Accounting Policies	94
34.	Accounting Standards that have been Issued but have not yet been Adopted	106
35.	Critical Judgements in Applying Accounting Policies	106
36.	Assumptions made about the future, & other major sources of Estimation Uncertainty	107
37.	Events after the Balance Sheet Date	108
38.	Leases	108
39.	PFI and Similar Contracts	110
40.	Investments in Companies	112
41.	Trust Funds	114

MiRS Notes

Note 1: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue .

2020/21	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and amortisation of non-current assets	21,200	24,097	0	0	0	(45,297)
Revaluation losses on Property Plant and Equipment and heritage assets	684	(10,265)	0	0	0	9,581
Capital grants and contributions applied	(40,687)	(241)	0	0	0	40,928
Revenue expenditure funded from capital under statute	10,014		0	0	0	(10,014)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	15,113	8,324	0	0	0	(23,437)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Provision for the financing of capital investment	(12,640)		0	0	0	12,640
Capital expenditure charged against the General Fund and HRA Balances	(3,193)	(3,500)	0	0	0	6,693
Adjustments primarily involving the Capital Grants Unapplied Account:						
Transfer in respect of Community Infrastructure Levy (CIL) receipts	(613)	0	0	0	613	0
Application of Grants for capital financing					(105)	105
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(3,074)	(9,990)	13,064	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure			(9,669)	0	0	9,669
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		160	(160)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,297		(2,297)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			31	0	0	(31)
Write down of Capital Debtors			137	0	0	(137)
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Non cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	75					(75)

2020/21 continued	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Major Repairs Reserve						
Transfer of Depreciation to Major Repairs Reserve		(24,086)		24,086		0
Use of the Major Repairs Reserve to finance new capital expenditure				(24,086)		24,086
Adjustments primarily involving the Financial Instruments Adjustments Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(561)					561
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	59,586	11,035				(70,621)
Employer's pensions contributions and direct payments to pensioners payable in the year	(28,958)	(5,261)				34,219
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	48,273					(48,273)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	345					(345)
Adjustments primarily involving the Dedicated Schools Grant Account:						
Schools Budget Deficit in Year	4,986					(4,986)
Total Adjustments 2020/21 between accounting basis and funding basis under regulations	72,847	(9,727)	1,106	0	508	(64,734)

2019/20	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and amortisation of non-current assets	21,461	24,140	0	0	0	(45,601)
Revaluation losses/(gains) on Property Plant and Equipment and heritage assets	2,934	641	0	0	0	(3,575)
Capital grants and contributions applied	(21,076)	(1,247)	0	0	0	22,323
Revenue expenditure funded from capital under statute	18,209	0	0	0	0	(18,209)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	11,728	10,517	0	0	0	(22,245)
Write off of debtors initially accounted for as capital spend	(455)		0	0	0	455
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Provision for the financing of capital investment	(12,697)	0	0	0	0	12,697
Capital expenditure charged against the General Fund and HRA Balances	(3,236)	(1,000)	0	0	0	4,236
Adjustments primarily involving the Capital Grants Unapplied Account:						
Transfer in respect of Community Infrastructure Levy (CIL) receipts	(155)	0	0	0	155	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(11,933)	(12,212)	24,145	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(23,586)	0	0	23,586
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	258	(258)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,297	0	(2,297)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	83	0	0	(83)
Write down of Capital Debtors	0	0	68	0	0	(68)

2019/20 continued	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Major Repairs Reserve						
Transfer of Depreciation to Major Repairs Reserve	0	(24,129)	0	24,129	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(24,129)	0	24,129
Adjustments primarily involving the Financial Instruments Adjustments Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(617)	0	0	0	0	617
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	53,792	10,105	0	0	0	(63,897)
Employer's pensions contributions and direct payments to pensioners payable in the year	(30,557)	(5,218)	0	0	0	35,775
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,407	0	0	0	0	(1,407)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(60)	0	0	0	0	60
Total Adjustments 2019/20 between accounting basis and funding basis under regulations	31,042	1,855	(1,845)	0	155	(31,207)

CIES Notes

Note 2: Other Operating Expenditure

	2020/21	2019/20
	£'000	£'000
Levy – Environment Agency	110	109
West Midlands Integrated Transport Authority Levy	12,612	12,648
Pension Administration Expense	829	764
Payments to the Government Housing Capital Receipts Pool	2,297	2,297
Gains (-) / Losses on the disposal of non-current assets	11,023	5,759
Total	26,871	21,577

Note 3: Financing and Investment Income and Expenditure

	2020/21	2019/20
	£'000	£'000
Interest payable on debt	23,475	22,511
Interest element of finance leases	495	511
Interest payable on PFI unitary payments	1,499	1,609
Pensions Net Interest Cost	12,749	12,794
Dividends receivable	(110)	(1,583)
Movements in Impairment Allowances	595	342
Interest receivable and similar income	(269)	(419)
Total	38,434	35,765

Note 4: Taxation and Non Specific Grant Income

	2020/21	2019/20
	£'000	£'000
Council Tax income	127,210	121,237
Locally retained Non Domestic Rates (net of Tariff)	33,070	77,024
Non Ring Fenced Government Grants (further details in Note 14)	85,529	28,300
Capital grants and contributions (further details in Note 14)	34,096	14,224
Total	279,905	240,786

Note 5 : Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used to provide services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

In line with the CIES the 2019/20 figures have been restated to show the structure as if the changes made in 2020/21 had been in place throughout 2019/20.

	As reported for resource management	Exclude transfers to/from earmarked General Fund Reserves (note A)	Adjustments in respect of "Other Income and Expenditure" (note B)	Net Expenditure Chargeable to the General Fund and HRA balances	Pension adjustments between Funding and Accounting Basis (note C)	Capital adjustments between Funding and Accounting Basis (note D)	Other adjustments between Funding and Accounting Basis (note E)	Net Expenditure in the CIES
2020/21	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executives	584	567	0	1,151	611			1,762
Adult Social Care	99,875	(289)	(25,911)	73,675	3,377			77,052
Children's Services (inc. Dedicated Schools Grant)	80,534	(3,032)	(3)	77,499	7,820		4,985	90,304
Health and Wellbeing (including Public Health Grant)	1,123	(6,094)	0	(4,971)	479			(4,492)
Finance and Legal Services	3,268	(725)	0	2,543	1,392			3,935
Digital, Commercial & Customer Services	4,331	493	0	4,824	1,560			6,384
Housing Revenue Account (HRA)	(935)	0	(17,666)	(18,601)	5,774	(15,501)		(28,328)
Housing and Community	4,786	(165)	0	4,621	261			4,882
Public Realm	49,482	(104)	0	49,378	2,884			52,262
Regeneration & Enterprise	16,247	(138)		16,109	2,528			18,637
Corporate & Treasury	7,487	158	(11,554)	(3,909)	9,716	(10,824)	(215)	(5,232)
Net Cost of Services	266,782	(9,329)	(55,134)	202,319	36,402	(26,325)	4,770	217,166
Other Income & Expenditure	(280,857)	(37,149)	55,134	(262,872)	0	0	48,273	(214,599)
(Surplus) or deficit on provision of services	(14,075)	(46,478)	0	(60,553)	36,402	(26,325)	53,043	2,567

Opening General Fund and HRA Balance	51,021
Adjustment to opening balance as per DSG adjustment	5,539
Add surplus on General Fund & HRA Balance in Year (above)	60,553
Closing General Fund and HRA Balance	117,113

	As reported for resource management	Exclude transfers to/from earmarked General Fund Reserves (note A)	Adjustments in respect of "Other Income and Expenditure" (note B)	Net Expenditure Chargeable to the General Fund and HRA balances	Pension adjustments between Funding and Accounting Basis (note C)	Capital adjustments between Funding and Accounting Basis (note D)	Other adjustments between Funding and Accounting Basis (note E)	Net Expenditure in the CIES
2019/20 Restated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executives	381	1,539		1,920	336			2,256
Adult Social Care	96,655	4,044	(18,807)	81,892	2,724			84,616
Children's Services (inc. Dedicated Schools Grant)	67,482	7,591	(79)	74,994	5,914			80,908
Health and Wellbeing (including Public Health Grant)	2,713	1,876		4,589	365			4,954
Finance and Legal Services	3,601	368		3,969	1,061			5,030
Digital, Commercial & Customer Services	949	1,492		2,441	1,205			3,646
Housing Revenue Account (HRA)	(2,215)		(16,261)	(18,476)	4,887	(3,033)		(16,622)
Housing and Community	7,290	10		7,300	200			7,500
Public Realm	46,292	14		46,306	2,206			48,512
Regeneration & Enterprise	8,980	(461)		8,519	2,027			10,546
Corporate & Treasury	8,985	398	(24,791)	(15,408)	7,197	7,077	(677)	(1,811)
Net Cost of Services	241,113	16,871	(59,938)	198,046	28,122	4,044	(677)	229,535
Other Income & Expenditure	(236,473)	(8,316)	59,938	(184,851)			1,407	(183,444)
(Surplus) or deficit on provision of services	4,640	8,555	0	13,195	28,122	4,044	730	46,091

Opening General Fund and HRA Balance
Add surplus on General Fund and HRA Balance in Year (above)

64,216

(13,195)

Closing General Fund and HRA Balance

51,021

- Note A** For resource management purposes, the authority includes in directorate reporting transfers to/from General Fund earmarked reserves. However, these need to be removed as they do not form part of net expenditure chargeable to the General Fund and HRA balances, being movements within those balances.
- Note B** For resource management purposes, the authority includes items within directorate reporting that the code requires to be shown separately from service expenditure in the financial statements; in particular levies, losses on disposal of non-current assets, financing and investment income and expenditure, and some items of non-specific grant income. Likewise some grant income is not included within directorate reporting but is required by the code to be included in service expenditure in the financial statements, these items therefore need to be reallocated.
- Note C** This reflects the adjustment of pension contributions and payments from amounts charged by statute (reflected in directorate reporting) to those calculated on an IAS19 basis in the CIES as required by the code.
- Note D** For resource management purposes, the authority includes in directorate reporting the following items: revenue expenditure capitalisable by regulation, depreciation, certain revaluation items, losses on disposal of non-current assets, and receipt of capital grants – together with the related adjustments which by statute largely prevent them from having an impact on the General Fund and HRA Balance. This column removes those adjustments as they are not included in the CIES, along with capital expenditure charged to the General Fund and HRA balance which the authority includes in directorate reporting but is likewise not included in the CIES.
- Note E** This column reflects timing differences between statutory accounting (reflected in directorate reporting) and code requirements for: premiums and discounts on past debt restructuring; income in respect of Business Rates and Council Tax; staff remuneration in respect of absences.

The 2019/20 figures have been restated due to small changes in the Council's directorate structure in 2020/21. The figures shown for 2019/20 are as if the restructure was in place throughout 2019/20.

Note 6: Expenditure and Income analysed by nature

The authority's expenditure and income is analysed as follows:

	2020/21	2019/20
	£'000	£'000
Expenditure		
Employee Expenses	334,261	322,299
Depreciation, Amortisation & Impairment	45,297	45,601
Interest Payments	25,470	24,630
Other Operating Expenses	371,317	377,461
Support Service Recharges	41,154	36,965
Recovery of support service recharges	(41,154)	(36,965)
Total Operating Expenditure	776,345	769,991
Income		
Fees Charges & Other Service Income	(161,601)	(182,549)
Income from Council Tax and non-domestic rates	(160,279)	(198,262)
Government Grants	(451,899)	(343,089)
Total Income	(773,779)	(723,899)

Revenue From Contracts with Service Recipients

For revenue from fees, charges and other service income the transaction price is calculated in accordance with legislation and reflects the Council's legal ability to recover costs from the service recipients.

The Council typically satisfies its performance obligations upon delivery of goods or services to recipients. Standard payment terms are 30 days for services where invoices are raised e.g. Bereavement fees or immediate where payment is made at which the goods or service is received e.g. admission to events. Contracts do not typically contain financing components and the consideration received is not variable.

Revenue is recognised either over time or at a point in time. Revenue recognised over time is measured using the input method, based on costs incurred or resources consumed as applicable to individual contracts. Revenue is recognised at a point in time when the service recipient obtains control of the promised goods or services from the Council.

For most goods and services provided by the Council payment is made at the point of provision or when an invoice is raised to the service recipient. Services where payment is made in advance of receipt are recognised as contract liabilities, these include:

- Planning and Building Control Fees
- Advance ticket sales for performances at Town Halls
- Licensing

For Planning and Building Control Fees income is recognised in the CIES when the application is approved or the inspection regime is completed. For advance ticket sales, income is recognised when the show has been performed and for Licensing income is recognised as licences are issued and enforcement activity is carried out. The contract liability is reduced as income is recognised in the CIES.

Where the right of the Council to income is conditional on the provision of further goods or services to the customer, such income would be recorded as a contract asset or inventory. This is applicable to income relating to houses built for sale by the Council. Costs are recognised as goods or services are provided to customers. At year end where goods or services are not complete, the cost is de-recognised in the CIES and recorded as a contract asset or inventory on the balance sheet.

Note 7: Segmental Reporting

Income received from external customers (excluding grants) and depreciation and amortisation are analysed on a segmental basis below:

	2020/21 £'000	2020/21 £'000	2019/20 £'000	2019/20 £'000
	Income	Expenditure	Income	Expenditure
			Restated	Restated
	Fees, Charges & Other Service Income	Depreciation & amortisation	Fees, Charges & Other Service Income	Depreciation & amortisation
Chief Executives	(527)	3	(663)	3
Adult Social Care	(23,706)	708	(21,066)	601
Children's Services (inc. Dedicated Schools Grant)	(8,711)	4,708	(14,742)	4,984
Health and Wellbeing (including Public Health Grant)	(640)	1	(638)	1
Finance and Legal Services	(1,813)	0	(3,967)	0
Digital, Commercial & Customer Services	(1,940)	995	(2,397)	849
Housing Revenue Account (HRA)	(99,054)	24,097	(98,560)	24,140
Housing and Community	(282)	354	(261)	328
Public Realm	(6,812)	11,686	(7,649)	11,962
Regeneration & Enterprise	(13,043)	2,745	(16,878)	2,733
Corporate & Treasury	(5,073)	0	(15,728)	0
Income/Expenditure analysed on a segmental basis	(161,601)	45,297	(182,549)	45,601

N.B. The Place HRA income is mainly rents from council dwellings. The 2019/20 figures have been restated to reflect the structure that was adopted during 2020/21, please see CIES for further details.

Note 8: Combinations of Public Bodies

Two schools converted to academy status in 2020/21. Converting to academy status takes them entirely out of the local authority accounts from the date of conversion, but as they remain part of public provision the proposed change is reported as a combination of public bodies rather than as a discontinued operation.

The buildings of this school were on the Council balance sheet and the buildings have been written out as losses on disposal as follows;

School	New Status	Date of Change	Value of Land and Buildings to be written out of Council Balance Sheet £'000
Wallbrook Primary School	Academy	01/01/2021	2,699
Foxyards Primary School	Academy	01/01/2021	2,621
Total			5,320

Note 9: Members' Allowances

	2020/21	2019/20
	£'000	£'000
Basic Allowance	686	676
Responsibility Allowance	165	161
Mayor and Deputy Mayor	28	28
Total	879	865

Note 10: Officers' Remuneration

The Accounts and Audit Regulations 2015 require additional disclosure of remuneration of senior employees in local authority accounts.

The table below gives the required details. In compliance with legislation, those with salary over £150,000 per annum are named; others are listed by post only.

Post		Note	Salary, Fees & Allowances £000's	Contractor Agency Payments £000's	Termination Payments £000's	Pension Contributions £000's	Total remuneration £000's
Chief Executive (K O'Keefe)	2020-21		176			36	212
Chief Executive (K O'Keefe)	2019-20	1	135			25	160
Chief Executive (S Norman)	2019-20	2	47			9	56
Deputy Chief Executive	2020-21	3	1			0	1
Interim Deputy Chief Executive (M Williams)	2020-21		151			31	182
Interim Deputy Chief Executive	2019-20	4	12			2	14
Deputy Chief Executive	2019-20	5	142		86	26	254
Director of Adult Social Care	2020-21		132			27	159
Director of Adult Social Care	2019-20	6	62			12	74
Strategic Director (People)	2019-20	7	75		56	14	145
Director of Public Health and Wellbeing	2020-21	8	27			6	33
Interim Director of Public Health & Wellbeing	2020-21	9	82			17	99
Director of Public Health and Wellbeing	2019-20		106			19	125
Director of Children's Services	2020-21	10	14			3	17
Interim Director of Children's Services	2020-21	11	68			14	82
Interim Director of Children's Services	2020-21	12	0	59		0	59
Interim Director of Children's Services	2019-20	12	0	100		0	100
Director of Finance and Legal	2020-21		107			22	129

Director of Finance and Legal	2019-20		104	19	123	
Head of Law & Governance	2020-21		85	18	103	
Head of Law & Governance	2019-20		83	15	98	
Head of Human Resources & Organisational Development	2020-21		75	16	91	
Head of Human Resources & Organisational Development	2019-20	13	30	6	36	
Director of Commercial and Customer Services	2019-20	14	58	11	69	
Chief Officer (Transformation & Performance)	2019-20	15	18	3	21	

Note 1: In post from 17/6/2019

Note 2: In post to 7/7/2019

Note 3: In post from 29/3/2021

Note 4: In post from 1/3/2020

Note 5: In post to 23/3/2020

Note 6: In post from 1/10/2019

Note 7: In post to 30/9/2019

Note 8: In post from 1/1/2021

Note 9: In post to 31/12/2022

Note 10: In post from 22/2/2021

Note 11: In post from 9/7/2021 to 21/2/2021

Note 12: In post from 1/10/2019 to 8/7/2020. The costs shown are the full fees paid to an interim management agency and not the payment to the post holder

Note 13 : Began reporting to Head of Paid Service from 8/11/2019

Note 14: Costs shown are those incurred up to 7/11/2019 when the post holder ceased reporting to the Head of Paid Service

Note 15 : In post to 2/6/2019

The number of officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Payroll Bands	2020/21	2020/21	2020/21	2019/20	2019/20	2019/20
	Schools Number	Non- Schools Number	Total	Schools Number	Non- Schools Number	Total
£50,000 - £54,999	49	86	135	48	49	97
£55,000 - £59,999	31	25	56	30	16	46
£60,000 - £64,999	21	10	31	23	14	37
£65,000 - £69,999	24	13	37	17	12	29
£70,000 - £74,999	13	5	18	10	5	15
£75,000 - £79,999	5	2	7	6	2	8
£80,000 - £84,999	2	2	4	3	2	5
£85,000 - £89,999	4	0	4	1	1	2
£90,000 - £94,999	2	2	4	4	2	6
£95,000 - £99,999	1	1	2	0	0	0
£100,000 - £104,999	1	0	1	1	0	1
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	1	1	0	0	0
£115,000 - £119,999	0	0	0	0	0	0
£120,000 - £124,999	0	1	1	0	0	0
£125,000 - £129,999	0	1	1	0	0	0
Total	153	149	302	143	103	246

These numbers exclude the senior employees listed in the previous table, and staff whose contract of employment is not with the Council, i.e. staff at foundation and voluntary aided schools. The figures include staff who received payments in addition to normal remuneration. In 2020/21 this applied to 2 officers (2019/20 = 7).

