

Meeting of the Audit and Standards Committee

**Monday 20th September, 2021 at 6.00pm
in Committee Room 3, Council House,
Priory Road, Dudley.**

Agenda - Public Session **(Meeting open to the public and press)**

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meeting held on 23rd June, 2021 as a correct record.
5. Annual Governance Statement 2020/2021 – (Pages 1-35)
6. Statement of Accounts 2020-2021 – (Pages 36-40)
7. External Audit Findings Report 2020-2021 - (Pages 41-88)
8. Treasury Management - (Pages 89-98)
9. Review of the Code of Corporate Governance - (Pages 99-120)
10. Corporate Risks Report – (Pages 121-142)
11. To consider any questions from Members to the Chair where two clear days' notice has been given to the Monitoring Officer (Council Procedure Rule 11.8).



Chief Executive

Dated: 10th September, 2021

Distribution:

Members of the Audit and Standards Committee:

Councillor A Taylor (Chair)

Councillor J Roberts (Vice-Chair)

Councillors S Ali, P Atkins, D Borley, J Cowell, P Dobb, M Evans, B Gentle

Please note the following concerning meetings at Dudley Council House:

Covid-19 Secure Working

Hands

- Hand sanitiser and antibacterial wipes are available at various locations in the Council House. Please ensure you sanitise your hands when arriving and leaving the building. Hand washing facilities are also available on site.

Face

- All persons entering or working in the Council House are requested to wear face masks when moving around the building. Please remember to bring and use your own face masks. Face masks may be safely removed when you are seated in the meeting.

Space

- Please be respectful of everyone's personal space and preferences when you attend the Council House.
- Seating in the public gallery is subject to limits on capacity and will be allocated on a 'first come' basis.

If you are unwell

- Do not attend the Council House if you feel unwell; if you have tested positive for Covid-19; if you are self-isolating or if you suspect that you are symptomatic.
- You are advised to undertake a lateral flow test 48 hours before attending. If the test is positive, do not attend the meeting.

Toilets

- Toilet facilities are available on site and are subject to safety measures that are in place. All the toilets have hand washing facilities.

No smoking

- There is no smoking on the Council House premises in line with national legislation. It is an offence to smoke in or on the premises. You cannot use e-cigarettes and/or similar vaping devices.

In Case of Emergency

- In the event of the alarms sounding, please leave the building by the nearest exit. There are Officers who will assist you in the event of this happening, please follow their instructions.

Submitting Apologies for Absence

- Elected Members can submit apologies by contacting Democratic Services (see our contact details below). Members wishing to appoint a substitute should notify Democratic Services as soon as possible in advance of the meeting. Any substitute Members must be eligible to serve on the meeting in question (for example, he/she must have received the training required by the Council).

Private and Confidential Information

- Any agendas containing reports with 'exempt' information should be treated as private and confidential. It is your responsibility to ensure that information containing private and personal data is kept safe and secure at all times. Confidential papers should be handed to Democratic Services for secure disposal. If you choose to retain the documents, you should ensure that the information is securely stored and destroyed within six months.

General

- Public Wi-Fi is available in the Council House.
- The use of mobile devices or electronic facilities is permitted for the purposes of recording/reporting during the public session of the meeting. The use of any such devices must not disrupt the meeting – Please turn off any ringtones or set your devices to silent.
- Information about the Council and our meetings can be viewed on the website [**www.dudley.gov.uk**](http://www.dudley.gov.uk)

If you need advice or assistance

- If you (or anyone you know) requires assistance to access the venue, or if you have any other queries, please contact Democratic Services - Telephone 01384 815238 or E-mail [**Democratic.Services@dudley.gov.uk**](mailto:Democratic.Services@dudley.gov.uk)

**Minutes of the Audit and Standards Committee
Wednesday 23rd June, 2021 at 6.00pm
in the Council Chamber.**

Present:

Councillor A Taylor (Chair)
Councillors S Ali, P Atkins, D Borley, R Collins, J Cowell, P Dobb, M Evans and B Gentle

Officers:

I Newman (Director of Finance and Legal); M Farooq (Lead for Law and Governance);
G Harrison (Head of Audit Services) and L Jury (Democratic Services Officer).

Also in attendance:

C Driscoll – Director of Children’s Services for agenda item no. 7.

1 Apology for Absence

An apology for absence from the meeting was submitted on behalf of Councillor J Roberts.

2 Appointment of Substitute Member

It was noted that Councillor R Collins had been appointed as a substitute Member for Councillor J Roberts for this meeting of the Committee only.

3 Declarations of Interest

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

4 Minutes

Resolved

That the minutes of the meeting held on, 21st April, 2021, be approved as a correct record.

5 **Re-appointment of the Standards Sub-Committee**

A report of the Monitoring Officer was submitted on the re-appointment of the Standards Sub-Committee.

The Monitoring Officer made reference to the role of the Sub-Committee, as set out in the report, and it was noted that in the last three years, two matters had been referred to the Sub-Committee. For a number of years, the Sub-Committee had comprised of three members, the Chair, the Vice-Chair and one other Member from the opposing party. Reference was made to the Covid 19 pandemic and the emergency regulations which had come into force, resulting in, the annual meeting of the Council in May 2020 being cancelled, with appointments usually made at the meeting remaining unchanged.

Resolved

That the Standards Sub-Committee be re-appointed for 2021/2022 with its existing Terms of Reference and that the membership comprises of the Chair (Councillor A Taylor), the Vice-Chair (Councillor J Roberts) and Councillor J Cowell.

6 **Whistleblowing Policy**

The Committee received a report of the Monitoring Officer on the operation of the Council's Whistleblowing Policy.

In presenting the report, the Monitoring Officer commented that this Committee monitored the operations of the Whistleblowing Policy which had been introduced in 1992. It was noted that a review of the Policy was undertaken annually, and the current policy was appended to the report submitted.

The Monitoring Officer advised that there had been no significant changes to the Policy and that the minor changes made related to contact details of officers, in light of the changes to Senior Management since the last review.

Reference was made to the survey that had been undertaken by each Directorate during April 2021, and it was noted that there had been one report on the use of the policy, and one anonymous letter had been received. Details and outcomes of the two disclosures were presented.

It was noted that staff were reminded of the policy through a number of different methods, including emails, newsletters, management meetings, as well as posters displayed on noticeboards in all Council buildings. Members were assured that this important policy was widely known.

In response to a comment made by a Member in relation to whether each Directorate had Freedom to Speak Up Guardians or single points of access, such as those introduced in NHS organisations which had assisted in changing the culture within the organisation, the Monitoring Officer advised that he was the single point of contact. However, he would be happy to consider this matter further should the Committee recommend it.

In response to a Member's concern raised in relation to an unsatisfactory outcome with regards to the use of the policy, the Monitoring Officer suggested that a meeting be arranged with the Member to discuss this issue further.

Members made comments and raised further questions which were responded to at the meeting.

Resolved

That, the information contained in the report submitted, in relation to the outcome of the recent monitoring of the Whistleblowing Policy, be noted.

7 Corporate Risks

A report of the Director of Finance and Legal was submitted updating Members on the current Corporate Risks and the status allocated by the Risk Owner. Appendix A to the report, outlined details of Corporate Risks which were generally acknowledged as being the most significant facing the Council. In addition to risks tabled in Appendix A, the Committee were requested to identify any additional risks that it considered should form part of the Corporate Risk Register and identify any particular risk for closer scrutiny at the September 2021 meeting of this Committee.

In presenting the report, the Head of Audit Services, advised that this Committee, at its meeting on 21st April 2021, had selected R341 relating to Vulnerable Children to be scrutinised. The Director of Children's Services was in attendance to present on the risk to the Committee and answer any questions from Members.

The Director of Children's Services commented that it was important to understand that there would always be a risk to vulnerable children in every authority in the country, as it would be impossible to remove all risks to children. It was, however, the role of the Director and their staff to mitigate that risk through thorough systems, processes, and quality of practice. It was noted that the Covid 19 pandemic had exacerbated challenges for child protection systems, and it was acknowledged that prior to the pandemic, pressures were already evident in the child protection systems nationwide and the nature of the risks had changed significantly.

A summary of the risk was then presented:

National Factors

- System based on 1989 Children Act – gave a voice to the child for the first time, focused on what mattered for children; worked well for protecting younger children, however challenging for working with vulnerable teenagers and there were more vulnerable teenagers in the authority on child protection plans and in care of the local authority than ever before.
- Criminal exploitation - gangs, county lines, violence, etc - a massive challenge for the authority and partners to remember that children should not be seen as the perpetrators, the language used working with children was really important; formal launch recently for Dudley on exploitation work with Police/Health/Housing, focusing on how to prevent and respond to all the risks.
- Impact of poverty, poor housing, unemployment – risk to children, good education a protective factor.
- Impact of pandemic – domestic abuse, mental health (not yet aware of the full impact on children), some families referred now were unknown to the authority prior to the pandemic.
- Independent review of children's services care published 'care for change' on 18th June 2021 – review stated services assessing too many children (Dudley assessed children and the service then took no further action – required reviewing), how to manage risk in the community rather than taking children into care, struggle when Social Workers moved on and new staff appointed.

Resources in Dudley

- Children's service budget overspent for number of years - good news this year growth for 2021/2022 of £6.15m, savings to find this year of £1.34m so still challenging but priority to do the right thing for children.
- Cost for children in care high and limited capacity - more than half the general fund budget on Children's Services went on Children in Care - a real challenge for the authority; more children in care in Dudley than some of our neighbouring authorities; lack of suitable provision can increase costs.
- Social work staffing capacity a major risk to improvement – insufficient staff available nationally and West Midlands had particular challenges, pandemic had an impact on staff retention, use agency staff as currently had 16% of social worker vacancies.
- Established a Workforce board, led by the Director and met twice so far, with the aim to be a Workforce board for the whole of children's services in the future but focus on social workers at the moment as the biggest risk – looking at improving the authority's prospects as a good employer to attract new staff – looking to appoint students into teams to support and train and keep in the authority.