The contracts of a number of employees have been terminated, or planned to be terminated, in 2020/21. As a result it incurred anticipated liabilities of £0.417m for redundancy payments and £0.080m for capitalised pension costs.

Redundancy payments agreed but not actually paid before 31st March 2021 have been accrued as creditors. Pension costs have been accounted for in accordance with normal pension arrangements.

The table below sets out the numbers of such exit packages (including those for staff at foundation and voluntary aided schools) with total cost per band and total cost of the compulsory and other redundancies:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
							£'000	£'000
£ 0 - £ 20,000	23	6	22	31	45	37	266	184
£ 20,001 - £ 40,000	0	0	0	6	0	6	0	164
£ 40,001 - £ 60,000	0	1	3	1	3	2	151	97
£ 60,001 - £ 80,000	0	0	1	1	1	1	80	64
£ 80,001 - £100,000	0	0	0	1	0	1	0	86
£100,001 +	0	0	0	0	0	0	0	0
Total	23	7	26	40	49	47	497	595

Note 11: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of the underlying assets and liabilities of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the council paid £12.864m to Teachers' Pensions in respect of the teachers' retirement benefits, based on a contribution rate of 23.68%. (The figures for 2019/20 were £11.312m with a rate of 16.48% for April – August 2019 and 23.68% for September 2019 – March 2020). The payment in 2021/22 is anticipated to be £12.826m based on a contribution rate of 23.68%.

Similar arrangements exist for former NHS staff who transferred to Dudley with the Public Health function. In 2020/21, the council paid monthly contributions totalling £0.182m directly to the NHS Pensions Scheme, based on a contribution rate of 14.38%. However the total employers contribution rate was 20.68% and employers were required to fund an additional contribution of 2.5% and DHSC contributed the balancing 3.8%. In 2020/21 this equated to an additional contribution from the Council of £0.031m. Therefore the total paid by the Council in 2020/21 was £0.213m. (The figures for 2019/20 were £0.160m direct contributions, £0.028m paid by invoice so total paid was £0.188m at a rate of 16.88%.) The payment in 2021/22 is anticipated to be £0.213m at 16.88% of pensionable pay (with the same arrangements for DHSC contributing 3.8% of pensionable pay directly to NHS Pensions).

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in [Note 28](#), under the unfunded scheme.

Note 12: External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the Council's external auditors, Grant Thornton:

	2020/21	Restated 2019/20
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	177	157
Fees payable in respect of other services provided by Grant Thornton during the year	25	25
Total	202	182

Note 13: Use of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is a ring fenced grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2020/21 before Academy & High Needs Recoupment	34,203	234,389	268,592
Academy & High Needs figure recouped for 2020/21	2,186	115,092	117,278
Total DSG after Academy & High Needs Recoupment for 2020/21	32,017	119,297	151,314
Brought forward from 2019/20	(5,539)		(5,539)
Agreed initial budgeted distribution in 2020/21	26,478	119,297	145,775
In year adjustments	(86)	(52)	(138)
Final budgeted distribution for 2020/21	26,392	119,245	145,637
Less Actual central expenditure	36,917	119,245	156,162
Less Actual ISB deployed to schools		0	0
Carry forward to 2021/22	(10,525)	0	(10,525)

The final Early Years Block adjustment has been calculated based on January 2021 census data only (to support the period January to March 2021) on the basis that this is in line with prior year methodology. This has been included within the in year adjustments category, in line with previous years. ESFA guidance states that Spring 2021 will be paid based on January 2021 census, unless there is evidence to suggest that numbers have increased, in which case they are prepared to top up funding to up to 85% of the January 2020 census following a return submitted by Local Authorities in July 2021. Modelling has been completed and the figures were immaterial and therefore, the adjustment was actioned on a prudent basis.

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2019/20 before Academy and High Needs recoupment	26,943	225,388	252,331
Academy figure recouped for 2019/20		105,975	105,975
Total DSG after Academy and High Needs recoupment for 2019/20	26,943	119,413	146,356
Brought forward from 2018/19	73	0	73
Agreed initial budgeted distribution in 2019/20	27,016	119,413	146,429
In year adjustments	476	(21)	455
Final budgeted distribution for 2019/20	27,492	119,392	146,884
Less Actual central expenditure	33,031	119,392	152,423
Less Actual ISB deployed to schools	0	0	0
Carry forward to 2020/21	(5,539)	0	(5,539)

Note 14: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

Credited to Taxation and Non Specific Grant Income:	2020/21	2019/20
	£'000	£'000
New Homes Bonus	1,089	2,136
P.F.I. Credit	1,986	1,986
Business Rates Grant	58,875	13,690
Covid Additional Funding Grant	15,617	10,257
Covid Sales Fees and Charges Grant	5,778	0
Covid Tax Income Guarantee	2,184	0
Levy Account Share	0	231
Total Revenue Grants	85,529	28,300
Department for Education	9,714	5,358
Department for Transport	3,808	1,887
Ministry of Housing, Communities and Local Government	8,007	1,079
Dept. of Business, Energy and Industrial Strategy	4,456	0
Homes England	217	203
Transport for West Midlands	5,451	4,588
Lottery	429	80
European Regional Development Fund	1,031	471
Other Grants and Contributions	983	558
Total Capital Grants and Contributions	34,096	14,224
Total Revenue & Capital Grants, Contributions & Donations credited to Taxation and Non Specific Grant Income	119,625	42,525
Credited to Services:	2020/21	2019/20
	£'000	£'000
Department for Education and Education & Skills Funding Agency	171,872	165,938
Department for Works and Pensions	57,795	62,030
Department of Health & Social Care	33,153	20,411
Better Care Fund	31,291	29,044
Ministry of Housing, Communities and Local Government	23,944	13,863
European Social Fund	4,572	5,281
Home Office	1,165	679
Transport for West Midlands	892	2,324
Clinical Commissioning Group	9,516	5,393
Local Authorities	961	1,010
Department for Business, Energy & Industrial Strategy	6,121	0
Other Grants and Contributions	3,674	2,874
Total Revenue Grants & Contributions credited to services	344,956	308,848

The Council has received some grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies or property to be returned to the giver if the condition were not complied with. It has also received part of one capital grant's 2020/21 allocation in advance. The balances at the year-end are as follows:

	31-Mar-21 £'000	31-Mar-20 £'000
Capital Grants Receipts in Advance:		
Children's services grants (current liabilities)	316	4,837
Children's services grants (long term liabilities)	436	0
	752	4,837
	31-Mar-21 £'000	31-Mar-20 £'000
Revenue Grants Receipts in Advance:		
Covid Additional Restrictions Grant	5,981	0
Covid Test & Trace Grant	162	0
Adult Learning academic year grants	567	466
	6,710	466

Note 15: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Members and Officers of the Authority

A register of Members' pecuniary and non-pecuniary interests is held and is available to view on the Council's website. In respect of the 2020/21 financial year, works and services were commissioned from organisations and companies in which Members, Senior Officers and key personnel of the Authority had an interest by way of ownership, or as a director, trustee, governor, partner or member.

The table below shows the organisations to which the Council made significant payments in the year (not including precept payments) and where a Member had an interest. We have included items which have been considered material by nature from both the perspective of the authority and the related party concerned.

Related Party	Nature of Interest	Income £'000	Expenditure £'000	Creditors £'000	Debtors £'000
Dudley Zoological Gardens	Two Councillors are Directors of the Zoo.	758	151	0	85
Castle & Crystal Credit Union	A Councillor is a board member	0	115	0	0
Black Country Consortium Ltd	A Councillor is a Director	9	136	2	0
Beacon Centre for the Blind	Three Councillors are Members	6	397	0	2
Dudley Citizens Advice Bureaux	A Councillor is a Member	0	180	0	0

There were no material payments to organisations where a senior officer or member of key personnel had an interest.

West Midlands Combined Authority and West Midlands Fire and Rescue Authority are identified as related parties defined as "Other Public Bodies" and transactions are also disclosed in the table below.

It may be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001.

Central Government

The UK Government is a related party to Dudley Metropolitan Borough Council and exerts significant influence through legislation and grant funding.

Other Public Bodies

The following material transactions with other public bodies, under common government control, took place during the year:

Body	Nature of Transaction with council	Payments made by Council £'000	Payments made to council £'000
West Midlands Combined Authority	Transport Levy	12,612	0
West Midlands Combined Authority	Income/Expenditure	828	0
West Midlands Police and Crime Commissioner	Precept (and share of Council Tax surplus)	15,218	0
West Midlands Police and Crime Commissioner	Income/Expenditure	0	1
West Midlands Fire and Rescue Services	Precept, Business Rate share and share of Council tax surplus	6,649	0
West Midlands Fire and Rescue Services	Income/Expenditure	0	0
NHS	Income/Expenditure	10,904	7,859

Related companies and trust funds are disclosed separately, related companies in Note 40 and trust funds in Note 41.

Balance Sheet Notes

Note 16: Usable Reserves

This note shows out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans. It also sets out the school reserves that are committed to be spent in the education service and are not available to the council for general use, and unapplied capital grants and capital receipts that can be used only for specified purposes, mainly capital expenditure.

	Balance at 31 March 2021 £'000	Other movements In/(Out) 2020-21 £'000	Transfer to DSG Adjustment Account £'000	Balance at 31 March 2020 £'000	Transfer In/(Out) 2019-20 £'000	Balance at 31 March 2019 £'000
General Fund Balance	28,859	13,140		15,719	(6,854)	22,573
Business Rates and Council Tax Grants	47,264	46,566		698	(1,102)	1,800
Insurance	5,659	435		5,224	(332)	5,556
Public Health	4,768	2,200		2,568	(1,757)	4,325
Covid Grants	4,340	(5,077)		9,417	9,417	0
DGfL & Paragon Equalisation	3,240	(343)		3,583	(542)	4,125
Schools Community and Extended Use	1,801	75		1,726	(246)	1,972
Social Care ICT	985	489		496	(1,377)	1,873
Other Social Care	280	(496)		776	(3,744)	4,520
Transformation	0	(201)		201	(748)	949
Other	4,012	1,376		2,636	(1,959)	4,595
Total Earmarked General Fund Reserves	72,349	45,024	0	27,325	(2,390)	29,715
LMS Reserves including Foundation Schools	10,585	1,456		9,129	(555)	9,684
Dedicated Schools Grant	0		5,539	(5,539)	(5,612)	73
Total Schools Reserves	10,585	1,456	5,539	3,590	(6,167)	9,757
HRA General Reserve	3,614	335		3,279	1,868	1,411
HRA Earmarked Reserves	1,706	600		1,106	347	759
Total HRA Revenue Reserves	5,320	935	0	4,385	2,215	2,170
Major Repairs Reserve	0			0	0	0
Total HRA Reserves	5,320	935	0	4,385	2,215	2,170
Capital Grants Unapplied Reserve	1,141	508		633	155	478
Usable Capital Receipts Reserve	19,626	1,106		18,520	(1,845)	20,365
Total Usable Reserves	137,880	62,169	5,539	70,172	(14,886)	85,058

The Business Rates and Council Tax Grants reserve carries forward:

- grant funding towards various reliefs (including Covid related retail relief);
 - grant funding towards reductions in Business Rates and Council Tax income resulting from the Covid pandemic;
- to offset the impact of those reliefs and reductions when charged to the General Fund in future years as a result of statutory Business Rate accounting arrangements.

The Insurance reserve is maintained at a level consistent with the insurable risks borne by the Council, including those residual risks relating to the Council's interest in Municipal Mutual Insurance (MMI) and will fluctuate accordingly.

The Public Health Grant carries forward mainly ring-fenced funding pursuant to the Council's Public Health functions.

The Covid Grants reserve at 31st March 2021 represents the balance of grants received to cover specific costs arising from the pandemic carried forward to cover such expenditure in 2021/22.

The DGfL (Dudley Grid for Learning) and Paragon equalisation reserves represent Government revenue support for these PFI schemes received early in the projects, which will be expended over their remaining life.

Schools Community and Extended Use – Credit balances arising from provision of services, carried forward to support activity in future years.

The Social Care ICT Reserve contributes to replacement of the Social Care ICT system to address performance issues including those identified as part of the OFSTED inspection of Children's Services.

The Other Social Care reserve is earmarked for activity relating to the Better Care Fund (BCF).

Local Management of Schools (LMS) - These relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme. Of the net balance of £10.585m at 31 March 2021, £10.646m relates to credit, and £0.061m to debit (overdrawn) balances.

Dedicated Schools Grant (DSG) – The cumulative deficit to be recovered in future years is now carried forward in the Dedicated Schools Grant Adjustment Account in line with new statutory accounting arrangements . See [Note 13](#) and [Note 26](#).

Note 17: Property, Plant and Equipment and Intangible Assets**Movements in 2020/21 (Property, Plant and Equipment):**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2020	925,543	359,950	69,523	333,488	8,110	3,641	7,992	1,708,247
Reclassifications	7,924	(1,850)				(447)	(7,653)	(2,026)
Additions - Capital spend	25,838	9,191	4,637	9,736		84	29,311	78,797
Revaluation increases or (decreases) recognised in the Revaluation Reserve		(3,584)				1		(3,583)
Revaluation increases or (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,866)	(3,951)						(17,817)
Derecognition - disposals	(7,974)	(11,854)	(1,476)		(103)			(21,407)
At 31 March 2021	937,465	347,902	72,684	343,224	8,007	3,279	29,650	1,742,211
Accumulated Depreciation and Impairment								
At 1 April 2020	0	(11,865)	(49,323)	(118,868)	(2,905)	0	0	(182,961)
Reclassifications						0	0	0
Depreciation Charge	(23,912)	(7,694)	(4,371)	(9,066)	(172)	0	0	(45,215)
Depreciation written out to the revaluation reserve		4,861				0	0	4,861
Depreciation written out to the surplus/deficit on the Provision of Services	23,912	3,337				0	0	27,249
Derecognition - disposals		10	1,440			0	0	1,450
At 31 March 2021	0	(11,351)	(52,254)	(127,934)	(3,077)	0	0	(194,616)
Net Book Value at 31 March 2021	937,465	336,551	20,430	215,290	4,930	3,279	29,650	1,547,595
Net Book Value at 31 March 2020	925,543	348,085	20,200	214,620	5,205	3,641	7,992	1,525,286

Movements in 2019/20 (Property, Plant and Equipment):

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2019	916,786	388,081	65,275	325,151	8,008	4,781	15,403	1,723,485
Reclassifications	12,552	(9,840)	6,300	0	0	3,242	(11,994)	260
Additions	31,326	10,391	3,837	8,337	102	0	4,583	58,576
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0	(5,740)	0	0	0	242	0	(5,498)
Revaluation increases or (decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,604)	(12,252)	0	0	0	(4,129)	0	(40,985)
Derecognition - disposals	(10,517)	(10,690)	(5,889)	0	0	(495)	0	(27,591)
At 31 March 2020	925,543	359,950	69,523	333,488	8,110	3,641	7,992	1,708,247
Accumulated Depreciation and Impairment								
At 1 April 2019	0	(34,949)	(51,140)	(110,093)	(2,733)	0	0	(198,915)
Reclassifications	0	0	0	0	0	0	0	0
Depreciation Charge	(23,939)	(8,740)	(3,964)	(8,775)	(172)	0	0	(45,590)
Depreciation written out to the revaluation reserve	0	19,399	0	0	0	0	0	19,399
Depreciation written out to the surplus/deficit on the Provision of Services	23,939	12,425	0	0	0	0	0	36,364
Derecognition - disposals	0	0	5,781	0	0	0	0	5,781
At 31 March 2020	0	(11,865)	(49,323)	(118,868)	(2,905)	0	0	(182,961)
Net Book Value at 31 March 2020	925,543	348,085	20,200	214,620	5,205	3,641	7,992	1,525,286
Net Book Value at 31 March 2019	916,786	353,132	14,135	215,058	5,275	4,781	15,403	1,524,570

Depreciation

Assets are depreciated as per the Accounting Policies note.

Effects of Changes in Estimates

There were no significant changes in accounting estimates used in calculating current values of properties.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The majority of valuations were carried out internally, however some valuations were contracted out to an external valuer (Bruton Knowles). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Revaluations of assets using depreciation replacement costs (DRC) were carried out as at 31st December 2020, however valuations carried out externally have been carried out as at 31st March 2021.

Council dwellings were revalued by an external valuer (Savills) as at 31st December 2020, in line with the requirement for regular external valuations set out in the MHCLG Stock Valuation for Resource Accounting – Guidance for Valuers 2016. The valuations use the beacon approach to valuation, which is recommended by MHCLG as being most suitable for this purpose and allowing greater consistency and comparison between local authorities.

Short-lived assets such as vehicles are carried at depreciated historic cost as a proxy for current value. Community Assets (e.g. parks) and Infrastructure Assets (e.g. roads) have not been valued, but are included at historic cost, net of depreciation, in accordance with the Accounting Code of Practice.