Quality of Practice

- History of Ofsted judgements – since 2018 service remained in Department for Education (DfE) Support and Supervision.
- Two Ofsted focused visits in 2019 and 2020 and both found a deterioration in quality of practice. DfE appointed an Improvement Advisor and requirement to develop an Improvement Plan and carry out formal DfE reviews.
- Formal DfE review January 2021 - DfE identified progress made in leadership appointments and a set 3 months targets in five areas, prior to a further review.
- Formal DfE review in May 2021 – identified that satisfactory progress had been made in all five areas and made the decision to not issue the authority with a formal improvement notice; supervision still in place and the aim is to relinquish the support as soon as possible

Improvement Plan

- Overseen by an Improvement Board, chaired by the DfE appointed Improvement Advisor.
- 18-month plan which responds to DfE concerns and all the concerns that Ofsted identified in their focus visits in nine priority areas.

Oversight of progress, risks and issues

- DfE formal reviews.
- Six weekly Improvement Board,
- Children's Scrutiny Committee (Improvement Board progress on every agenda)
- Developing dashboards and performance reporting
- Workforce Board
- Ofsted reviews
- Dudley Safeguarding Partnership, currently looking to develop more children focused scrutiny – recruitment of an independent scrutineer to carry out 20 days a year work to scrutinise multi-agency work

Arising from the presentation Members asked questions which were responded to by the Director of Children's Services as follows:

- In relation to Foster Caring, it was noted that this was a priority for the authority and currently a review was taking place in partnership with another Council to improve the practice. However a no-detriment policy was already in place for connective persons who were delivering foster care services.
- In relation to outside children placements, reference was made to the aim of the authority to keep children in care, within the Borough to minimise the trauma to the child. However, there were exceptions when it was important due to safeguarding that the child did not reside within the Borough.
- In relation to staff vacancies, it was noted that the service were investing and supporting staff who worked in Children's Services in various roles to undertake Social Work apprenticeships; developing working partnerships with high education through the Teaching and Learning Partnership, and ensuring that every student that applied for a placement with the authority, was offered a place and stayed with the authority once qualified.
- In terms of innovative initiatives to support families, reference was made to the Child and Adolescent Response Team, the supporting families first service, looking at family safeguarding rather than child protection, and thinking about the systems in place and the skill set available to provide money management, behaviours therapies, therapeutic work with health partners, etc, to families, which in time could help reduce children coming into care.

Members made comments and raised further questions in relation to the impact of the pandemic on children's education, and the Directorate's budget going forward, which were responded to at the meeting.

The Head of Audit Services stated that, following the approval of the new Risk Management Framework by Audit and Standards at its last meeting, which had brought in a number of significant changes, meetings had been held with Directorate Management Teams to discuss the changes to the risk management procedure. It was noted that Risk Workshops would also be held in due course, to identify risks in accordance with the new framework. It was anticipated that the Corporate and Directorate Risk Registers would be in place by August 2021 and this would result in changes to the reports submitted to this Committee and Strategic Executive Board (SEB).

In conclusion, the Head of Audit Services advised that, at the Strategic Executive Board meeting on 26th May, a new risk had been identified in relation to seizing the opportunities and benefits from the huge regeneration programme, and it was noted that this risk had been rated as major. This risk was listed in Appendix A to this report. Appendix A also included the date that risks had last been reviewed by this Committee. Reference was made to one risk whose status had changed since the last review of Corporate Risks. This was in relation to Emergency Planning, as set out in paragraph 10 of the report.

Arising from the presentation, in relation to reviewing risk-related issues and greater transparency for Members, Member's questioned whether this Committee could review major contracts, partnerships with other organisations held by the Council. In response, the Director of Finance and Legal commented that in view of the vast number of contracts that the Council held, there may be a greater opportunity for each individual Scrutiny Committee to review some of the larger contracts operating within the Council, within the specific scrutiny area of that Committee.

Members made further comments and raised questions, which were responded to at the meeting.

Resolved

- (1) That the information contained in the report and Appendix A to the report submitted on high level corporate risks, be noted.
- (2) That the information contained in the presentation on risk R.341 relating to Vulnerable Children and comments made by Members as outlined above, be noted.
- (3) That risk R.137 relating to Health and Safety be identified as the specific risk for in-depth scrutiny at the September 2021 meeting of this Committee.

8 Audit Services Annual Performance Report 2020/2021

The Committee received a report of the Director of Finance and Legal on the performance of Audit Services for the year ending 31st March 2021.

The Head of Audit Services presented his report and in doing so commented that as with all Council services, Audit Services had been affected by the Covid 19 pandemic and some work had been suspended. Audit Services staff had been seconded to assist with the administration of Business Grants and had provided telephone support to vulnerable people in the Borough. Although this work was initially due to end by 30th June 2020, it had continued to some extent up to 31st March 2021. It was noted that by the end of March, 92% of the Audit Plan had been completed, which compared to 96% last year.

Thirty-four areas of activity had been completed, as summarised in Appendix A attached to the report. In addition, it was reported that three honorary audits, fifty School Financial Value Standard assessment reviews and one multi-academy trust audit had been completed. The changes to the Audit Plan during the year were noted, as set out in Appendix B. Appendix C to the report, detailed the actions raised by Directorates. The table set out in paragraph 15 of the report, detailed a summary of the assurance ratings given and a concern was raised that 50% of the audits had received a negative assurance rating of 'minimal' or 'limited'.

It was reported that Audit Services had issued 67% of draft reports within the nine-week target, 73% of Managers had provided their initial response within the four-week target and 63%% of final reports had been issued within the six-week target. It was acknowledged that the performance figures had been disappointing compared to previous years, however this position was understandable given the pandemic and the additional work that this had created for all Managers and staff.

In relation to Risk Management, Members were reminded of the decision that had been made by SEB to transfer responsibility for Risk Management to Audit Services, and as a result, Audit Services had produced a new Risk Management Framework and made significant changes to the risk management ICT System, SPECTRUM. In addition, as previously referred to, reports submitted to future SEB meetings and this Committee would be in a new format.

Paragraph 28 of the report outlined the follow up work that had been undertaken by Audit Services on 'minimal' and 'requires improvement/inadequate' reports and detailed where future follow up work was planned, if appropriate. Two of these audit areas had been included in the 2021/2022 Audit Plan.

Referring to paragraph 29 of the report, which detailed the work undertaken on High Priority Actions, it was noted that the outcomes of these reviews would be included in the Annual Audit Reports to be submitted to the Committee later this year.

In relation to customer feedback, it was noted that feedback continued to be good and no complaints had been received.

In relation to quality assurance and improvement programme, paragraph 34 listed the internal assessment processes in place.

In referring to the external assessment to be undertaken every five years to confirm compliance with the public sector internal audit standards, the Head of Audit Services reported that the assessment had been undertaken in March 2020. It was confirmed that the External Assessor had concluded that Audit Services had met the public sector internal audit standards, and it was noted that Audit Services had compared well with other public and private sector audit providers. Appendix H detailed the progress made against recommendations in the External Quality Assessment report. It was noted that generally good progress had been made, and a number of recommendations were dependent on improving the risk management processes and it was acknowledged that although progress was being made on risk, improvements would take time to embed.

Appendix D to the report, detailed the role of the Audit and Standards Committee. Appendices F and G outlined the Head of Audit Services self-assessment against these documents and paragraph 39 of the report detailed the main issues identified by the self-assessment.

In relation to paragraph 40 of the report, the Head of Audit Services, referring to the questionnaire attached at Appendix E, advised that there may be a benefit to all Members updating the assessment which would then be used to identify any training needs. Member's views on how the training should be delivered were also requested. It was noted that a copy of the questionnaire would be emailed to all Committee Members to complete and return to the Head of Audit Services.

In concluding, the Head of Audit Services then presented his annual opinion, as set out in paragraph 44 of the report, noting that one concern raised related to the Ofsted visit to Children's Services in October 2020 where 'serious weaknesses in many areas' had been identified. It had been noted that the Children's Services Improvement Plan had now been aligned with the outcome of the focused visit and was being monitored by the Improvement Board.

Members congratulated Audit Services on the work that had been completed during the year given the difficulties caused by the pandemic and which had seen Audit Staff seconded to other Council departments.

Members made further comments and raised questions which were responded to at the meeting.

Resolved

- (1) That the information contained in the report and Appendices to the report submitted, be noted, and accepted.
- (2) That Members be requested to complete the questionnaires attached as Appendix E to the report submitted, and forward to the Head of Audit Services.
- (3) That the self-assessments included as Appendices F and G to the report submitted, be noted.
- (4) That the progress made on addressing the recommendations made in the External Quality Assessment on Audit Services, attached as Appendix H to the report submitted, be noted.

9 Committee Work Plan 2021/2022

A report of the Director of Finance and Legal was submitted on a schedule of proposed items to represent a work plan for the Committee for the 2021/2022 Municipal Year.

The Head of Audit Services, in presenting the report, referred to the draft schedule attached as Appendix A to the report, noting that the main changes related to an extra Risk Management report being submitted, the Code of Conduct for Employees report would now be submitted to the September meeting, and a revised Financial Regulations document would be submitted to the December meeting of the Committee.

Resolved

That the information contained in the report and the schedule of agenda items to form the Work Programme of the Committee in the 2021/2022 Municipal Year, as detailed in Appendix A to the report, be noted and approved.

The meeting ended at 7.40pm.