The significant assumptions applied in estimating the current values

For specialised property, or assets for which there is little or no market evidence of value, and which therefore have been valued on the basis of Depreciated Replacement Cost (DRC), it is assumed that there will be continuing occupation.

No account has been taken of flooding the market, each property or group of properties being assumed to stand alone.

Where properties have been valued on the basis of DRC, or for redevelopment purposes, it is assumed that the location of services and ground conditions would not adversely affect the layout of buildings, that all relevant services are of adequate capacity and proximate, and that all necessary consents and approvals would be forthcoming.

Components

Where identifiable and significant components of a building have a shorter life than the building itself, they should be depreciated separately, to ensure that the annual charge to revenue fully reflects the use of the building. In Dudley, the overall difference between asset lives and actual replacement periods is such that there would not be a significant effect on the accounts if components were separately depreciated. Therefore, it has been decided to consider componentisation on the largest assets only.

Dates of Valuation of Properties within Plant, Property and Equipment

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at Depreciated Historical Cost			20,430		20,430
Valued at current value as at:					
31st March 2021		6,378		3,279	9,657
31st December 2020	937,465	292,287			1,229,752
31st December 2019		26,585			26,585
1st April 2018		4,074			4,074
1st April 2017		2,913			2,913
1st April 2016		2,855			2,855
1st April 2015		1,459			1,459
Total Cost or Valuation	937,465	336,551	20,430	3,279	1,297,725

Intangible Assets

Expenditure and other movements in Intangible Assets are as follows:

	2020/21 £'000	2019/20 £'000
Opening Balance	613	233
Additions in year	309	497
De-recognition - disposals	0	(106)
Amortisation in year	(82)	(11)
Closing Balance	840	613

Note 18: Heritage Assets

The Council's Heritage Assets are held in support of the objectives of increasing knowledge, understanding and appreciation of the Borough's history and the local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment however some measurement rules are relaxed (accounting policy 22).

Movements on Balances**Movements in 2020/21**

	Assets at Valuation	Assets at Cost	Total Heritage Assets
	£'000	£'000	£'000
At 1st April 2020	18,906	4,892	23,798
Revaluation increases or (decreases) recognised in the Revaluation Reserve	16	0	16
Revaluation increases or (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Additions	0	0	0
At 31st March 2021	18,922	4,892	23,814

Movements in 2019/20:

	Assets at Valuation	Assets at Cost	Total Heritage Assets
	£'000	£'000	£'000
At 1st April 2019	19,037	7,100	26,137
Revaluation increases or (decreases) recognised in the Revaluation Reserve	(131)	(2,134)	(2,265)
Revaluation increases or (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(74)	(74)
Additions	0	0	0
At 31st March 2020	18,906	4,892	23,798

Note 19: Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current		Current	
	31 March	31 March	31 March	31 March
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Fair value through other comprehensive income - designated equity instruments				
Birmingham Airport Shares (Note 40)	16,438	17,198	0	0
Investments at Amortised Cost				
Loans to Other Local Authorities	0	500	20,030	15,000
Deposits with Debt Management Office	0	0	0	29,500
Bank Deposits	0	0	1,215	0
Cash & Cash Equivalents (Note 22)	0	0	12,508	5,901
Non-Statutory Debtors at Amortised cost				
Soft Loans *	400	400		0
Other Long Term Non-Statutory Debtors **	10,557	10,741		0
Short term Non-Statutory Debtors		0	34,534	28,598
Total Financial Assets	27,395	28,839	68,287	78,999
Financial Liabilities at Amortised Cost				
Borrowings				
Dudley PWLB loans	517,315	530,315	0	30,000
Dudley Market loans	76,036	70,050	70,049	18,049
Ex WMCC PWLB loans	72,634	91,186	18,552	16,330
Ex WMCC Market loans	10,000	10,000	2,000	2,500
Dudley Accrued Interest	0	0	4,114	3,588
Ex WMCC Accrued Interest	0	0	589	603
Dudley Premiums Adjusting Carrying Value	(572)	(604)	0	0
Ex WMCC Premiums Adjusting Carrying Value	(398)	(617)	0	0
Total Borrowings	675,014	700,330	95,304	71,070
Deferred Liabilities				
PFI Liabilities (Note 39)	9,230	11,677	2,447	2,363
Finance Lease Liabilities (Note 38)	5,171	5,365	194	249
Total Deferred Liabilities	14,401	17,042	2,641	2,612
Non-Statutory Creditors	0	0	76,221	39,937
Total Financial Liabilities	689,415	717,372	174,166	113,619

* A Soft Loan of £400k, at nil interest repayable over 10 years, has been made to Dudley Zoo to fund the construction of a car park.

** Other Long Term Debtors are mainly home improvement loans from the Kickstart scheme (£3.309m), a finance lease for the Travelodge hotel (£3.679m) and loans to academy schools for unequal pay claims (£2.634m).

Investments

The council invests its day to day cash balances in order to generate income by earning interest. At 31st March 2021, £4.940m of such balances were held in call accounts, which are classed as cash equivalents.

The Council's shareholding investment in Birmingham Airport cost £7.675m. The latest valuation on the basis of earnings is £16.438 million for Dudley's 5.58% ordinary shareholding and 11.39% preference shareholding. This shareholding is a long term strategic investment held by the Council to support the wider provision of local and regional public services, and to receive regular dividend income, rather than for capital growth or to sell. Therefore the Council has elected to take up the option to designate the shareholding as an equity instrument at fair value through other comprehensive income as this is more likely to present a true and fair view of its financial performance, than presenting changes in fair value in the surplus or deficit on provision of services. Ordinary dividends received in 2020-21 were £0.0m (2019/20= £1.472m) and preference dividends were £0.110m in 2020-21 (2019/20 =£0.110m). There was a cumulative loss of £0.760m in 2020-21 in the fair value which was written of the Financial Instruments Revaluation Reserve.

Borrowings

This table shows the source of long-term borrowing and short-term borrowing including debt formerly held by the West Midlands County Council (WMCC), to be serviced by the West Midlands Borough Councils and Joint Boards, under the terms of the Local Government Reorganisation (Debt Administration) (West Midlands) Order 1986 which designated Dudley as being responsible for the administration of the debt.

All these items are financial liabilities held at amortised cost; the balance sheet figures include amounts relating to premiums occasioned by restructuring of debt. Maturity loans repayable within 12 months and principal on annuity loans repayable within 12 months are classed as short term borrowing. The table above shows the underlying borrowing, and separately the amounts relating to premiums.

Income, Expense, Gains and Losses

Interest income and expense is disclosed in [Note 3](#), and gains on revaluation of assets held at FVOCI on the face of the CIES.

Fair Values

The fair value of assets and liabilities (at balance sheet dates) is shown in the table below. Fair value (i.e. reflecting market values) is defined as the value at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. It reflects changes in expectation of interest rates. The fair values of the Public Works Loan Board loans have been valued by discounting at rates for new certainty rate loans at 31st March. Other long-term loans and investments have been discounted at the market rates for similar instruments on 31 March.

Fair Value of Assets & Liabilities

Assets	31 March 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Fair value through other comprehensive income - designated equity instruments				
Birmingham Airport Shares	16,438	16,438	17,198	17,198
Amortised Cost				
Long term loans to other local authorities	0	0	500	544
Short term loans to other local authorities	20,030	20,034	15,000	15,015
Deposits with the Debt Management Office	0	0	29,500	29,503
Bank Deposits	1,215	1,215	0	0
Cash & Cash Equivalents	12,508	12,508	5,901	5,901
Total Assets	50,191	50,195	68,099	68,161

Liabilities	31 March 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Amortised Cost				
Dudley Public Works Loan Board	517,315	690,186	560,315	690,756
Dudley Other debt	146,085	152,714	88,100	92,081
Ex WMCC Public Works Loan Board	91,186	101,407	107,515	118,884
Ex WMCC other debt	12,000	13,672	12,500	14,206
PFI Scheme Liabilities	11,677	14,041	14,040	16,625
Finance Lease Payables	5,365	8,447	5,614	8,581

Fair values are shown below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2021 £'000	31 March 2020 £'000
Assets				
Shares in Birmingham Airport	3	Earning-based approach	16,438	17,198
Long term loans to other Local Authorities	2	Discount contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing	0	544
Short term investments	2	Discount contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing	20,034	44,518
Total Assets			36,472	62,260
Liabilities				
PWLB Loans	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term	791,594	809,640
LOBOs	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term	26,088	25,870
Other Market Loans	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term	67,487	59,816
PFI Scheme Liabilities & Finance Lease Payables	2	Discount contractual cash flows at the market rate for PWLB annuity loans of the same remaining term	22,488	25,206
Other including Short Term Loans	2	Discount contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing	72,810	20,600

The authority's shareholding in Birmingham Airport - The valuation methodology used to arrive at the above figures is the 'earnings-based' approach, which should result in only appropriate and proportionate changes to the overall shareholding value. This method is considered to be reliable, consistent and will result in lesser volatility over the planning horizon, given the uncertainties inherent within the airport industry and the general economy as a whole. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry.

Nature and Extent of Risks Arising from Financial Instruments

The Council's Treasury Policy Statement states that "the Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured." The Council's approach to the management of this risk is set out in its Treasury Management Practices and in its annually-approved Treasury Strategy Statement.

The council's treasury activities expose it to a variety of risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the council.
- **liquidity risk** – the possibility that the council might not have funds available to meet its commitments to make payments.
- **market risk** – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central treasury team, under policies approved by the Council in the Annual Investment Strategy. This Council provides written principles for overall risk management, as well as written policies for specific areas such as interest rate risk, credit risk and the investment of surplus cash. Credit risk arises from deposits with banks, other financial institutions from treasury activities, and credit exposures from trade customers

Credit Risk Management Practices

Investments

The Council manages credit risk by ensuring that investments are only placed with banks and financial institutions of high credit quality as detailed in the Treasury Management Strategy 2020-21:

These include commercial entities with a minimum short term credit rating of F1 (Fitch), P1 (Moody's), and A1 (Standard and Poors), as well as the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, equity prices, economic fundamentals, sovereign support and market developments.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but no breaches of counterparty criteria occurred during the reporting period and the Council does not expect any losses in relation to its deposits.

Category of Investment	Maximum proportion of total investments	Amount of Investment at 31 March 2021 £'000
Specified Investments		
Banks, building societies, and schemes with the credit ratings given above	No more than £10m with any one institution or group of banks	14,002
UK Government and other local authorities	No more than £10m with any one institution except the Government Debt Management Office which is not limited	20,030

Trade Receivables

The Council's trade invoices are due in 30 days, so any debt over 30 days may be considered impaired. These debtors are subject to a collective assessment for the purpose of determining a loss allowance. A prudent loss allowance is made for these trade debtors based on historic collection rates, and a full loss allowance is made for unsecured debt which is more than 12 months and is not on an instalment plan. A loss allowance is not made for financial assets where the counterparty is central government or a local authority. Therefore credit risk only arises on unpaid (non-government) debt over 30 days old for which no loss allowance has been made. The amounts in this category are shown below:

Age of debt	31 March 2021 £'000	31 March 2020 £'000
1 - 3 months	766	621
3 - 12 months	1137	685
> 12 months	731	314
Total overdue but no loss allowance made	2,634	1,620

The Council has a rigorous policy for recovery of trade debtors including the use of external collection agents and legal debt recovery procedures and write offs are only considered when all reasonable recovery methods have been exhausted.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board, other local authorities and financial institutions. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market risk

The Council is exposed to the risk of interest rate movements on its borrowings and investments. It manages those risks as follows:

- The Council undertakes new long-term borrowing only where this is justified by its forecast cash flow over the current and following financial year.

As part of its annual Treasury Strategy Statement, the Council sets limits for the proportion of its fixed borrowing maturing in different periods:

Dudley MBC

Maturity within:	Limit	31 March 2021 £'000	31 March 2021 %
	%		
12 months	0-15%	70,000	10.55%
1-2 years	0-15%	57,000	8.59%
2-5 years	0-20%	44,658	6.73%
5-10 years	0-25%	46,000	6.93%
more than 10 years	50-100%	445,707	67.19%
Total		663,365	100%

	Limit	31 March 2021 £'000	31 March 2021 %
	%		
Upper limit for fixed rate exposure	100%	663,365	99.99%
Upper limit for variable rate exposure	10%	35	0.01%
Total		663,400	100%

West Midlands County Council

Maturity within:	Limit	31 March 2021 £'000	31 March 2021 %
	%		
12 months	0-19%	19,351	18.75%
1-2 years	0-16%	16,624	16.11%
2-5 years	0-65%	67,211	65.14%
Total		103,186	100%

	Limit	31 March 2021 £'000	31 March 2021 %
	%		
Upper limit for fixed rate exposure	100%	103,186	100.00%
Upper limit for variable rate exposure	10%	-	0.00%
Total		103,186	100%

The WMDAF will close in March 2026 no new long term loans will be required. The above indicator is based on the maturity of the remaining loans in the fund.

-
- Lenders Option Borrowers Option (LOBO) loans, which expose the Council to the risk that the lender will raise the interest rate at a point in the future, constitute less than 3% of the Council's long-term borrowing. The vast majority of the rest of the borrowing (97%) are fixed rate, so there is no need for a sensitivity analysis.
 - The Council's strategy is not to enter into an investment where its cash flow forecast indicates that as a result of that investment it would be necessary to borrow money in a future year that it would not otherwise have had to borrow.

The Council is exposed to price risk through its shareholding in Birmingham Airport, see [Note 40](#). The Council is consequently exposed to losses arising from movements in the prices of the shares. The shares are all classified as equity instruments as their acquisition constituted capital expenditure and their disposal would generate a capital receipt. Therefore meaning that any movement in fair value would impact on gains and losses recognised in the Comprehensive Income & Expenditure Account. As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

The implicit interest rates within the finance lease elements of the unitary payments for PFI schemes are fixed for the duration of the schemes thereby limiting any exposure to external interest rate movement.

Note 20: Debtors

An analysis of debtors which fall due within one year is shown below (all balances are net of impairment allowances):

	31 March 2021	31 March 2020
	£'000	£'000
Trade Debtors	30,554	24,190
HMRC Debtor Balances	2,988	2,583
Statutory Debtors (includes Council Tax, Business Rates and ex-WMCC debtors)	18,654	17,693
Housing Tenants	1,549	1,623
Other Debtors	2,431	2,784
Payments in Advance	7,972	7,263
Total Short-term Debtors	64,148	56,136

The value of debts impaired but not provided for is disclosed in [Note 19](#).

The table below analyses debtors which fall due after a period of at least one year. They include liabilities of West Midlands District Councils and Joint Boards to service debt formerly held by the West Midlands County Council (WMCC), under the terms of the Local Government Reorganisation (Debt Administration) (West Midlands) Order 1986 which designated Dudley as being responsible for the administration of the debt.

	31 March 2021	31 March 2020
	£'000	£'000
Ex WMCC Debtor Authorities	78,194	93,511
Non-Statutory Debtors	10,957	11,141
Total Long Term Debtors	89,151	104,652

Note 21: Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2021 £'000	31 March 2020 £'000
Less than 1 year	2,385	2,876
1 - 2 years	731	650
2 - 6 years	154	179
Totals	3,270	3,705

Note 22: Cash and Cash Equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash Balances	(281)	961
Short-term deposits with approved bodies, etc.	12,789	4,940
Total Cash and Cash Equivalents	12,508	5,901

Although the cash balances line within this note shows a negative figure this is due to large unrepresented BACS requests that were sent to the bank for processing on 30th and 31st March 2021 and these amounts were not taken from the bank until 1st and 2nd April 2021. No bank accounts were overdrawn as at 31st March 2021.

Note 23: Assets Held for Sale

	2020/21	2019/20
	£'000	£'000
Balance at start of year	2,048	1,061
Assets newly classified as held for sale from Property, Plant and Equipment	2,026	(260)
Assets received in consideration for disposals	0	455
Assets formerly classified as held for sale moved to Property, Plant and Equipment	0	0
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0	0
Revaluation increases or (decreases) recognised in the Surplus / Deficit on Provision of Services	150	1,121
Assets Sold	(3,480)	(329)
Balance at end of year	744	2,048

Note 24: Creditors

An analysis of short term creditors is shown below.

	31 March	31 March
	2021	2020
	£'000	£'000
Trade Creditors	71,432	35,712
HMRC Creditor balances	4,784	4,571
Statutory Creditors (Council Tax and Business Rates)	799	1,362
Tenants	255	240
Other Creditors	4,534	3,984
Receipts in Advance	10,909	22,365
Total Short-term Creditors	92,713	68,234

Note 25: Provisions

Provisions are raised where a liability has been incurred, and it is more likely than not that a payment will be required. Provisions are reviewed annually and returned to revenue if they are no longer required for their original purposes.

	Insurance	Business Rate Appeals	Other	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2020	3,948	18,018	198	22,164
Additional Provisions	23	3,520	102	3,645
Amounts Used		(4,901)		(4,901)
Unused Amounts Reversed			(148)	(148)
Balance at 31 March 2021	3,971	16,637	152	20,760
Shown as current liability in balance sheet	473	16,637	152	17,262
Shown as non-current liability in balance sheet	3,498			3,498
Balance at 31 March 2021	3,971	16,637	152	20,760

Insurance

The provision reflects the value of known outstanding claims against the Council.

Business Rate Appeals

Under the current Business Rates Retention arrangements, the council is liable for 99% of refunds of business rates arising from appeals against the ratings list. The provision reflects an estimate of the likely cost of appeals.

Note 26: Unusable Reserves

These reserves reflect the difference in timing between the recognition of items in the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice and their treatment as specified by statutory provisions. They are not therefore available for immediate use by the Council.