CHAIR

ASC/9

Audit and Standards Committee – 20th September 2021

Report of the Director of Finance and Legal

Annual Governance Statement

Purpose of the Report

1. This report presents the council's Annual Governance Statement (AGS) for 2020/21 which is required to be included as part of the annual Statement of Accounts and details how the council has complied with its local Code of Corporate Governance, the effectiveness of its governance framework and describes any significant governance issues and how they will be addressed.

Recommendations

2. The Committee is recommended to approve the Annual Governance Statement as set out at **Appendix A** and refer it to the Leader of the council and Chief Executive for signature.

Background

3. The international framework: Good Governance in the Public Sector 2014 defined governance as "comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved". Members and officers must try to achieve the organisation's objectives whilst acting in the public interest at all times.
4. The requirement to produce an AGS is contained in the Accounts and Audit Regulations 2015, and guidance is provided by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The AGS encompasses all aspects of governance.
5. CIPFA/SOLACE carried out a fundamental review of their guidance during 2016 and issued "Delivering Good Governance in Local Government Framework 2016". This provided updated guidance on what should be considered when the local code of corporate governance is produced and also on producing an Annual Governance Statement. The Framework defines the principles that should underpin the governance of each local authority, as:

- 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.
6. The overall aim is to ensure resources are directed in accordance with agreed policy and according to priorities, that there is sound decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
7. The council carried out a self-assessment against the Principles and Sub-Principles within the framework and have reported on a revised Code of Corporate Governance to the September meeting of this Committee. The AGS is constructed around these principles.
8. The Framework states that the annual governance statement should include the following:
- An acknowledgement of responsibility for ensuring that there is a sound system of governance,
 - Reference to and assessment of the effectiveness of key elements of the governance framework,
 - An assessment as to whether the governance arrangements continue to be "fit for purpose",
 - An action plan to show how identified significant governance issues are to be taken forward,
 - Reference to how issues raised in the previous year's statement have been addressed.
9. The Framework also requires that the AGS is approved at a meeting of a committee with a remit including audit or governance and signed by the Chief Executive and Leader of the council. It should then be included within the council's Statement of Accounts.

10. The guidance does not set out a definitive way of producing the AGS. The approach adopted at Dudley has been as follows:
- Key Managers were asked to provide an update for their areas on how they assess the effectiveness of their governance arrangements and the outcomes that they have delivered.
 - Carried out a review against the principles and sub-principles within “Delivering Good Governance in Local Government Framework” and updated the council’s Code of Corporate Governance.
 - Reviewed external assurance reports received e.g. Ofsted, Care Quality Commission e.t.c.
 - Reviewed the council’s self-assessments against key governance checklists.
11. The draft AGS was discussed with Strategic Executive Board (SEB) on the 22nd June 2021 and updated for their comments and published with the draft Statement of Accounts in July 2021. It has also been reviewed by External Audit as part of their work on the Statement of Accounts and their comments have been considered in the version attached at Appendix A.
12. The AGS covers the financial year 2020/21 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. For this reason, SEB reviewed the draft AGS again on the 18th August 2021, but no further amendments were made.
13. The governance arrangements for the council are complex including services provided through different delivery vehicles and in partnership and therefore it is vital that governance arrangements are regularly assessed for appropriateness and effectiveness.

Finance

14. This report has no direct financial implications.

Law

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

Risk Management

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

Equality Impact

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

Human Resources/Organisational Development

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

Commercial/Procurement

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

Council Priorities

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



Iain Newman
Director of Finance and Legal

Contact Officer: Graham Harrison
Email: Graham.Harrison@dudley.gov.uk
Telephone: 01384 815105

List of Background Papers

Appendix A: Annual Governance Statement 2020/21
Code of Corporate Governance September 2021
CIPFA/SOLACE Delivering Good Governance in Local Government Framework and Guidance Notes 2016

Annual Governance Statement

2020/21

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.

Audit and Standards Committee – 20th September 2021

Report of the Director of Finance and Legal

Statement of Accounts 2020/21

Purpose of Report

1. To present the Statement of Accounts to the Audit and Standards Committee for consideration and approval and to inform the Audit and Standards Committee of the outcome of the audit of the accounts. The Statement of Accounts, and the audit of them, are the main formal and public report on the financial standing of the authority.

Recommendation

2. It is recommended that:-
 - The Committee consider and approve the Statement of Accounts.
 - The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above
 - The Committee approves the delegation of the approval of a revised Statement of Accounts to the Chair of the Audit & Standards Committee in consultation with the Director of Finance & Legal Services in the event of audit work on the valuation of property assets or any other issue extends beyond the date of the Committee meeting, and where there is no impact on usable reserves

Background

3. The Statement of Accounts is circulated with the committee papers. The audit of the accounts is currently on-going and has resulted in a small number of adjustments to the unaudited accounts and further adjustments may be required. None of these changes are expected to affect the Council's usable reserves.
4. These accounts are prepared under International Financial Reporting Standards (IFRS) as adopted for local authorities by the Code of Practice on Local Authority

Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

General Fund outturn

5. I reported the General Fund outturn to Cabinet on 24th June as £267.7m. The Statement of Accounts presented to this Committee is consistent with this outturn position.