	31 March 2021 £'000	31 March 2020 £'000
Revaluation Reserve	117,960	122,931
Financial Instruments Revaluation Reserve	8,762	9,522
Capital Adjustment Account	735,010	703,928
Financial Instruments Adjustment Account	(8,031)	(8,592)
Pensions Reserve	(855,697)	(557,812)
Deferred Capital Receipts Reserve	3,851	3,957
Collection Fund Adjustment Account	(51,214)	(2,941)
Accumulated Absences Account	(3,843)	(3,498)
Dedicated Schools Grant Adjustment Account	(10,525)	0
Total Unusable Reserves	(63,727)	267,495

Revaluation Reserve

The Revaluation Reserve contains the gains made by Dudley arising from increases in the value of its Property, Plant and Equipment, Heritage Assets, Intangible Assets, and certain loans. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2020/21 £'000	2019/20 £'000
Balance at start of year	122,931	117,021
Upward revaluation of assets	12,635	26,880
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(11,341)	(15,244)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	1,294	11,636
Difference between fair value depreciation and historical cost depreciation	(2,037)	(2,002)
Accumulated gains on assets sold or scrapped etc.	(4,228)	(3,724)
Amount written off to the Capital Adjustment Account	(6,265)	(5,726)
Balance at end of year	117,960	122,931

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by Dudley arising from increases in the value of its investments that have no quoted market prices i.e. its shares in Birmingham Airport.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		9,522		20,534
Upward revaluation of investments			0	
Downward revaluation of investments not charged to the Surplus / Deficit on Provision of Services	(760)		(11,012)	
Balance at end of year		8,762		9,522

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by Dudley as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

[Note 1](#) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2020/21	2019/20
	£'000	£'000
Balance at the start of the year	703,928	700,474
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and amortisation of non-current assets	(45,297)	(45,601)
Revaluation gain/(loss) on Property, Plant and Equipment	9,581	(3,575)
Revenue expenditure funded from capital under statute	(10,014)	(18,209)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement.	(23,437)	(22,245)
Non cash sale proceeds from disposal of non-current assets		455
Sub-Total	(69,167)	(89,175)
Adjusting amounts written out of the Revaluation Reserve (Depreciation and Disposal etc.)	6,265	5,726
Net written out amount of the cost of non-current assets consumed in the year	(62,902)	(83,449)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	9,669	23,586
Application of Capital Grants previously unapplied to finance new capital expenditure	105	0
Use of the Major Repairs Reserve to finance new capital expenditure	24,086	24,129
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	40,928	22,323
Statutory & voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	12,640	12,697
Capital expenditure charged against the General Fund and HRA balances	6,693	4,236
Sub-total	94,121	86,971
Write down of capital debtors	(137)	(68)
Balance at end of year	735,010	703,928

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans, and the effects of granting loans in furtherance of council objectives at less than commercial rates of interest.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In Dudley's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2019 will be charged to the General Fund over the next 38 years.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		(8,592)		(9,209)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	561		617	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		561		617
Balance at end of year		(8,031)		(8,592)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Dudley accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service; the liabilities recognised are updated to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as Dudley makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The negative balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources Dudley has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The Council made a payment of £92.0m to the WMPF in 2020/21 in respect of its estimated statutory liability for employer's ordinary pension contributions for 2020/21 and the two subsequent years - in order to benefit from advantageous investment returns available to the Fund. The actual liabilities in 2020/21 charged to the General Fund and HRA was £32.0m. The remaining £60.0m reduces the Council's balance sheet liability, but as it will not be charged to the General Fund or HRA until future years it does not impact the Pension Reserve, thereby creating a difference between the balance sheet liability (£795.7m) and the Pension Reserve (£855.7m) of this amount at 31.3.21.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		(557,812)		(570,752)
Remeasurements of the net defined liability / asset	(261,483)		41,062	
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(70,621)		(63,897)	
Employer's pensions contributions and direct payments to pensioners payable in the year	34,219		35,775	
Balance at end of year		(855,697)		(557,812)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the proceeds recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		3,957		4,040
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(75)		0	
Transfer to the Capital Receipts Reserve upon receipt of cash	(31)		(83)	
Balance at end of year		3,851		3,957

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		(2,941)		(1,534)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income & NNDR calculated for the year in accordance with statutory requirements	(48,273)		(1,407)	
Balance at end of year		(51,214)		(2,941)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		(3,498)		(3,558)
Settlement or cancellation of accrual made at the end of the preceding year	3,498		3,558	
Amounts accrued at the end of the current year	(3,843)		(3,498)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(345)		60
Balance at end of year		(3,843)		(3,498)

Dedicated Schools Grant Adjustment Account

On the 6 November 2020, the secretary of state for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. This is known as the Dedicated Schools Grant Adjustment Account. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at start of year		0		
Reporting of Schools Budget Deficit to Adjustment Account at 1st April 2020		(5,539)		
Restated Balance 1st April 2020		(5,539)		
Schools Budget Deficit in year	(4,986)			0
Balance at end of year		(10,525)		0

Note 27: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and similar contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21 £'000	2019/20 £'000
Opening Capital Financing Requirement	736,080	745,769
Capital Investment:		
Property, Plant & Equipment	78,798	58,576
Intangible Assets	310	497
Heritage Assets	0	0
Capital Advances	0	0
Revenue Expenditure Funded from Capital under Statute	10,014	18,209
Sources of Finance:		
Capital receipts (including set aside to repay debt)	(9,669)	(23,586)
Government grants and other contributions	(41,033)	(22,323)
Sums set aside from revenue:		
Direct revenue contributions	(6,693)	(4,236)
Major repairs reserve	(24,086)	(24,129)
Minimum / Voluntary Revenue Provision	(12,640)	(12,697)
Closing Capital Financing Requirement	731,081	736,080
Explanation of movements in year:		
Capital expenditure funded by borrowing and credit unsupported by government financial assistance	7,641	3,008
Minimum/Voluntary Revenue Provision	(12,640)	(12,697)
Increase / (Decrease) in Capital Financing Requirement	(4,999)	(9,689)

Capital Commitments

At 31st March 2021, Dudley had entered into major contractual and other commitments relating to capital expenditure (including spending not on the Council's own assets, e.g. spend on Foundation Schools, and grants and loans to other persons and bodies for capital expenditure, etc.) as follows:

	£'000
Housing	4,674
Environment	4,028
Schools and SEND	5,055
Regeneration and Corporate Landlord	14,501
Transport	282
Culture, Leisure and Bereavement	15,144
Other Projects	126
Total	43,810

Comparable commitments at 31st March 2020 were £27.438m.

Note 28: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally (West Midlands Pension Fund) by Wolverhampton City Council. This is a funded defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Benefits earned before 1 April 2014 are based on final salary. Benefits earned after this date are to be based on career average revalued earnings.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The award of such discretionary benefits for LGPS ended in 2008, but some discretionary benefits continue to be granted to teachers. Some of the pensions are managed via the West Midlands Pension Fund (WMPF) and recharged to the Council; other are paid directly by the Council.

With regard to the WMPF, the Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers. WMPF, after consultation with the Fund Actuary (currently Barnett Waddingham) and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
 - Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
 - Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
 - Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund.
- There are also other demographic risks.

In addition, as many unrelated employers participate in the West Midlands Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Valuation data sources

In completing calculations for pension accounting purposes in their reports of 7th May 2021, the fund actuary used the following items of data received from West Midlands Pension Fund:

-
- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31st March 2019 IAS19 report which was carried out for accounting purposes;
 - Estimated whole Fund income and expenditure items for the period to 31 March 2021;
 - Fund investment returns for the period to 31st December 2020 and estimated returns to 31st March 2021 (based on Fund cashflows and a net asset statement as at 31st March 2021);;
 - Estimated Fund income and expenditure in respect of the Employer for the period to 31st March 2021;
 - Details of any new early retirements for the period to 31st March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost;
 - Details of any settlements for the period to 31st March 2021.

Although some of these data items have been estimated, the actuary did not believe that they are likely to have a material effect on the results of their report, nor were they aware of any material changes or events since receiving the data.

Employer membership statistics

The table below summarises the membership data, as at 31st March 2019 for members receiving funded benefits, as at 31st March 2020 for any member receiving unfunded benefits, and 31st March 2021 for unfunded pensioners paid directly by the Council.

Member category	Number	Salaries / Pensions	Average age
	£'000	£'000	
Actives	7,751	139,520	47
Deferred pensioners	8,665	12,024	47
Funded pensioners	7,377	35,698	71
Unfunded pensioners (managed by WMPF)	745	706	79
Unfunded pensioners (paid directly by DMBC)	719	1,445	84

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment (retirement) benefits is reversed out of the General Fund via the Movement in Reserves Statement (MiRS). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA Balances via the MiRS during the year:

Comprehensive Income and Expenditure Statement	Local Government		Discretionary Benefits Arrangements - Unfunded	
	Pension Scheme - Funded			
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Cost of Services				
Current service cost	59,140	53,123	0	0
Past service cost (arising from McCloud judgement)	0	0	0	0
Settlements (effect of transfers to other employers, e.g. academies)	(2,233)	(2,868)	0	0
Curtailments (effect of paying unreduced pensions on early retirement) and other costs	137	78	0	4
Other Operating Expenditure				
Pension Administration Expense	829	764	0	0
Financing and Investment Income and Expenditure:				
Net Interest Cost	12,183	12,230	566	564
Total Post Employment Benefits Charged to the surplus or deficit on the provision on services	70,056	63,327	566	568
Other Post Employment Benefits (Credited) or Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurements (gains) and losses	258,680	(42,977)	2,803	1,915
Total Post Employment Benefits (Credited) or Charged to the Comprehensive Income and Expenditure Statement	328,736	20,350	3,369	2,483
Movement in Reserves Statement				
	Local Government		Discretionary Benefits Arrangements - Unfunded	
	Pension Scheme - Funded			
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Reversal of net charges made to the surplus or Deficit on the provision of Services for post employment benefits in accordance with the code	(70,056)	(63,327)	(566)	(568)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	32,086	33,544	0	0
Retirement benefits payable to pensioners	0	0	2,133	2,230

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2021 is a loss of £584.077m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Balance at start of year	1,695,302	1,706,017	26,387	26,134
Current service cost	59,140	53,123	0	0
Past service cost (arising from McCloud judgement)	0	0	0	0
Interest on Pension Liabilities	37,006	40,449	566	564
Contributions by scheme participants	9,020	8,854	0	0
Remeasurements (gains) or losses	463,061	(62,918)	2,803	1,915
Benefits paid	(47,131)	(45,419)	(2,133)	(2,230)
Settlements	(3,537)	(4,882)	0	0
Curtailments and other costs	137	78	0	4
Balance at end of year	2,212,998	1,695,302	27,623	26,387

Reconciliation of fair value of the scheme (plan) assets:

Local Government Pension Scheme	2020/21	2019/20
	£'000	£'000
Balance at start of year	1,163,877	1,194,864
Interest on Plan Assets	24,823	28,219
Remeasurements gains or (losses)	204,381	(19,941)
Employer Contributions	92,084	78
Contributions by scheme participants	9,020	8,854
Settlements	(1,304)	(2,014)
Administration Expense	(829)	(764)
Benefits paid	(47,131)	(45,419)
Balance at end of year	1,444,921	1,163,877

The actual return on scheme assets in the year was £229.204m (2019/20 -48.322m).

Scheme History

	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Present value of liabilities:					
Local Government Pension Scheme	(2,212,998)	(1,695,302)	(1,706,017)	(1,663,476)	(1,712,040)
Discretionary Benefits Arrangements	(27,623)	(26,387)	(26,134)	(28,531)	(31,912)
Fair value of assets:					
Local Government Pension Scheme	1,444,921	1,163,877	1,194,864	1,194,266	1,142,388
Surplus or (deficit) in the scheme:					
Local Government Pension Scheme	(768,077)	(531,425)	(511,153)	(469,210)	(569,652)
Discretionary Benefits Arrangements	(27,623)	(26,387)	(26,134)	(28,531)	(31,912)
Total	(795,700)	(557,812)	(537,287)	(497,741)	(601,564)

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total deficit of £795.7m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Impact on the Council's Cash Flows

One of the objectives of the scheme is to maintain as nearly constant an employers' current service rate as possible. Following the triennial valuation as at 31st March 2019 the Council agreed a strategy with the WMPF to achieve a funding level of 100% over 17 years from that date. The next triennial valuation is due to be completed as at 31st March 2022.

The total contributions expected to be made to the LGPS (funded benefits) by the council in the year to 31 March 2021 (excluding payments in respect of curtailments etc.) is zero as £92.0m (covering the three year period 2020/21-2022/23 was paid in 2020/21, of which £30.6m relates to 2021/22). Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2022 are £2.1m.

Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2021, the actuary has rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19. The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2021 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA heavy tables with a multiplier of 85% for males and 95% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.5% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements*	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£'000	£'000	£'000	£'000
Mortality assumptions:				
Life expectancy from 65 retiring today				
Men	21.6	21.9	21.6	21.9
Women	23.9	24.1	23.9	24.1
Life expectancy from 65 retiring in 20 years				
Men	23.4	23.8		
Women	25.8	26.0		
Financial Assumptions:				
Rate of discounting scheme liabilities	2.00%	2.35%	1.75%	2.30%
Rate of increase in pensions	2.85%	1.90%	2.85%	1.90%
Rate of increase in salaries	3.85%	2.90%		

*Element paid directly by the Council

It has also been assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions have been set with reference to market conditions at 31 March 2021.

The estimated average duration of the LGPS past service liability duration is 21 years, (31st March 2020, 21 years), and for the discretionary arrangements paid directly by the Council 9 years (31st March 2020, 10 years).

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA-rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach adopted at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach adopted at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.85% p.a. (0.65% below RPI, i.e. 2.85% p.a. for unfunded non LGPS). The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities.

Salaries are assumed to increase at 1.0% p.a. above CPI.

The sensitivity of the liability to changes in major assumptions is included in Note 36 below.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be - 19.27%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for the Council as at 31st March 2021 is as follows:

	31st March 2021	31st March 2020
	%	%
Equities	60%	57%
Government Bonds	8%	12%
Other Bonds	6%	4%
Property	8%	9%
Cash / Liquidity	5%	4%
Other	13%	15%
Total	100%	100%

Above table may not sum due to roundings.

Dudley's share of the overall assets of the Fund is approximately 7.87%.

The actuary received the following information from the administering authority (Wolverhampton City Council) regarding the detail of their assets as at 31st March 2021, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset Breakdown	31st March 2021	
	% Quoted	% Unquoted
Fixed Interest Govt. Securities:		
UK		1.0%
Overseas		0.6%
Index Linked Govt. Securities:		
UK		5.2%
Overseas	1.6%	
Corporate Bonds:		
UK		6.3%
Overseas		
Equities:		
UK	0.1%	6.2%
Overseas	13.7%	32.7%
Property:		
All		7.5%
Other:		
Absolute Return Portfolio		1.7%
Private Equity		7.5%
Infrastructure		4.5%
Other Fixed Income		0.7%
Other Fixed Income Emerging Market Debt		4.1%
Other Fixed Income Multi Asset Credit		1.8%
Forward Currency Contracts		0.0%
UK Gilt Future	0.0%	
Equity Index Futures	0.0%	
Broker balances and income receivables		0.0%
Cash/Temporary Investments		3.0%
Net Current Assets:		
Debtors		1.9%
Creditors		
	15.4%	84.6%

Above table may not sum due to roundings.

The Discretionary Benefits arrangements have no assets to cover liabilities.

Note 29: Contingent Liabilities

The Council is currently in litigation with a contractor over a disputed contract for provision of digital services where it is seeking to recover its losses. The contractor has submitted a counter-claim and this is, therefore, being disclosed as a contingent liability

Cash Flow Statement Notes

Note 30: Cash Flow Statement – Operating Activities

A. Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements

	2020/21	2019/20
	£'000	£'000
Non Cash Movements		
Depreciation and Amortisation	(45,297)	(45,601)
Revaluation	9,581	(3,575)
Carrying Amount of Non Current Assets Sold	(23,437)	(21,790)
Net Charges made for Retirement Benefits in Accordance with IAS 19	23,595	(61,588)
Other Non Cash Movements	670	1,711
Changes to Grants Received in Advance	(2,159)	(2,623)
Changes in Impairment of Bad Debts	(2,630)	(2,268)
Changes to Creditors	4,686	(7,138)
Changes to Debtors	(7,518)	(10,596)
Changes to Inventories	63	353
Total Non-Cash Movements and Adjustments to the Net Surplus or Deficit	(42,446)	(153,115)

B. Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

	2020/21	2019/20
	£'000	£'000
Capital Grants Credited to the Surplus or Deficit on the Provision of Services	36,843	24,953
Proceeds from the Sale of Non-Current Assets	13,065	24,144
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		
Total	49,908	49,097

Interest Received, Interest Paid and Dividends Received

	2020/21	2019/20
	£'000	£'000
Interest Paid	24,493	27,531
Interest Received	(239)	(419)
Dividends Received	(110)	(1,583)
Total included in Net Cash Flows from Operating Activities	24,144	25,529

Note 31: Cash Flow Statement - Investing Activities

	2020/21	2019/20
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	76,774	58,455
Purchase of Short Term and Long Term Investments	21,215	44,500
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(13,065)	(24,144)
Proceeds from disposal of Short Term and Long Term Investments	(45,000)	(1,700)
Other Receipts from Investment Activities	(36,843)	(24,952)
Net Cash Flows from Investing Activities	3,081	52,159

Note 32: Cash Flow Statement - Financing Activities

	2020/21	2019/20
	£'000	£'000
Cash Receipts of Short and Long Term Borrowing	(78,000)	(62,500)
Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,080	2,510
Repayment of short and long term borrowing	79,844	74,264
Other (receipts)/payments for financing activities	(23,641)	160
Net Cash Flows from Financing Activities	(19,717)	14,434

Reconciliation of liabilities arising from Financing Activities

	1 April 2020	Financing Cash flows	Non-cash changes		31 March 2021
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long term borrowings	701,551	(25,566)	0	0	675,985
Short-term borrowings	66,879	23,722	0	0	90,601
Lease Liabilities	5,614	(186)	0	(63)	5,365
On balance sheet PFI liabilities	14,040	(1,894)	0	(469)	11,677
Total liabilities from financing activities	788,084	(3,924)	0	(532)	783,628

	1 April 2019	Financing Cash flows	Non-cash changes		31 March 2020
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long term borrowings	705,909	(4,358)	0	0	701,551
Short-term borrowings	74,284	(7,405)	0	0	66,879
Lease Liabilities	6,055	(453)	0	12	5,614
On balance sheet PFI liabilities	16,169	(2,057)	0	(72)	14,040
Total liabilities from financing activities	802,417	(14,273)	0	(60)	788,084

Other Notes

Note 33: Accounting Policies

1. General Principles and Changes for 2020/21

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual statement of accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS). Some roundings necessarily remain.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Dudley MBC as a local authority carries out functions essential to the local community and is itself a revenue-raising body (with limits on revenue-raising powers arising only at the discretion of central government). If the Council was in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. Therefore it is reasonable to assume that the Council's services will continue to operate for the foreseeable future and that the accounts are prepared on the basis that it is a going concern.

2. Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not when money is paid or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down, and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and business rates are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions, and are recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority and the amount of the revenue can be measured reliably.

The Council has set a general de minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals.

This level is reviewed annually and has been set at £10,000 for 2020-21. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £10,000.
- Automated accruals which are calculated using the Corporate Financial systems (UNIT 4 Business World and the Central Utilities database) or other systems within directorates.

3. Provisions and Contingent Liabilities

Provisions are made for liabilities that have been incurred, but are of uncertain timing or amount. There are three criteria:

- the council has a present obligation (legal or constructive) as a result of a past event;
- it is probable (i.e. more likely than not) that money will be needed to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If any of these criteria are not met, no provision will be made in the accounts, but a contingent liability may be disclosed in a note. Where the liability is due to be settled within the next financial year, the provision is shown as a current liability in the balance sheet. Otherwise provisions are shown as long term liabilities.

The obligation can be “constructive” e.g. the council has publicly expressed an intention to do something, and other parties have acted in expectation of this.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Details of provisions held at 31 March 2021 are shown in Note 25 to the statements.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated obligations are reviewed at the end of each financial year; where it becomes less than probable that money will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in [Note 29](#) to the statements.

4. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance (GFB) in the Movement in Reserves Statement (MiRS). When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the GFB through the MiRS so that there is no net charge against council tax for the expenditure.

Reserves designated as Local Management of Schools relate to preserved funds of schools for use in future years, under the terms of Dudley's *Scheme for Financing Schools*. These reserves are committed to be spent in the education service and are not available to the council for general use.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below, and are summarised on the balance sheet as unusable reserves.

5. Government and other Grants and Contributions

Government grants and third party contributions and donations are recognised as due to Dudley at the date that there is reasonable assurance that the monies will be received and that any conditions will be satisfied, but will not be credited to the Comprehensive Income and Expenditure Statement (CIES) until any conditions are satisfied. Conditions are stipulations that allow the grant-giver to recover the grant if it is not used as specified.

Monies advanced to the Council as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors; where there is reasonable assurance that the conditions will be complied with, in the grouping Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or to Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Capital grants and contributions are treated in a similar way, i.e. they are credited to CIES as Taxation and Non-specific Grant Income as soon as any conditions are complied with and there is reasonable assurance that the money will be received.

Any capital grants or contributions received with conditions where the council does not have reasonable assurance that those conditions will be complied with are carried in the balance sheet as creditors: where there is reasonable assurance that the conditions will be complied with, in the Capital Grants Receipts in Advance account.

Where capital grants and contributions are credited to the CIES, they are reversed out of the General Fund balance through the Movement in Reserves Statement (MiRS) to the Capital Adjustment Account (CAA).

6. Employee Benefits

Benefits Payable during Employment

Short term employee benefits, i.e. those due to be settled within 12 months of the year end, include wages and salaries, paid annual leave and paid sick leave, and bonuses. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of entitlements (e.g. for holidays or flexi leave) earned but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the rates applicable in the year in which the entitlement is earned, being a reasonable approximation to the rates in the following year in which the employee will take the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services (SDPS) in the Comprehensive Income and Expenditure Statement (CIES), but then reversed out through the Movement in Reserves Statement (MiRS), so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service line, or to the Non Distributed Costs line in the CIES, at the point when the council has communicated a detailed plan for the termination of the employment of an officer or group of officers, or for offers to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, e.g. through early access to earned pension, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to accounting standards. To achieve this, appropriations in the MiRS are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.

Post-Employment Benefits

Employees of the council are entitled to be members of one of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Business Services Authority (for staff who transferred with the Public Health function).
- The Local Government Pension Scheme, administered by Wolverhampton City Council as the West Midlands Pension Fund.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the balance sheet. The Children's and Education Services and Public Health revenue accounts are charged with the employer's contributions payable to Teachers' and NHS Pension Schemes in the year. Details are given in [Note 11](#) to the statements.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Midlands Pension Fund attributable to the council are included in the balance sheet on an actuarial basis, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, and projections of future increases in pensions and salaries.

Liabilities are discounted to their value at current prices, using a discount rate based on the rate of return on high quality corporate bonds of appropriate period.

The assets of the West Midlands Pension Fund attributable to the Council are included in the balance sheet at their fair value. Details are given in [Note 28](#) to the statements. Quoted securities held as assets in the scheme are valued at bid price.

The annual change in the net pensions liability is analysed as follows:

Service costs:

- current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the revenue accounts of the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, and curtailments or events that reduce the expected future service or accrual of benefits of employees – debited to the SDPS in the CIES
- any gain or loss on settlement (the result of actions to relieve the council of liabilities) – credited or debited to the SDPS in the CIES.

Interest Income or Expense:

- Net interest on net defined liability – the change during the period in the net defined benefit liability or asset that arises from the passage of time. It comprises interest income on the plan assets, net of interest cost on the defined benefit obligation – debited or credited to Financing and Investment Income and Expenditure in the CIES.

Remeasurements:

- return on plan assets, less items included in the net interest above – credited to Other Comprehensive Income and Expenditure (OCIE) in the CIES;
- remeasurement of the net defined liability – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – recognised in OCIE in the CIES.

Contributions paid by the employer:

- employer's contributions paid to the West Midlands Pension Fund – not accounted for as an expense.

Statutory provisions in relation to retirement benefits require the council to charge General Fund with the amounts payable by the council to the pension fund in the year. This means that in the MiRS there are appropriations to and from the Pensions Reserve to remove the relevant notional debits and credits for retirement benefits and replace them with debits for the amounts payable to the pension fund. The negative balance on the Pension Reserve measures the beneficial effect on the General Fund and HRA of accounting for pensions on the basis of amounts payable, rather than a calculation of benefits earned.

Discretionary Benefits

The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. VAT

Only irrecoverable VAT is charged in the accounts.

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service.

9. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in or supply of services or the production of goods, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets (except land) – depreciated historical cost
- assets under construction and community assets land – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus and Investment assets - fair value by using the asset in its highest and best use.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets (e.g. vehicles) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued on a rolling programme, sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the CIES where they reverse a loss previously charged to the SDPS. Property assets that fall below the de-minimis level of £40,000 are not subject to valuation, they are however reviewed annually as part of the impairment review carried out by the valuer. However there is not a formal de-minimis for initial recognition of assets.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains only revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where such indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Asset land) and assets that are not yet available for use (i.e. assets under construction).

Assets are depreciated using the following methods and over the following periods:

Asset Type	Depreciation Method	Period of Years
Buildings	Straight line	Useful Economic Life, up to 70 years
Infrastructure (e.g. roads)	Straight line	40 years or Estimated life if shorter
Mobile Plant & Vehicles	Straight line	Useful Economic Life, usually between 5 and 20 years
Council Dwellings	Based upon major components' replacement cost allocated on a straight line basis over the useful life of each component. The difference between the sum of the total value of the component elements and the EUV-SH valuation is the residual value which is depreciated on a straight line basis over 100 years	Useful Economic Life of components and residual value which are between 15 and 100 years

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Components

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, unless the difference to the depreciation charge would not be significant.

For major newly built assets, and identifiable new blocks, over £1m in cost, and as assets are revalued through the five year rolling programme, an assessment for significant components is made by the property professionals.

At post-completion review of major enhancement or refurbishment schemes, an assessment will be made of the carrying value of any identifiable parts removed. If these have a value over £40k, they will be formally derecognised from the balance sheet. If the host asset has a life longer than 30 years, and a value above £2.5m, then the new spend will be set up as a component.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and it is probable that the sale will be completed within 12 months, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in current value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing dwellings disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund and Balances in the Movement in Reserves Statement (MiRS).

The written-off value of disposals is not a charge against council tax, as the cost of Plant, Property, and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

10. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. Such assets are usually short-lived, and as such are not revalued. The intangible asset balances are amortised to the relevant service revenue account over the economic life of the assets, using the straight-line method over 5 years, to reflect the pattern of consumption of benefits.

11. Charges to Revenue for Non-current Assets (Property, Plant, and Equipment, and Intangible Assets)

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding plant, property and equipment during the year:

- depreciation attributable to the assets used by the relevant service;
- impairment and revaluation losses which exceed any balance of accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible assets attributable to the service.

The council is not required to cover depreciation, impairment and revaluation losses, or amortisation from amounts raised from council tax. However, it is required to make an annual "Minimum Revenue Provision" (MRP) from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP charge to the General Fund Balance, by way of adjusting transactions with the Capital Adjustment Account in the Movement in Reserves Statement.

For the Housing Revenue Account there is no MRP requirement, but an amount equal to depreciation is required by regulations to be transferred to the Major Repairs Reserve; thus depreciation is effectively a charge to the HRA to be met from rent income.

12. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes although it does not result in the creation of a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the CIES in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for

by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement (MiRS).

13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. (For vehicles, this applies when vehicles are leased for the greater part of their working lives.) All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee, i.e. paying for the use of assets

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor i.e. receiving rents for property

Finance Leases

Where the Council grants a finance lease over a property or an item of equipment, the asset is disposed of from the balance sheet and a long-term debtor is created. Lease payments received are apportioned between:

- principal repayment used to write down the debtor
- financing income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

14. Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest payable). Interest charged to the CIES is the amount payable for the year in the loan agreement.

Discounts and premiums on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Regulations allow the impact of premiums and discounts on the General Fund Balance to be spread over future years. This is managed by a transfer to or from the Financial Instruments Adjustment Account, through the Movement in Reserves Statement.

15. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at :

- amortised cost
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has one soft loan made to Dudley Zoo at zero interest but the present value of the interest that will be foregone is not material enough to record an annual loss in the CIES over the life of the soft loan.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council evaluates expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Council, which are subject to a collective assessment.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

All the Council's financial assets, excluding trade receivables, were deemed to be low risk at the Balance Sheet date so only 12-month expected credit losses were evaluated and these were not material enough to justify charging loss allowances to the CIES.

Financial Assets Measured at Fair Value through Profit of Loss

The Council has no financial assets measured at Fair Value through Profit of Loss

Financial Assets Measured at Fair Value Through Other Comprehensive Income

The Council has an equity investment in Birmingham Airport shares. These shares are a long term strategic investment held to support the wider provision of local and regional public services and to receive regular dividend income rather than for capital growth or to sell. Therefore the Council has elected to take up the option to designate the shareholding as an equity instrument at fair value through other comprehensive income as this is more likely to present a true and fair view of its financial performance, than presenting changes in fair value in the surplus or deficit on provision of services.

Dividends in respect of the shares are credited to Financing and Investment and Expenditure line in the CIES. Changes in fair value are balanced by an entry in the Financial Instruments Revaluation Reserve.

16. Inventories (Stocks and Stores)

Inventories are included in the balance sheet at the lower of cost and net realisable value, except that inventories of items to be distributed without charge are valued at the lower of cost and current replacement value.

17. Interests in Companies and Other Entities

The council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts. Information relating to individual companies is shown in [Note 40](#) to the statements.

18. Private Finance Initiative (PFI) and similar schemes

PFI contracts are agreements to receive services, where the responsibility for making available the plant, property and equipment needed to provide the services passes to the PFI contractor. In cases where the Council is deemed to control the services that are provided, and where ownership of the fixed asset will pass to the Council at the end of the contract without further payment, the Council has included these assets in the balance sheet. Details are shown in [Note 39](#) to the statements.

The entries are calculated as if the original recognition of the plant, property and equipment was balanced by a liability for amounts due to the scheme operator to pay for the assets.

Plant, property and equipment recognised on the balance sheet is revalued and depreciated in the same way as any other Council-owned property.

Payments made by the Council under PFI contracts are analysed as follows:

- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES).
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable in the CIES.
- payment towards liability – applied to write down the Balance Sheet liability to the PFI or other contractor.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.

Where an asset financed by a PFI scheme is transferred to an academy, responsibility for the payment of the unitary charge remains with the Council. The asset is removed from the Council's balance sheet but the PFI liability will remain with Council and continue to be written down over the length of the PFI contract, funded by PFI credits and contributions from the academy.

PFI Credits

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. The grant is treated as a general grant in the CIES.

19. Accounting for Council Tax

The Council Tax income included in the CIES is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the MiRS.

As the collection of Council Tax for preceptors (the West Midlands Police & Crime Commissioner, and West Midlands Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Dudley as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

20. Accounting for Collection of Business Rates

Dudley collects Business Rates partly as an agent for the Fire & Rescue Authority (1%), and partly on its own account (99%). As with council tax, the cash collected belongs proportionately to Dudley as the billing authority, and to central government and the Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

21. Cash and Cash Equivalents

Cash in hand, cash in bank, and cash in call accounts, are counted as cash equivalents, as readily converted to a fixed amount of cash.

22. Heritage Assets

The Council's Heritage Assets are held in support of the objectives of increasing knowledge, understanding and appreciation of the Borough's history and the local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, with some relaxations shown below.

Asset type	Accounting Treatment
Collections of art, glass, geological items and related archive materials held in the museums	Insured value which is based on market values.
Local archive collections held in the new Archive Centre in Tipton Road.	Not included in the accounts, as there is neither acquisition cost nor value associated with most of these items.
Historic Landscapes, particularly The Leasowes, and Wrens Nest National Nature Reserve.	Held at cost, which largely consists of recent works of restoration and development.
Statues and other art works in parks and public spaces, art works associated with road schemes, war memorials	Held at an internal valuation, where the value can be reasonably estimated, or at cost if that is known.
Local nature reserves which are also public parks, such as Saltwells and Fens Pools.	Treated as operational assets, not as heritage assets.

23 Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the borough are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.

Academies are not maintained schools in the council's control. The land and building assets are not owned by the council and not included on the council's balance sheet.

24 Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Note 34: Accounting Standards that have been issued but have not yet been adopted

The International Financial Reporting Standard 16 (IFRS16 *Leases*) was issued by the International Accounting Standards Board in January 2016 with a mandatory effective date for bodies outside the public sector of 1st January 2019. The implementation of this standard has been delayed for public sector bodies until 1st April 2022. At present we do not believe the impact of this standard on the Council's 2022/23 accounts will be significant but work has begun to identify any contracts that would need to be treated differently as a result of these changes to statutory accounting requirements. We expect that these contracts will mainly relate to properties rented by the Council currently on operational leases covered within Note 38.

Note 35: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in [Note 33](#) to the statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

1. The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it legally owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied

The council has assessed the legal framework for each school to determine the accounting treatment of school land and buildings. The council has considered its accounting arrangements for each school, on a case by case basis, under the terms of:

- a. IAS16 – Property, plant and equipment
- b. IAS17, Leases
- c. IFRIC 4, Determining whether an arrangement contains a lease
- d. LAAP Bulletin 101, Accounting for Non-Current Assets used by the local authority

Schools are only included in the balance sheet in so far as the Council has legal ownership, or if ownership is with a trust which must allow the premises to be used by the school. Thus voluntary aided schools and some of the voluntary controlled schools are excluded, although they are used in providing education within the Borough.

All maintained schools in the borough are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.

2. The Better Care Fund was introduced to drive the transformation of local services and to be operated through pooled budget arrangements between the council and the Clinical Commissioning Groups (CCG). The Council has applied the principle of substance over form so that the level of expenditure allocated to each partner reflects the degree of control and influence over that spend during the year (the 'substance') rather than allocating on the basis of control and influence outlined in the BCF agreement (the 'form') In accounting for the pooled resources, activity where funding was received and expended under the control of the Council has been accounted for in its accounts.
3. Private Finance Initiative (and Similar Contracts). The Council has assessed that the Paragon PFI scheme and its Waste Disposal Contract and have concluded that as the Council is deemed to control the services provided and also to control the residual value of the assets at the end of the contract. The accounting policy for PFI's and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

Note 36: Assumptions Made About the Future, and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pensions Liability. Estimation of the net pension liability to pay pensions (calculated in accordance with IAS 19) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied. (Details of the assumptions used are given in [Note 28](#)). New information can lead to changes to these judgments, which could lead to material adjustments

At 31st March 2021, the net liability for pensions was £795.7m. The effect on the liability of changes in individual assumptions would be as follows.

	£m
-0.1% per annum discount rate	+46.9
+0.1% per annum pension increase	+5.6
+0.1% long term salary increase	+40.9
1 year increase in life expectancy	+108.3

- In 2019/20 the schedule of revaluations was revised so that a higher proportion of assets were revalued in year and the majority of other land and buildings were revalued as at 31st December 2019. This methodology was continued into 2020/21 with the majority of assets valued using DRC (depreciated replacement cost) revalued at 31st December 2020 and assets valued by an external consultant (Bruton Knowles) were revalued as at 31st March 2021. HRA assets were also subject to a full revaluation by external valuers (Savills) as at 31st December 2020. Valuation of most property, plant and equipment assets is current value. The valuations are heavily sensitive to assumptions and are influenced by economic circumstances which can change significantly from year to year. At 31st March 2021, the book value, net of depreciation, of the buildings within other land and buildings was £232m.
- Buildings are depreciated over useful lives that are dependent on various factors, including assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. If the useful lives of assets were to be reduced, depreciation would increase and the carrying amount of the assets would fall. It is estimated that if the useful life of each building was reduced by five years, the annual charge for depreciation of buildings would increase by £2.14m, and the carrying value therefore decrease by the same amount. It should be noted that the depreciation charge does not have any effect on the general fund balance.