Statement of Accounts

6. The layout of the Statement of Accounts is as last year, with the Movement in Reserves (MiRS), which sets out a summary of the changes to General Fund Balance, Housing Revenue Account (HRA) balance and other reserves over the year, presented as the first key statement.
7. There were no changes introduced by the 2020/1 Code of Practice which affected the Council's Statement of Accounts.
8. A summary of the key financial statements is detailed below:

Movement in Reserves Statement (MiRS)

9. This statement shows the movements on the Authority's reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
10. The Surplus or Deficit on Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). Other Comprehensive Income and Expenditure shows unrealised valuation gains and losses on property, and on pension assets and liabilities which only affect the unusable reserves.
11. The accounting charges in the Surplus or Deficit above are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. Adjustments between accounting basis and funding basis under regulations reverse out the accounting charges (such as actuarial pensions costs) and insert the statutory ones, such as actual payments for pension provision.
12. After transfers to and from earmarked reserves, the year end balance on the General Fund has increased by £13.2m from £15.7m to £28.9m. This is consistent with the outturn reported to Cabinet.

Comprehensive Income and Expenditure Statement (CIES)

13. The net effect of income and expenditure items results in a deficit on the provision of services of £2.6m. This is a technical deficit intended to represent the Council's revenue position as it would be if calculated according to IFRS. As such it differs from the movement on the General Fund shown in the MiRS and in the outturn report. This is adjusted by Other Comprehensive Income and Expenditure (balance sheet revaluation items) to arrive at a total Comprehensive Income and Expenditure deficit of £263.5m. This matches the decrease in balance sheet net asset value from £337.7m to £74.2m.

Balance Sheet

14. The Balance Sheet shows that the value of total net assets has reduced by £263.5m between 31st March 2020 and 31st March 2021. This mainly due to an increase in the Net Pension Liability caused by changes in the actuarial assumptions in 2020-21 compared to 2019-20 (eg bond yields and inflation) which can cause great volatility in valuations from year to year.
15. The lower half of the Balance Sheet summarises the usable and unusable reserves held by the Authority. The General Fund balance increased by £13.2m as discussed above.
- Earmarked General Fund reserves have increased by £45.0m
 - Schools reserves have increased by £7.0m
 - HRA reserves have increased by £0.9m

The increase in usable General Fund reserves is mainly due to the Business Rates grants received in 2020/21 to fund reliefs given to Business Rates payers for covid lockdowns. Due to accounting regulations the Collection Fund deficit arising from the reliefs will be charged to 2021-22 accounts and largely offset by these grants. The change in schools reserves is mainly due to a new regulation allowing us to move the deficit for High Educational Needs services from usable reserves into a specific unusable reserve.

The changes in unusable reserves are mainly due to the increase in pension liability and carry forward of the Collection Fund deficit referred to above.

Audit of the Accounts

16. The audit of the accounts for 2020/21 is nearing completion and the statutory date for publication of audited accounts is 30th September.
17. As a result of the audit process, and reviews by officers there was an amendment to Note 28 on pensions regarding an advance payment of employer's contributions and other minor amendments to disclosure notes

18. At the time of writing this report, some audit work was outstanding in a few areas, particularly relating to the valuations of Other Land & Buildings which requires the provision of further audit evidence from the Council's valuers. There may be further amendments to the accounts before the audit is finalised but they are not expected to impact on usable reserves.
19. The Code of Audit Practice requires the auditors to report the results of their audit work to the approving body before signing their audit opinion. This report will be presented at this meeting of the Audit and Standards Committee.
20. A management representation letter is provided to the auditors each year, assuring auditors that all material information has been made available to them. This will be signed by the Director of Finance and Legal Services, relying in some matters on assurances by the Head of Law & Governance.

Finance

21. This report is entirely financial in content, but does not give rise to any direct costs.

Law

22. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Equality Impact

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

Risk Management

24. The Statement of Accounts include significant estimates which require professional judgement and there is a risk of material adjustment in future years. These are detailed in notes 35 and 36.

Human Resources/Organisational Development

25. There are no Human Resources / Transformation implications resulting from the items in this report

Commercial/Procurement

26. There are no Commercial or Procurement implications resulting from the items in this report.

Council Priorities

27. The Statement of Accounts details the financial performance of services that are delivering the Council's priorities



Iain Newman
Director of Finance and Legal Services

List of Background Papers

Working and supporting papers for the accounts.

Code of Practice on Local Authority Accounting in the UK 2020/21

Contact Officer: Amarjit Uppal
Telephone: 01384 812425 Email: amarjit.uppal@dudley.gov.uk

Audit and Standards Committee – 20th September 2021

Report of the Director of Finance and Legal

External Audit Findings Report 2020/2021

Purpose of Report

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

Recommendation

2. It is recommended that:-
 - the Committee considers the Audit Findings Report 2020/21 (Appendix 1).
 - the Committee considers the draft Letter of Representation (Appendix 2).
 - the Committee authorises the Chair to sign and date the final version of the Letter of Representation in due course.
 - the Committee approves the delegation of the approval of a revised Letter of Representation to the Chair of the Audit & Standards Committee in consultation with the Director of Finance & Legal Services in the event of audit work on the valuation of property assets or any other issue extends beyond the date of the Committee meeting.

Background

3. The Council has delegated the responsibility for the approval of the Statement of Accounts, and all audit matters, to the Audit and Standards Committee.
4. Grant Thornton UK LLP have been re-appointed by Public Sector Audit Appointments Ltd as the Council's auditor until 2022/23.
5. The Audit Findings report presents the observations arising from the audit of the 2020/21 accounts which the auditor deems significant to those charged with the

governance to oversee the financial reporting process. Appendix 1 will be presented by the external auditor.

6. Towards the end of each audit of the annual accounts, the Director of Finance and Legal provides a management representation letter (sometimes known as a letter of comfort), confirming the completeness and reliability of the information and records supplied to the auditors. The external auditors request that this letter should also be signed by the Chair of Audit and Standards Committee, to evidence members' acknowledgment of responsibility for financial management. A draft of this letter is attached as Appendix 2.

Finance

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

Law

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

Risk Management

9. The proposals contained in this report do not create any "material" risks.

Equality Impact

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

Human Resources/Organisational Development

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

Commercial/Procurement

12. There are no implications associated with this report.



Council Priorities

13. All of the Council's priorities are underpinned by having effective governance arrangements in place.



Iain Newman

Director of Finance and Legal

Contact Officer: Rachel Cooper

Telephone: 01384 814844

Email: rachel.cooper@dudley.gov.uk

The Audit Findings for Dudley Metropolitan Borough Council

Year ended 31 March 2021

10 September



Contents



Your key Grant Thornton team members are:

Mark Stocks

Key Audit Partner

T 0121 232 5437

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

Terry Tobin

Senior Manager

T 0121 232 5276

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

William Guest

Manager

T 0121 232 5319

E william.guest@uk.gt.com

Section

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

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Audit letter in respect of delayed VFM

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

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

Financial Statements

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

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

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

Our audit work was carried out between July and September 2021 and is still ongoing. The accounts were prepared to a good standard together with appropriate working papers available from the start of the audit for most areas. A notable exception to this are the papers for property valuation (see below). At this stage we have not identified any adjustments to the main financial statements. Audit adjustments are detailed in Appendix C. We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

At the time of drafting the report, our audit work was still in progress and we had issues to clear most notably in relation to council housing and land and buildings valuations as well as airport and pensions valuations including the receipt of a IAS19 report from the Pensions Fund auditor. Subject to the outstanding work being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 20 September 2021. The outstanding items also include the receipt and review of evidence for a sample of debtors balances, the receipt of management representation letter and the review of the final set of financial statements. A full list is provided on page 5.

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

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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

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

We have not yet completed our VFM work and so are not in a position to issue our Auditor's Annual Report. A letter explaining the reasons for the delay is attached in Appendix F to this report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As part of our audit planning we identified a risk in respect of financial sustainability. Our work on this risk is near completion and an update is set out in the value for money arrangements section of this report.

Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2021.

Significant Matters

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 20 September 2021, as detailed in Appendix E.

We note that the information needed to conclude our work on land, building and housing valuation has not all been made available to us. This is the second year that this has occurred. We have escalated this to the Chief Executive and the responsible director. This is an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years.

Other areas of outstanding work include:

- Some sample or analytical testing of journals, debtors, cash, creditors, provisions, grant income, income/debtors completeness, accounting estimates, litigation and claims, NDR, HRA
- Receipt of the pension fund auditors letter
- Going concern assessment
- Manager and engagement lead review of financial instruments, income/expenditure disclosures,
- Clearance of manager and engagement lead review notes

Acknowledgements

We would like to take this opportunity to record our appreciation for the very good assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote accessing financial systems, video calling, physical verification of assets and verifying the completeness and accuracy of information provided remotely produced by the Council.

2. Financial Statements



Our approach to materiality

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

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

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



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We</p> <ul style="list-style-type: none"> - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence - tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work on testing journals is ongoing.</p> <p>We note that there is not a formal process for the routine authorisation of journals. The finance team do carry out some spot checks focussing in particular on accruals due to the heightened risk. Budgetary control is also expected to pick up errors or fraud, however, we consider that the lack of authorisation processes exposes the Council to the risk of fraud and error. We have recommended in Appendix A that the Council review its controls on the authorisation of journals.</p>
<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable <p>In addition we completed our understanding of the processes and controls surrounding COVID-19 grant income and determined that this can also be rebutted.</p> <p>Therefore we do not consider this to be a significant risk for the Council.</p>

Significant audit risks

Risks identified in our Audit Plan

Valuation of land and buildings

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

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

Commentary

Auditor commentary

Our audit work included, but was not restricted to:

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

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

Our work is ongoing in this area. At the time of drafting we are awaiting further information to enable us to conclude our work. This includes a valuation report, a response to questions posed to the valuer and evidence to support the basis of a sample of valuations completed. **This is the second year that this has occurred. We have escalated this to the Chief Executive and the responsible director. This is an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years.**



Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet, is a significant estimate in the financial statements. The net liability accounts for a significant amount of the Council's liabilities.