Note 37: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Legal Services on 1st July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 38: Leases

Council as Lessee, i.e. paying for use of assets

Finance Leases

Dudley has acquired some of its vehicle fleet and a number of buildings under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2021 £'000	31 March 2020 £'000
Assets Acquired		
Other Land and Buildings	3,674	3,968
Vehicles, Plant, Furniture and Equipment	4	150
Total	3,678	4,118

Dudley is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by Dudley and finance costs that will be payable by Dudley in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Cash Flows	31 March 2021 £'000	31 March 2020 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	194	249
Non-Current	5,171	5,365
Finance costs payable in future years	4,577	4,994
Minimum lease payments	9,941	10,608

The actual minimum lease payments will be payable over the following periods:

Actual Minimum Lease Payments and Associated Liabilities	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000
Not later than one year	598	667	194	250
Later than one year and not later than five years	2,565	2,650	895	967
Later than five years	6,778	7,292	4,275	4,397
Total	9,941	10,608	5,365	5,614

Operating Leases

The Council has rented a number of properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2021 £'000	31 March 2020 £'000
Not later than one year	592	484
Later than one year and not later than five years	965	1,297
Later than five years	80	143
Total Minimum lease payments	1,638	1,924

The expenditure charged to service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2021 £'000	31 March 2020 £'000
Minimum lease payments	594	582
Total Minimum lease payments	594	582

Council as Lessor i.e. receiving rents for assets**Finance Leases**

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2021	31 March 2020
	£'000	£'000
Not later than one year	323	323
Later than one year and not later than five years	1,292	1,292
Later than five years	5,265	5,588
Total Minimum lease payments	6,880	7,203

Operating Leases

The Council leases out property and equipment under operating leases for the provision of community services, such as sports facilities, tourism services and community centres and for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2021	31 March 2020
	£'000	£'000
Not later than one year	1,486	1,441
Later than one year and not later than five years	2,973	3,010
Later than five years	30,608	30,916
Total Minimum lease payments	35,067	35,366

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 39: PFI and Similar Contracts

Summary information for PFI and similar contracts is given below for continuing schemes. The figures given on future liabilities assume full performance; failure of performance will attract penalties from the contractors.

Paragon

This project is a Design, Build, Finance and Operate (DBFO) scheme to provide two schools (Colley Lane Primary and The Summerhill). The contract with the operator Newmount covers 27 years and expires in 2031. During 2017-18 Colley Lane School converted into an academy school and transferred to the Windsor Academy Trust. The transfer did not result in any fundamental changes to the PFI contract itself, however, the value of the school's land and buildings was removed as a disposal from the Council's balance sheet.

Waste to Energy Plant

The Council contracted out its waste disposal service to Dudley Waste Services Ltd in 1996 which included the Design, Build, Finance and Operation of a waste to energy plant at the Lister Road Depot. The plant has been operational since 1998 and processes the majority of waste collected by the Council. The Waste Disposal Contract covers operation of the plant for 25 years and expires in 2023 when ownership of the plant transfers to the Council. The operator is obligated to use the plant primarily for Dudley's waste although it does receive waste from other sources.

The balance sheet movements and entries for Paragon and the Waste to Energy Plant are detailed below:

	Paragon Schools		Waste to Energy Plant	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April	15,973	17,686	7,521	19,985
Additions	118		0	0
Revaluations	1,581	(1,713)	7	(12,464)
At 31 March	17,671	15,973	7,528	7,521
Depreciation				
At 1 April	0	(1,141)	0	(4,044)
Written off on revaluation	250	1,371	43	4,852
Charge for the year	(250)	(230)	(580)	(808)
At 31 March	0	0	(536)	0
Balance Sheet amount at 31 March	17,671	15,973	6,992	7,521

PFI Finance Lease Creditor Liabilities

	Paragon Schools		Waste to Energy Plant	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
At 1 April	8,787	9,379	5,253	6,790
Principal Repaid in Year	(686)	(592)	(1,677)	(1,537)
Balance Sheet amount at 31 March	8,101	8,787	3,577	5,253

Breakdown of PFI Finance Lease Creditor Liabilities

	Long Term		Current	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Paragon	7,484	8,102	618	686
Waste to Energy Plant	1,746	3,575	1,829	1,677
	9,230	11,677	2,447	2,363

The carrying value of the PFI liabilities is recorded at amortised cost in the balance sheet. Their fair value is disclosed in Note 19.

The breakdown of the unitary payment (or equivalent) into service charges, repayment of principal and finance costs for the life of the schemes are detailed below. The unitary payments and service charges have been uplifted for inflation.

Payments for Paragon Schools

Period	Unitary Payment £'000	Service Charges £'000	Repayments of Liability £'000	Finance Costs £'000	Contingent Rents £'000
Within One Year	3,506	1,936	618	462	490
2-5 years	15,034	8,748	2,628	1,508	2,150
6-10 years	21,301	11,730	4,856	866	3,849
11-15 years	384	384	0	0	0
Total	40,225	22,799	8,102	2,836	6,488

Payments for Waste to Energy Plant

The Waste Disposal Contract is not a PFI scheme therefore the “unitary payment” is deemed to be the annual cost of incineration as per the original contract excluding costs for items required to comply with environmental legislation and other “pass through” costs which are the Council’s responsibility.

Period	Unitary Payment £'000	Service Charges £'000	Repayments of Liability £'000	Finance Costs £'000
Within One Year	5,737	3,582	1,829	326
2-5 years	5,131	3,245	1,746	139
Total	10,867	6,827	3,575	465

Unitary payments for Paragon are based on a fixed annual charge and payments for Waste Disposal are based on a gate fee dependent on waste tonnages. The whole of the payments for the Waste Disposal Contract and 90% of the payments for Paragon are subject to annual inflationary uplifts.

Note 40: Investments in Companies**Birmingham Airport**

The Council’s shareholding investment in Birmingham Airport Holdings Ltd cost £7.675m. It is revalued annually using an earnings based approach. The latest valuation for Dudley’s 5.58% ordinary shareholding and 11% preference shareholding is £16.438m; see also [Note 19](#).

Dudley and West Midlands Zoological Society Limited

Dudley Council holds all the shares in a company known as Dudley and West Midlands Zoological Society Limited (Registered address: Castle Hill, Dudley, West Midlands, DY1 4QF). This company is engaged in zoological activities, and, through a wholly owned subsidiary, the provision of catering services, the operation of gift shops, and related activities on the Dudley Zoo site.

The company’s financial position for its two most recent accounting periods is summarised below. The figures are based on the latest accounts of the company, copies of which can be obtained from the Society at the above address.

	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
Total Assets less Liabilities	4,402	4,299
Surplus or (Loss) on Ordinary Activities	103	271
Status of Accounts	Unaudited	Audited

The Company and its subsidiary are dependent for financial support on the Council. The Council is committed to provide support to ensure its ability to continue to trade.

New Heritage Regeneration Limited

The Council has a maximum of 20% of the voting rights in this company limited by guarantee. (Registered address: Ednam Road, Dudley, West Midlands, DY1 1HL). It was established in August 2008 as a project management agent, liaising with the private sector to deliver the social, environmental and economic regeneration aspirations of the Council. It does not itself engage directly in regeneration activity such as acquisition and disposal of property, or works.

The company's accounts for the period ended 31st March 2021 are not yet available. However the total amount paid by the Council for the company's services, and included in the Council's Income and Expenditure account for 2020/21 was £0.352m (£0.350m in 2019/20). The company's financial position for the year ended 31st March 2020 is summarised below.

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Turnover	350	353
Cost of sales	(330)	(330)
Gross Profit	20	23
Status of Accounts	Unaudited	Audited

PSP Dudley Limited Liability Partnership (LLP)

The Council is a member of this LLP and has 50% of the voting rights. (Registered address: Synergy House, 114-118 Southampton Row, London, WC1B 5AA). It was established in July 2009 primarily to develop sites with the aim of securing improvements to the economic, social or environmental well-being of the Borough of Dudley.

The LLP's draft financial position for the year to 31st March 2020 is summarised below. The comparative figures are for the year of 1st April 2018 to 31st March 2019.

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Turnover	1,146	405
Costs of sales	742	(422)
Gross Profit / (Loss)	404	(17)
Status of Accounts	Unaudited	Audited

Group Accounts

Dudley Council does not prepare group accounts, as the effect on the standing of the Council of the three related companies above is not material.

Note 41 : Trust Funds

The Council acts as trustee for the various funds detailed below. These funds have not been consolidated in the accounts of the Council, in order to comply with the Accounting Code of Practice.

	Balance at 31st March 2021 £'000	Expenditure & Other Losses 2020/21 £'000	Income & Other Gains 2020/21 £'000	Balance at 31st March 2020 £'000	Expenditure & Other Losses 2019/20 £'000	Income & Other Gains 2019/20 £'000	Balance at 31st March 2019 £'000
Stevens Trust - provides amenities in Stourbridge & Lye	3,555	(854)	856	3,553	(841)	823	3,571
Children's' Services Funds	88	(12)	13	87	(95)	23	159
Housing Leaseholder Funds	842	(233)	497	578	(565)	433	710
Adult and Community Funds - mainly held on behalf of residents	6,737	(1,412)	15	8,134	(14)	146	8,002
Other Funds	1,159	(22)	118	1,063	(640)	194	1,509
Total	12,381	(2,533)	1,499	13,415	(2,155)	1,619	13,951

The Ernest Stevens Trust comprises 4 separate trusts. Only the Stevens Park & Recreation Ground Foundation has investments which generate income. It also has land & property valued at £0.491m at 31st March 2020 in accordance with the RICS Appraisal & Valuation manual. The other 3 trusts have land & property valued on a similar basis totalling £2.455m at 31st March 2020.

In compliance with the Statement of Recommended Practice for Charities, the accounts of the Stevens Trust show investments and property at appropriate current value. This has not resulted any significant unrealised gain or losses.

The Council is the Trustee of several trusts which administer public open spaces. The only assets of these trusts are the land and property concerned and no value is included in the table above.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, and capital financing costs - and how these are met from rents, subsidy, and other income. The layout of this account is an HRA Income and Expenditure Statement, followed by a Movement on the HRA Statement. These accounts are fully included within the main Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement.

	2020/21 £'000	2019/20 £'000
Income		
Dwellings Rent	(86,427)	(83,459)
Non-Dwellings Rent	(945)	(823)
Charges for services and facilities	(401)	(1,128)
Contribution towards expenditure	(2,442)	(1,611)
Total Income	(90,215)	(87,021)
Expenditure		
Repairs & Maintenance	31,625	23,423
Supervision and Management inc. Special Services	14,756	21,064
Rent, Rates, Taxes & Other Charges	1,161	625
Movement in Impairment Allowance	304	114
Depreciation & Revaluation of Property	13,822	24,770
Debt Management Costs	77	27
Total Expenditure	61,745	70,023
Net of (Income) & Expenditure	(28,470)	(16,998)
HRA share of Corporate & Democratic Core	445	488
Cost of Services but not allocated to specific services	0	2
Net Cost of HRA services	(28,025)	(16,508)
(Gain)/loss on sale of HRA non-current assets	(1,666)	(1,695)
Interest payable & similar charges	17,318	17,250
HRA Investment Income (including Mortgage Interest)	0	(109)
Interest and administration cost of pensions	1,952	1,949
Recognised capital grants and contributions	(241)	(1,247)
(Surplus)/Deficit for the year of HRA services	(10,662)	(360)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

A proportion of receipts from the sale of council houses is contributed to a national pool. This contribution is shown in the Comprehensive Income and Expenditure Statement.

Movement on the HRA Statement

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance on the HRA at the end of the previous year		(3,279)		(1,411)
(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(10,662)		(360)	
Adjustments between accounting basis and funding basis under statute	9,727		(1,855)	
Net decrease before transfers to or from reserves	(935)		(2,215)	
Transfers to or (from) earmarked reserves	600		347	
(Increase) / Decrease in year on the HRA balance		(335)		(1,868)
Balance on the HRA at end of the current year		(3,614)		(3,279)

Note 1: Adjustments between accounting basis and funding basis under statute

This note shows the adjustments which are needed to determine the final balance on the statutory account.

	2020/21	2019/20
	£'000	£'000
Charge for depreciation, impairment and amortisation of non-current assets, plus capital expenditure funded from revenue under statute, net of Major Repairs Allowance and recognised capital grants	(10,495)	(595)
(Gain) / loss on sale of HRA non-current assets	(1,666)	(1,695)
Disposal costs charged to capital receipts	160	258
HRA share of contributions to or from the Pensions Reserve (net figure)	5,774	4,887
Voluntary Revenue Provision	0	0
Capital expenditure funded by the HRA	(3,500)	(1,000)
Total	(9,727)	1,855

Note 2: Housing Stock

The Council was responsible for managing on average 21,457 dwellings during 2020/21. The stock at the year-end was made up as follows:

	31 March 2021	31 March 2020
Traditional Houses and Bungalows	13,225	13,302
Non-traditional Houses and Bungalows	1,080	1,115
Flats	7,092	7,100
Total Stock	21,397	21,517

The change in stock can be summarised as follows:

	2020/21	2019/20
Stock at 1st April	21,517	21,734
Less: Sales, demolitions etc.	(172)	(241)
Add: New build properties / Acquisitions	52	24
Stock at 31st March	21,397	21,517

Note 3: Plant Property and Equipment

Total Balance sheet value of land, houses & other property within the HRA.

	31 March 2021 £'000	31 March 2020 £'000
Operational Assets, comprising:		
Dwellings	937,465	925,543
Other Land & Buildings	4,248	5,668
	941,713	931,211

The vacant possession value of dwellings within the council's HRA at 31st March 2021 was £2,344m compared with a social housing value of £937m. The difference between these two values shows the economic cost to Government of providing council housing at less than open market rents.

Note 4: Major Repairs Reserve Movement

	2020/21 £'000	2019/20 £'000
Balance on the Major Repairs Reserve at start of year	0	0
Amount transferred to the Major Repairs Reserve during the financial year	24,086	24,129
Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses & other property within the council's Housing Revenue Account	(24,086)	(24,129)
Balance on the Major Repairs Reserve at end of year	0	0

Note 5: Capital Expenditure

Summary of total accrued capital expenditure on land, houses & other property within the HRA during the financial year by sources of funding.

	2020/21	2019/20
	£'000	£'000
Borrowing	0	0
Usable Capital Receipts	6,429	11,505
Revenue Contribution	3,500	1,000
Major Repairs Reserve	24,086	24,129
Grants & Leaseholders' Contributions	241	1,247
Total Capital Expenditure / Funding	34,256	37,881

Note 6: Capital Receipts

Summary of total capital receipts from disposals of land, houses & other property within the Housing Revenue Account during the financial year.

	2020/21	2019/20
	£'000	£'000
Net Capital Receipts		
Dwellings	7,768	11,642
Other land & buildings	2,063	315
Total	9,831	11,957

Note 7: Depreciation

The total charge for depreciation within the Housing Revenue Account.

	2020/21	2019/20
	£'000	£'000
Depreciation - Dwellings	23,912	23,939
Depreciation - Other land & buildings e.g. Shops	174	190
Total	24,086	24,129

Note 8: Revaluation and Impairment Losses

	2020/21	2019/20
	£'000	£'000
The value of revaluation gains/(losses) for the financial year in respect of land, houses & other property charged to the council's Housing Revenue Account	10,265	(641)
Total	10,265	(641)

Note 9: Rent Arrears

	31 March	31 March
	2021	2020
	£'000	£'000
Current Tenants	2,306	2,265
Former Tenants	1,687	1,825
Total	3,993	4,090

There is an impairment allowance in respect of potentially uncollectable rent arrears. The value of this allowance was £2.241m at 31st March 2021 (£2.310m at 31st March 2020).

COLLECTION FUND

This shows the transactions of Dudley as a billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to precepting authorities and to Dudley's General Fund.

	Business Rates		Council Tax	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Council Tax (net of exemptions and reliefs)			(148,930)	(143,719)
Business Rates (net of exemptions and reliefs)	(41,584)	(89,487)		
Total Income	(41,584)	(89,487)	(148,930)	(143,719)
Precepts, Demands and Shares:				
West Midlands Police & Crime Commissioner			15,129	14,073
West Midlands Fire & Rescue Authority	866	855	5,752	5,591
Dudley MBC General Fund	85,725	84,700	128,591	122,569
	86,591	85,555	149,472	142,233
Business Rates Cost of Collection allowance	406	414		
	406	414	0	0
Increased/(Decreased) Provision for Doubtful Debts:	2,425	1,385	770	2,542
Write Offs	575	915	298	505
Increased Provision for Appeals	(1,395)	2,900		
	1,605	5,200	1,068	3,047
Transfer to General Fund & Preceptors - Prior Year's Estimated Surplus/(Deficit)	(431)	(2,732)	896	1,279
Total Expenditure	88,171	88,437	151,436	146,559
Collection Fund Surplus (Deficit) for the year	(46,587)	1,050	(2,506)	(2,840)
Surplus / (Deficit) at 1st April brought forward	(1,995)	(3,045)	(1,123)	1,717
Total Collection Fund Surplus (Deficit) at 31st March	(48,582)	(1,995)	(3,629)	(1,123)
Surplus (-) Deficit (+) to be distributed to preceptors	486	19	511	158
Dudley MBC Collection Fund Surplus/(Deficit)	(48,096)	(1,976)	(3,118)	(965)

The unusually large deficit on Business Rates was due to reliefs provided to rate payers by central government and was largely offset by Business Rates grants (Note 14)

Note 1: Council Tax

Council tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and precepting authorities for the forthcoming year and dividing this by the Council Tax base (*i.e. the equivalent number of B and D dwellings*). The Council Tax base for 2020/21 was 93,074.22 calculated as follows:

Number of Dwellings (adjusted for discounts, exemptions etc)	Multiplier	Band D Equivalent
88.27	5/9	49.04
28271.90	6/9	18,847.93
31288.47	7/9	24,335.48
26298.61	8/9	23,376.55
14511.51	9/9	14,511.51
6425.60	11/9	7,853.51
2304.12	13/9	3,328.17
892.31	15/9	1,487.19
112.49	18/9	224.98
Total Band D equivalent		94,014.36
Assumed Collection Rate		99.0%
Net Band D equivalent		93,074.22

Note 2: National Non-Domestic Rates (Business Rates)

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 51.2p (or 49.9p if the property qualifies for small business relief) for 2020/21, charged on the rateable value of the property. The Council is responsible for collecting rates due from ratepayers in its area. Under the Business Rates Retention programme, the Council retains 99% of the income, and 1% goes to the Fire and Rescue Authority.

Total non-domestic rateable value at 31st March 2021 was £231.309m (31st March 2020 = £233.061m). The amount actually collectable by the Council is less, by the net amount of Transitional Relief and other allowances, than the product of the non-domestic rateable value and the poundage.

Note 3: Write Offs

Following every effort to recover monies due, some debts are eventually deemed to be uncollectable and are written off. In 2020/21 the following sums were written off:

Council Tax	£0.298m (2019/20 £0.505m)
National Non-Domestic Rates	£0.575m (2019/20 £0.915m)

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities:

The Council 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. This council has designated the Chief Officer (Finance and Legal) as the responsible officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Director of Finance and Legal Services' Responsibilities:

The Director of Finance and Legal Services is responsible for the preparation of the council's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2021.

CERTIFICATE OF THE DIRECTOR OF FINANCE AND LEGAL SERVICES

I certify that in preparing this Statement of Accounts:

- I have selected suitable accounting policies and applied them consistently,
- I have made reasonable and prudent judgements and estimates,
- I have complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

I have also kept proper and up-to-date accounting records, and taken reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts set out in the following pages give a true and fair view of the financial position of Dudley Metropolitan Borough Council at 31st March 2021, and its income and expenditure for the year then ended.

I authorise this Statement of Accounts for issue on the date below. This is the date up to which events after the balance sheet date have been considered for their possible effect on the accounts.



Iain Newman,
Director of Finance and Legal Services

Date: 1st July 2021

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DUDLEY METROPOLITAN BOROUGH COUNCIL**

Report on the Audit of the Financial Statements

Not yet available



Annual Governance Statement

2020/21



...the historic capital of the Black Country



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 2020/201 and the subsequent period up to the sign off of the 2020/21 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.

[Link to Code of Corporate Governance](#)

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 the Audit and Standards Committee, who approve the annual audit plan and receive regular monitoring reports. Audit Services completed 92% of the 2020/21 audit plan. The audit plan 2020/21 has been disrupted by the Covid-19 pandemic, but the Head of Audit Services considers that sufficient work has been undertaken to deliver his annual opinion.
- 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 2020/21 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 2021,
- Follow up reviews undertaken on High priority actions and audits that have been given a Minimal or Inadequate/Requires Improvement 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 2021, 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 undertook a focused visit in October 2020 and identified ‘serious weaknesses in many areas. This is because of long standing instability in the senior leadership team that has led to delays in addressing strategic and practice deficits. Services for children in Dudley are not consistently effective in the early identification of risk, and therefore some children remain in harmful situations for too long. The quality of management oversight of individual casework and planning is frequently poor’.

The Children’s Service’s Improvement Plan has now been aligned with the outcome of the focused visit, and is being monitored by the Improvement Board.”

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 2020 to 31st December 2020 the Corporate Fraud Manager completed 23 investigations of which 10 fraud/other inappropriate behaviour was established. There were also 21 cases in progress as at the 31st December 2020.

- 4.2.11 During the period 1st January 2020 to 31st December 2020 the Housing Fraud Team completed investigations into 540 referrals of which 50 were found to involve fraud. The notional saving to the council was approximately £472,000.

4.3 **Risk Management**

- 4.3.1 Following the decision made by Strategic Executive Board to transfer responsibility for the co-ordination of risk management from Financial Services to Audit Services, a new Risk Management Framework has been produced that has been approved by Audit and Standards Committee. The Risk Management Framework is currently being rolled out across the council. The Risk Management Framework will bring in some significant changes to how risk management is operated in the council. There will be an increased focus going forward in bringing the status of risks down to a level that is acceptable to the council.
- 4.3.2 A report on corporate risks is presented to Strategic Executive Board and Audit and Standards Committee four times a year (recently moved from three to four). For each of these meetings, Audit and Standards Committee select a corporate risk for discussion. This would involve the officer responsible for the risk delivering a presentation on how the risk is being managed, which is then open to challenge by Members. During 2020/21 risks relating to “Payment Card Industry Standard Compliance”, “Vulnerable Adults” and “Welfare Reform” were subject to Member challenge.
- 4.3.3 The council's corporate risks were subject to ongoing review during 2020/21; the following were rated “Major” or “Significant” (there are other risks rated “Moderate” and “Minor”):

Risk	Rating March 2021
There is a risk that various changes to welfare and benefits systems could place people at risk and increase pressures on statutory services.	Major
Risk of failure to protect adults in positions of vulnerability due to increasing demand, changing patterns of abuse (e.g. exploitation) and reducing resources	Major
Risk of failure to protect children in positions of vulnerability, due to increasing demand, changing patterns of abuse (e.g. exploitation) and reducing resources.	Major
Failure to have in place effective arrangements for managing health and safety leading to risks to council staff, service users and visitors to council premises	Major
Risk of insufficient funding streams or failure to successfully bid for funds due to capacity and experience within the Team which could result in restrictions in regeneration activity.	Major
Failure to adhere to the Equality Act 2010 and Public Sector Equality Duty could result in reputational and legal consequences which could impact on recruitment and retention.	Major

Failure to effectively implement the Local Outbreak Management plan will result in a rising infection rate, greater economic distress and increased deaths.	Major
Failure to embed carbon reduction in all aspects of the Council's operation will result in the inability to achieve the carbon neutral aspiration by 2041.	Major
Failure to address the actions in the internal audit report may result in staff not being paid or not being paid correctly	Significant
If the council is unable to stay Payment Card Industry Compliant (P.C.I), several risks may arise/be incurred: financial penalties, reputational damage and the council's approach to income collection impeded.	Significant
Following the UK's exit from the European Union, risks remain in respect securing satisfactory international trading arrangements and agreements with the constituent states of the EU, the USA and other countries worldwide.	Significant
The council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available.	Significant
The council may fail to; assess the importance of information to the business and may be unaware of the potential impact on the organisation should the confidentiality, integrity or availability of information be compromised.	Significant
The council acknowledges that there is a risk of fraud across all areas of its operations and is working both internally and with external partners to prevent and reduce this risk.	Significant
Risk of failure to meet the Regulator of Social Housing "Consumer Standard"	Significant
Failure to adopt the good practice recommended by the National Cyber Security Centre could mean our networks and systems are unsecure and are open to attack resulting in possible data breach and loss of systems/facilities.	Significant
Failure to clarify objectives and resource requirements appropriately will result in the digital platform programme not delivering efficient services and a better experience for customers.	Significant

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 and the Overview and Scrutiny Management Board have a role in scrutinising the council's Medium Term Financial Strategy. The Health and Adult Social Care Scrutiny Committee undertook a review of the Council's response to the pandemic, including a focus on the financial impact. The Capital Monitoring Programme is reported to all Cabinet meetings and the

revenue position was reported to Cabinet five times during the year (in excess of normal reporting frequency due to the volatility caused by the pandemic).

- 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 £13.2m against the original budget for 2020/21 (mainly due to the additional government funding for the impact of the pandemic exceeding the costs chargeable in the year). Internal Audit have conducted audits of Council Tax and Creditor Payments; both receiving “Reasonable” assurance.

4.5 **Performance Management**

- 4.5.1 The Council Plan for 2019-2022 was approved by full Council in May 2019 and will be delivered via a One Council ethos to build an effective and dynamic organisation aligned to the three core priorities:
- Growing the economy and creating jobs,
 - A cleaner greener place,
 - Stronger and safer communities.
- 4.5.2 These core priorities shape the services that are provided and ensure that directorates and partnerships are linked via a common purpose. Each directorate has identified their three key priorities.
- 4.5.3 The Council Plan also sets out Dudley Council's alignment with the shared vision for the Borough, which is built around seven aspirations and developed with key partners and stakeholders. The aspirations for Dudley Borough 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,
 - A place of healthy, resilient, safe communities with high aspirations and the ability to shape their own future,
 - Better connected with high quality and affordable transport, combining road, tram, rail, and new cycling and walking infrastructure,
 - 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 to visit and enjoy that drives opportunity, contributing to its ambitious future while celebrating its pioneering past,
 - Full of vibrant towns and neighbourhoods offering a new mix of leisure, faith, cultural, residential, and shopping uses.
- 4.5.4 The council is currently developing a Future Council programme - this will reflect the need to build a dynamic and sustainable organisation, through developing our workforce, improving our service delivery through digital innovation, and

investing in our facilities to ensure they are “fit for purpose”. The Future Council programme will enable the council to deliver the objectives and outcomes of the Council Plan and in turn the Borough Vision.

4.5.5 The Future Council programme has 3 themes and will be reviewed every three years as part of the Council Plan refresh and objectives will be developed under each of the priority areas.

- **Workforce** – The council will be an employer of choice investing in staff health and well-being and professional development. The smaller, diverse, and agile workforce will reflect the population of Dudley. Managers will have developed new competencies to lead and support their staff in a much more agile working environment. The council’s values and behaviours will define how Officers will work together with elected members, with partners and with the public. Automation and self-service will significantly change staff roles but there will be development opportunities to acquire new skills in areas like data analytics.

This will be delivered through the People Strategy.

- **Facilities** – The council will make its buildings available to provide shared spaces for communities to come together. The buildings and facilities will be “fit for purpose”, low carbon and embracing the latest technology. The smaller and increasingly agile workforce will require significantly less office accommodation. Centralised in Dudley Town Centre it will be flexible, providing touch down, hot desk and meeting spaces, shared with partners where appropriate. With improved public transport and cycling facilities, there will be reduced reliance on private cars.

This will be delivered through the Corporate Estates Strategy.

- **Digital and Technology** – The council will do things better by utilising technology to improve services and reduce cost. Data insight and analytics will be fully utilised to understand its customers, deliver better services and continuously improve. All transactions will be automated, self-service, cashless and paperless, except where individuals need personal support. The use of artificial intelligence, robotics, low carbon, and smart solutions will be the norm in tackling urban challenges such as traffic congestion, pollution, and remote service support. The council will transform wellbeing and care through digital technologies, delivering improved outcomes for service users.

This will be delivered through the Digital Strategy.

4.5.6 A Performance Management Framework is currently being produced which will link to the Borough Vision – Forging a Future for All and the Council Plan 2022-25.

4.5.7 The Council Plan is supported by Director Plans that provide more detailed information on the service actions the council are taking to deliver its priorities

and outcomes. The plans have a three-year focus and are reviewed annually in support of the Council Plan.

- 4.5.8 A quarterly performance report is presented to Strategic Executive Board and Future Council Scrutiny Committee. Prior to the Future Council Scrutiny Committee meeting, Members are requested to review the report and select an area of performance for detailed scrutiny during the meeting. During 2020/21 Members have reviewed performance relating to Childrens Services/Schools and Attendance Management. During the year directorate summary schedules have been provided to Corporate Scrutiny Committee. These provide information on the services delivered and detail on the performance of the directorate including benchmarking and key achievements. Key Covid-19 statistics including the "Dudley in Numbers" infographic is also provided.
- 4.5.9 Progress against Director Plans is monitored at monthly directorate management team meetings. From Quarter 1 2021/22, scorecard reporting will be present at directorate scrutiny committees. The scorecards will be tailored to the remit of the particular scrutiny committee and will include a narrative provided by the director.
- 4.5.10 The performance report for the quarter ending 31st March 2021 showed that of the 44 Key Performance Indicators identified, 28 were "On or Exceeding Target", 2 "Met Target" and 14 were "Below Target". The quarterly performance report has been enhanced with the inclusion of benchmarking information, where available, trend charts and Directorate service summary documents.
- 4.5.11 A Forging a Future Executive has been 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. Since May 2021 the Executive has started again to work on plans to deliver the Borough Vision and they have a goal of having a performance framework in place by September 2021.

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 due to be

reviewed and will take account of the learning and changes brought about by the pandemic.

4.7 **People Management**

- 4.7.1 A Corporate Workforce Analytics Report is presented on a quarterly basis to Strategic Executive Board. This provides information on the type of staff employed, sickness absence rates, completion of My Annual Review meetings and other key Human Resource indicators. Directors receive their own directorate report which is discussed at their management team meetings.
- 4.7.2 Days lost due to sickness has improved significantly compared with 2019/20, with an overall rate of 8.01 days per full time equivalent compared with 10.68 days during 2019/20.
- 4.7.3 A key aspect of the attendance management procedures is the completion of return to work interviews. The latest data available indicates that 91% of return to work interviews are being completed, which is an improvement on the previous year. Heads of Service are now provided with a monthly report identifying where return to work interviews are not being undertaken.
- 4.7.4 There has also been a decrease in the completion of My Annual Reviews, with 64% of reviews now being completed compared with 77% last year. The decrease in performance has been due to work pressures created by the Covid-19 pandemic. Heads of Services are provided with a monthly report on the completion of My Annual Reviews.
- 4.7.5 The council has performed well in creating new apprenticeship positions. The council achieved 201 new starts during 2020/21 compared with a target of 145. This excellent performance resulted in the council being given a top 100 apprenticeship provider award (no.43) in October 2020.
- 4.7.6 During 2020/21 HR and OD have been working on a People Strategy with support from an external consultant. In producing the strategy, engagement has taken place with a number of key stakeholders and key priorities were agreed during a meeting with Strategic Executive Board in March 2021. The Strategy is due to be discussed with Members with the goal of launching the Strategy in 2022. The People Strategy has five key priorities:
- 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.
- 4.7.7 During 2020/21 new workforce type data has been collected that will inform strategic thinking and decision making such as on site and home working during the pandemic and Covid-19 related absences. This also assisted regional collaboration/ benchmarking on Covid-19 related employee/employer issues.

- 4.7.8 Three Employee Surveys were designed, delivered and analysed. These provided valuable feedback to shape future interventions in relation to workforce matters.
- 4.7.9 HR and OD have carried out a number of important tasks to support the council's response to the Covid-19 pandemic. Work has included changing our HR policies and procedures to reflect changes in Government guidance throughout the pandemic, providing advice to managers, deployment of existing staff to support critical projects, recruiting additional employees to support critical services and ensuring a range of provision to address the adverse impact of the pandemic on the mental health and wellbeing our employees was available and accessible to all employees.

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.
- 4.8.2 During the year the Corporate Information Governance Team have assisted in the drafting and development of 18 Data/Information Sharing Agreements with partners, undertaken and assisted with 49 Data Protection Impact Assessments, published an additional 15 Privacy Notices, received 1060 Freedom of Information requests, 567 Subject Access Requests and 156 Environmental Information Regulation requests. There were 157 suspected data breaches assessed for severity with 2 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 2020/2021 the council maintained its Public Sector Network compliance status and is continuing to work with a Qualified Security Assessor (QSA) to ensure that it will achieve the Payment Card Industry Data Security Standards (PCI-DSS). There is only one area where compliance needs to be achieved and this risk is being mitigated.
- 4.8.4 Work has been undertaken to ensure that policies and guidance documents are in compliance with UK General Data Protection Regulations following the UK's exit from the European Union.
- 4.8.5 A new CCTV control room has been established overseeing cameras in a number of areas in the Borough - all complying with both Information Governance and Surveillance Commissioner standards. Operation of the CCTV control room is overseen by the CCTV Strategic Board.
- 4.8.6 The council has received accreditation for Cyber Essentials and is now working towards Cyber Essentials Plus and ISO27001.

4.8.7 The Information Governance Team routinely benchmarks its practices and processes against other members of the West Midlands Information Governance Forum, including neighbouring Local Authorities.

4.8.8 As part of preparation work to procure Cyber Security Insurance, a Cyber Self-Assessment has been undertaken. The overall maturity rating based on a scale from 1 (least mature) to 4 (most mature) provided a rating of 2.5 for Dudley, indicating a reasonable cybersecurity program with mature characteristics.

4.9 ICT Management

4.9.1 The council has the following ICT Strategies: Digital Strategy, Digital Skills Strategy and ICT Strategy. These strategies implementation plans are monitored by Digital and ICT Services Senior Management Team.

4.9.2 Digital and ICT Services have played a pivotal role in ensuring that the council could continue to provide critical services during the pandemic. Key aspects of the ICT Strategy had to be delivered within a few months. Over a 1000 laptops were configured and distributed and Digital and ICT services were able to provide immediate access to virtual meetings, first via Webex and then via Microsoft Teams.

4.9.3 Digital and ICT Services also made important changes to “Connect” and the Council’s website so that Covid-19 related information could easily be located. New online forms for business grants, discretionary grants, emergency grants (food and emergency supplies), self-isolating hardship grants were set up and a new online booking system established for Stourbridge recycling centre appointments

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 on an annual basis, which is monitored via reporting to Directors. 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. Future work will embed leadership accountabilities into the new manager induction, new leadership development programmes, the review of council job descriptions and competencies framework and 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. Through social media, a total of over 26

million engagements were generated through the council's Facebook activity and a further 5 million via Twitter, whilst there were more than 74,000 video views of council content on YouTube,

- 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,
- 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.

4.11.5 The council's Communications and Public Affairs Team produce monthly digital analytic reports which summarise media, social media, delivery and campaign activity. Digital analytics reports are hosted on "Connect" and are available to all staff.

4.11.6 A survey in the summer 2020 that covered the effectiveness of the council's communications; 68% of people agreed that Dudley Council keeps them well informed. This compares favourably to a Local Government Association Resident Survey, which showed 52% of people nationally felt very well or fairly well informed.

4.11.7 The council's Communications and Public Affairs Team were shortlisted for the National Covid Communications Awards 2020 for team of the year

4.12 **Customer Feedback**

4.12.1 All formal customer feedback is recorded on the council's complaints management system. Data about complaints is collated each quarter and again at the end of the financial year. The data is used to monitor performance, review how the council responds to customer feedback and how services can be improved. Complaints information is included in the quarterly performance report that is presented to Strategic Executive Board and is discussed at the Corporate Customer Feedback Group.

4.12.2 During 2020/21 the council received 154 statutory complaints of which 23% were upheld. The council received 1564 corporate complaints of which 35% were upheld or partially upheld. The council also received 1233 compliments during 2020/21.

4.12.3 The Local Government and Social Care Ombudsman's annual review letter for 2020 indicated 80 complaints/enquiries were decided by the Ombudsman, of which 17 were subject to a detailed investigation. The outcome of these detailed investigations was that 11 were upheld and 6 were not upheld. The number of upheld complaints decided by the Ombudsman for Dudley represented 65% of the detailed investigations undertaken. Similar Local Authorities had 67% of their detailed investigations upheld.

4.13 **Equalities Framework**

- 4.13.1 A consultant was commissioned in March 2020 to conduct an independent equality and inclusion assessment to ascertain the council's progress in developing and embedding equality and inclusion practice across the council. The consultant concluded "on the balance of information studied and insight gained during this review, currently DMBC is not fully compliant with the Equality Act 2010 and the Public Sector Equality Duty." Strategic Executive Board discussed the report in October and agreed to implement the 17 recommendations made.
- 4.13.2 It was agreed for the Chief Executive to chair the new Corporate Equality Board and be the Corporate Equality Champion. The Board have begun to identify priorities for equality, diversity and Inclusion, many of which have been incorporated into the People Strategy.
- 4.13.3 Finance has been identified to create two new posts to lead on this work.
- 4.13.4 Equality Data has been reviewed to ensure that the council is meeting its statutory requirements and has the information to support its future modernisation.
- 4.13.5 An independent organisation Brap has been procured to lead the programme of work and develop the council's inclusive and diversity work streams and assist the council becoming an employer of choice. As part of this, they have held a series of open conversations with staff about their personal journeys of working in the organisation.
- 4.13.6 An annual review of equality is presented to Cabinet and reports on progress in implementing the strategic action plan and includes employment monitoring data for protected characteristics including race, disability and sex. Employment data is also benchmarked against other local authorities e.g. the gender pay data - which has resulted in some actions being identified to help close the council's gender pay gap.

4.14 **Modern Slavery**

- 4.14.1 A Modern Slavery and Human Trafficking Statement and Policy 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.
- 4.14.2 Concerns in respect of modern slavery should result in a referral into the relevant MASH (Multi-Agency Safeguarding Hub). Significant work has taken place internally in respect of internal pathways in both Children's and Adult's services for potential victims of various types of exploitation.
- 4.14.3 A robust communications plan is in place for the Safe and Sound Partnership (Dudley's Community Safety Partnership) with messaging going out throughout the year, with 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.

4.14.4 The Modern Slavery and Educational Resources pages on the Safe and Sound Partnership website have been updated to ensure information, links (including to relevant elearning) and resources are up to date and relevant.

4.14.5 While the face to face modern slavery awareness training was put on hold due to the pandemic, Dudley Safeguarding People Partnership are now hosting a multiagency basic awareness eLearning course in respect of Modern Slavery and Human Trafficking (MSHT). National Referral Mechanism training for relevant staff has also been progressed during the last quarter of the financial year. 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.

4.14.6 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.

4.14.7 The number of people referred into the National Referral Mechanism was 52 for the year to the 31st December 2020. This compares to 26 for the previous year.

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 regularly 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 2020/21 was reported to full Council in April 2021 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 As part of the annual review of the council's constitution a review of Scrutiny Committees was undertaken which was presented to full Council in February 2021.
- 4.16.4 The scrutiny review of the council/partner response to the Covid-19 pandemic has been universally praised and has led to improvements in how scrutiny is undertaken across the board. Dudley MBC's review was also the subject of an article on the Centre for Governance and Scrutiny website to showcase scrutiny work in this area.

[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 During 2020/21 Audit and Standards Committee produced an annual report for the first time listing its achievements during the year. This was presented to full Council in July 2021.

[Audit and Standards Committee's Annual Report](#)

4.18 External Assurance

- 4.18.1 During the year a number of external reviews have been undertaken which have contributed to the assessment of the effectiveness of governance processes. The most important being:

Focused Visit - Children's Services
Provider: Ofsted
Outcome: Ofsted Reports
See paragraph 5.1
Tiled House
Provider: Care Quality Commission
Outcome: Good CQC Report
Audit of Statement of Accounts, Value for Money arrangements and Statutory Duties
Provider: Grant Thornton (External Auditors)
Outcome: To be received. Financial Statements - ????
Value for Money - ????
Equality and Inclusion
Provider: Inclusivity Global
Outcome: Equality Report
Schools
Provider: Ofsted
Outcomes: Ofsted Reports-Schools
Local Government and Social Care Ombudsman Annual Report
Provider: Local Government and Social Care Ombudsman
Outcomes: See 4.12.3 Ombudsman's Report

NB/ There was also a European Social Fund (ESF) external audit of Black Country Impact, a Council Housing property compliance review, a Children's Placements review and a CIPFA review of Estates Services.

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 service is working to an 18 month Improvement Plan, overseen by an Improvement Board, chaired by the DfE appointed Improvement Advisor to respond to these deficits. The Board's terms of reference was updated from March 2021 with the Advisor taking over the chair. The Improvement Plan covers 9 priority areas highlighted by Ofsted and the DfE as areas for focused action. These are:
- Leadership,
 - Multi-Agency Safeguarding Hub,
 - Quality of Assessment and Plans,
 - Pre-Proceedings – Public Law Outline,
 - Permanency,
 - Education at Key Stage 4 (Children in Care),
 - Case Transition,
 - Non-familial Abuse and Exploitation,
 - Supervision, Quality Assurance, Management Oversight.
- 5.1.3. There is a Children's Services Improvement Programme fortnightly meeting that oversees progress to report formally to the Improvement Board on a 6 weekly basis.
- 5.1.4. The DfE formally reviewed the Authority's progress in January 2021. At this meeting additional targets were set for achievement within a three month period. These targets were:

Area	Description
Improvement Board and Partnerships	A strong improvement board with partnership buy in and robust improvement plan
Partner in Practice – Fostering	Working with the partner to learn lessons and work together to improve Fostering services
Single Model Approach	Restorative Practice embedded as the single model approach across Dudley Social Care

Business Intelligence	The use of information available to support timely business decisions to increase pace in adapting services and service delivery to improve outcomes for children
Operations and Processes	To understand key areas of operations that can be improved through efficiency of process and practices.

- 5.1.5 The DfE carried out a formal review on 14th May 2021 to assess progress against these targets and to agree further steps necessary. The formal report from the DfE to the Leader and Chief Executive has not yet been received. However, feedback at the end of the review was that progress had been made against the targets, that a grip and understanding of the scale of the challenge was now evident and that as a result there would be a recommendation to the Minister that a formal Improvement Notice was not required, but that support and supervision should be extended to November 2021. Additional child focused targets for the next six months are currently being prepared.

5.2 **Special Educational Needs and Disabilities (SEND)**

- 5.2.1 Progress continues with the implementation of the detailed Improvement Plan in relation to the Written Statement of Action (WSOA). This plan that responds to the 14 areas for improvement is overseen by the SEND Oversight Group (SOG) consisting of members of the Local Authority, Education and Health partners. The Department for Education (DfE) and NHS England regularly attend this group to monitor progress.
- 5.2.2 Dudley experiences a very high level of requests for and conversions to Education, Health and Care Plans (EHCPs) which leads to significant pressure on the SEND team. During 2020/21 a new SEND team was recruited and inducted and new processes put in place. This team has worked through the backlog of assessments from over 300 in summer 2020 to 43 now. Timeliness of assessments has also improved from 29% in March 2020 to 50% in March 2021.

5.2.3 The risks and mitigations to progress are:

- Capacity to deliver change at pace across partners impacts progress of the Programme,
- The Programme has been reviewed and aligned to maximise efficiency across all areas of the Improvement Programme and WSoA. The enhanced SEND Team capacity supports the delivery of change at an operational level,
- Detailed plans are in place and mapped to ensure that focus is on delivery of key tasks when they are required with strong tracking, management and support for all task owners from the programme team,
- Wider alignment and engagement with partners is key to delivering the impact for the children of Dudley – key to delivery of the improvements across all areas of 0-25 SEND is strong leadership and support from all areas of the Local Authority.

5.2.4 The 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 is £40.155m, the latest forecast assumptions for 2021/22 reflect a deficit of £16.842m, this includes a brought forward deficit from 2020/21 of £11.151m and assumes that savings of £4.132m are achieved in year. A detailed recovery plan includes a number of efficiencies that coincide with the SEND Improvement Programme.

5.3 **Financial Sustainability**

5.3.1 The Medium Term Financial Strategy approved by council on 1st March 2021 forecasts deficits of £8.3m in 2021/22, £5.5m in 2022/3 and £5.4m in 2023/24. 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:

- (a) 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,
- (b) 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 2021/22,
- (c) 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.”

5.3.2 There remains significant uncertainty around the path of the pandemic and its financial impact. The budget for 2021/22 includes a general contingency of £8.8m for this purpose. The Council also holds earmarked reserves of £4.3m in respect of Contain Outbreak Management Funding (COMF) and other specific Covid funding. Further COMF of £2.3m has been allocated in 2021/22. Looking forward, there is uncertainty about the economic impact of Covid and the effect on the Council’s income streams, as well as uncertainty about the Government’s

Fair Funding Review (expected 2022/23). Dependent on the outcome, it may be necessary to identify additional savings to ensure the sustainability of the Medium Term Financial Strategy in future years.

5.4 **Payroll Transactions**

- 5.4.1 Internal Audit towards the end of 2017/18 highlighted a number of significant issues with payroll transactional activity. As a result, a “Minimal” assurance rating was given. The audit identified issues relating to the management of overpayments, exception reporting, quality control, separation of duty, reporting to the West Midlands Pension Fund, data quality and retention of documentation. A further follow up audit review was undertaken and the draft report issued in October 2020 provided “Limited” assurance. Although the audit found that significant progress had been made, there was still a large number of issues to be addressed. Internal Audit considered that given that some key positions had now been filled and that there was in the main clear documented procedures in place, the direction of travel was positive.

5.5 **Senior Management Changes**

- 5.5.1 The council has addressed its senior management vacancies by appointing to the following posts: Deputy Chief Executive, Director of Children’s Services, Director of Public Health and Wellbeing, Director of Digital, Commercial and Customer Services, Director of Housing and Communities, Assistant Director (Family Solutions, Education and SEND), Assistant Director (Children’s Social Care). The only post on Strategic Board that is currently Acting Up is the Director of Public Realm.

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

- 5.6.1 The Dudley Integrated Health and Care NHS Trust (previously called the Multi-Specialty Community Provider or MCP) was authorised on 1st April 2020. It brings together a range of health and care services in one organisation with primary care, delivered by General Practice, at its heart. It has been created from a partnership of local GPs, The Dudley Group NHS Foundation Trust and Black Country Healthcare NHS Foundation Trust.
- 5.6.2 The contract to Dudley Integrated Health and Care NHS (DIHC) will be awarded by the Black Country and West Birmingham Clinical Commissioning Group following completion of the required regulatory processes by NHS England and NHS Improvement. The anticipated contract start date is 1 April 2022. DIHC is a separate legal entity and will initially hold a ten year contract with the option to extend to fifteen years.
- 5.6.3 Currently a number of Public Health contracts, which equates to approximately £11.9m are in scope of the DIHC. At this stage, no Adult or Children’s social care services have been agreed by the council as in scope, however, they will be aligned to the care model where this can improve outcomes. The council has

established the following requirements to be considered to determine whether to transfer any additional services into the DIHC:

- Each line of investment must demonstrate a decreased cost to the council,
- Any transfer of service must meet both regulatory and statutory requirements,
- Each transfer must demonstrate improved outcomes for the people of Dudley,
- Those outcomes will be clearly stipulated, and performance data will be tabled at both the Health and Wellbeing Board and Scrutiny processes to account for change,
- The model must be able to adapt to the overall level of funding available to the council in order to ensure sustainability,
- Will not decrease income to the council e.g. VAT and client contributions.

5.6.4 A rigorous assurance process led by NHS regulators is underway called the Integrated Support and Assurance Process (ISAP). This assesses whether the procurement has been conducted properly and whether the contract is ready to commence. The process has been reviewed on three occasions by the Clinical Commissioning Group's internal auditors and the Good Governance Institute.

5.6.5 The council intends that additional assurance will be provided through the Adult and Health Scrutiny Committee. A report was reviewed by Scrutiny Committee on 16th September 2020 and a further report is due to be presented on 9th September 2021.

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:-

- 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 2023/24.
- 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 due for delivery in June 2022, but this may be delayed if a Compulsory Purchase Order is required.
- 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

- 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.
- 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.
- 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 May 2022.

Town Centres

- The Portersfield scheme is a mixed-use town centre regeneration scheme, located just off Dudley high street. The scheme has already seen the demolition of Cavendish House and in its place will follow the development of retail, residential, student accommodation and leisure space. The Portersfield site is adjacent to the new Midland Metro route and planned transport interchange and suitably developed has potential to kickstart regeneration of Dudley Town Centre.
- 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.

Skills

- 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 April 2022.
- 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.

5.7.2 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:

- 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.
- 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.
- 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.
- Regeneration and Enterprise Strategy Group meets monthly to receive reports from lead officers and steering groups.
- 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.
- 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.

5.7.3 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 On the March 2020 a council Covid-19 incident co-ordination group developed a strategic eight-point Action Plan to set out the following principles would be delivered:
- Delaying the spread of Covid-19,
 - Protecting vulnerable people from the impacts of Covid-19,
 - Mitigating the impact of the Covid-19 on the health and social care system, communities and local economy,
 - Developing resilience and supporting recovery.
- 5.8.2 The monitoring of the Covid-19 eight point plan and associated risks are undertaken by the Covid-19 incident group (initially met weekly) with reporting into SEB every fortnight.
- 5.8.3 Co-ordinating the Borough wide response is undertaken by the Covid-19 Strategic Partnership Group whose membership includes the council, Dudley Clinical Commissioning Group, The Dudley Group NHS Foundation Trust and Dudley Council for Voluntary Services.
- 5.8.4 The council has followed government/Public Health England advice from the onset of the pandemic. Staff who could work from home were asked to work from home, social distancing and health and safety requirements were enforced and key decision-making meetings were held virtually, where possible. Following the change in legislation from April 2020, council Member Committees started to run on a virtual basis and continued to do so throughout 2020. This continued until May 2021 when there was a national requirement for council committees to meet in person.
- 5.8.5 As part of the COVID-19 recovery strategy, the government launched the NHS Test and Trace service on 28th May 2020 to:

- Control the COVID-19 rate of reproduction (R),
- Reduce the spread of infection and save lives, and in doing so help to return life to as normal as possible for as many people as possible, in a way that is safe, protects our health and care systems and releases our economy.

- 5.8.6 A report was presented to a meeting of the full Council on the 30th November summarising the work of the Adult Social Care Scrutiny Committee at a series of meetings held between June and November 2020. The report and recommendations of the Health and Adult Social Care Scrutiny Committee concerning the scrutiny review of the council and Partner response to the Covid-19 Pandemic was received and endorsed by full Council.
- 5.8.7 A national mandate was issued for Local authorities to put in place Outbreak plans to support the national test and trace service and requirement to publish their local plans by end of June 2020.
- 5.8.8 Dudley's Director of Public Health (DPH) had responsibility to produce the Local Outbreak Control Plan. And in consultation with key partners put in place governance arrangements to oversee the development, implementation, delivery and monitoring of the plan.
- 5.8.9 DHSC identified Dudley's Outbreak plan as an example of good practice and prior to publication was shared with regional neighbours. The plan was built upon the learning from what worked well in the response to Covid-19 and on the foundation of a strong health protection function and collaboration established with partners through the health cooperation agreement.
- 5.8.10 The plan details how the council works with all partners and communities across the system to prevent the spread of Covid-19, to prevent, identify early and manage local outbreaks and how the council will support high risk locations and vulnerable communities. This plan provides a robust mechanism for responding to Covid-19 outbreaks across a range of settings and issues.
- 5.8.11 In February 2021, the Government published its Roadmap for exiting national lockdown, this included a refresh of the Contain Framework and an increased focus on Variants of Concern (VOC). This highlighted the importance of Local Authorities urgently reviewing and updating their Local Outbreak Management Plans in order to ensure they remained "fit for purpose" as well as aiding national understanding.
- 5.8.12 The refreshed Dudley Local Outbreak Management Plan (LOMP) was developed by Dudley Council and its key partners to continue to provide the system-wide response needed to manage Covid-19 and mitigate the impact on the health and social care system, communities and local economy as well as preparing Dudley for the next phase of the journey to recovery, including living safely with Covid-19. This revised outbreak control plan now takes into account the vaccination programme, the Roadmap out of lockdown, and evolving arrangements for test, trace and isolate.

- 5.8.13 The governance arrangements for the delivery of the revised LOMP have remained in place. An exercise was planned to test the LOMP, however, due to increasing case rates which included variants of concern (VOC), real time testing of the plans demonstrated that the plan was “fit for purpose”. This has involved setting up a place-based Incident Management Team (IMT) responses, developing agile and responsive testing models and supporting the NHS response to address inequalities in vaccination uptake. The communications plan and community engagement have remained key to the response. The council has been proactive in adopting innovative approaches such as Local Contact Tracing and Enhanced Contact Tracing (ECT).
- 5.8.14 The implementation of the LOMP will again be subject to a review by Scrutiny Committee as part of the 2021/22 programme.
- 5.8.15 During 2020/21 the council received £33.9m of unringfenced funding, a further £80.4m for specific increases in expenditure or reductions in income and £82m to be directed to individuals and businesses in the Borough.

6. New and Emerging Significant Issues

- 6.1 The council has not identified any new issues that need to be recorded within this Annual Governance Statement.

7 Action Plan

- 7.1 The issues identified in Sections 5 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 Groups and Committees e.g. Council Plan, Director Plans, Children’s Services Improvement Plan, Medium Term Financial Strategy, Regeneration Actions Plans, Covid-19 Strategic Eight Point Action Plan.

8. Conclusion

- 8.1 The council is very aware of the issues raised in Sections 5 and will ensure progress is made during 2021/22. 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 four 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.

- Development Control 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.