We therefore identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

Our audit work included, but was not restricted to:

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

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

We have not identified any significant issues at this stage but the work is ongoing. We are awaiting an IAS19 letter from the Pension Fund auditor which may necessitate further work. We are also awaiting a response to questions we asked the Pension Fund Actuary about his work.

Other audit risks

Risks identified in our Audit Plan

Auditor commentary

Senior Officers Remuneration

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

We:

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

Our work did not identify any significant issues.

Completeness of non-pay operating expenses and payables

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

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

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


We

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





Our work has not identified any significant issues to date but the work is not yet complete

2. Financial statements – key judgements and estimates

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

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

Assessment

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

2. Financial statements – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2020 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.	At the time of drafting we are awaiting further information to enable us to conclude our work. This includes a valuation report and evidence to support the basis of a sample of valuations completed.	Our work is in progress

2. Financial statements – key judgements and estimates

Summary of management's policy

Net pension liability – £m

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

Audit Comments

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

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

Assessment



Green

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

2. Financial statements – key judgements and estimates

Summary of management’s policy	Audit Comments	Assessment
Net pension liability	<p>We have also reviewed the:</p> <ul style="list-style-type: none"> • Completeness and accuracy of the underlying information used to determine the estimate • Reasonableness of the Authority’s share of LGPS pension assets. • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements <p>We have not identified any significant issues to date. We are currently awaiting the IAS19 letter from the Pension Fund auditor as well as some responses to our challenges from the Pension Fund’s Actuary.</p>	TBC as awaiting response from Pension Fund auditor and responses from Pension Fund actuary.

Assessment

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

2. Financial statements – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Valuation of investment in Birmingham Airport	The Council holds shares in Birmingham Airport Holdings Limited (BAHL) and is required to record this investment in the accounts at fair value. As shares in this company are not traded frequently the Council has had to estimate the value of its investment. The Council has drafted an estimation approach in conjunction with other West Midlands Metropolitan Councils that also hold shares in BAHL	We assessed management's expert as competent to carry out the valuation. Due to the additional risks, we employed our own valuation expert to review their work. This work has not yet been concluded.	TBC as awaiting work from valuation expert co-ordinated by Solihull MBC auditor.

Assessment

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

Estimates and judgements—review of issues raised in prior year

Issue and risk previously communicated

Estimates and judgements -PFI (Paragon Schools) disclosure

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

The differences were across the split of the unitary payment (service charge, liability and finance costs). Overall there was a trivial impact on the total future unitary payments disclosed.

Update on actions taken to address the issue

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

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

2. Financial Statements - other communication requirements

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

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

2. Financial Statements - other communication requirements



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

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p data-bbox="871 464 2056 608">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 620 2016 675">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 986" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 999 2056 1142">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1155 1973 1300" style="list-style-type: none"> • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1313 2051 1339">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2051 1447" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

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



2. Financial Statements - other responsibilities under the Code

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

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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

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

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor’s Annual Report by 31 December. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p>The February 2021 update for Cabinet of the Medium Term Financial Strategy (MTFS) shows that the Council is planning to fund deficits in each of the next three years from reserves and at the end of the 2023/24 financial year, the General Fund reserve will reduce to £5.3m million.</p> <p>The Council needs to demonstrate that it has a medium term financial plan that will deliver a balanced and sustainable financial position in an environment of reduced funding.</p>	<p>We have reviewed the Medium Term Financial plan and in particular the assumptions built into this to ensure they are reasonable.. We will report this work in our Annual Auditors Report.</p>

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	5,900	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

Audit and non-audit services

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

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

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

Appendices

A. Action plan – Audit of Financial Statements

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

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

Controls

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

B. Follow up of prior year recommendations

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

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

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations (continued)

Issue and risk previously communicated

Update on actions taken to address the issue

Value for money – Financial Sustainability

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

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

The Local Government Finance Settlement for 2021/22 was better than anticipated at the time of the Audit Findings Report. However, uncertainty remains in respect of later years. In making his report to Council under Section 25 of the Local Government Act 2003, the Director of Finance and Legal noted: “Although adequate to set a lawful budget for 2021/22, reserves are low (based on most recent available data) by comparison with other councils. There are significant risks in future years and members should note that, if these risks materialise, there will be a need to identify further savings and/or additional income in order to avoid imprudent reductions to the level of reserves.”. Our value for money work in 2020/21 is ongoing.

Value for money –

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

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

Nationally SEND is an area of concern and short term legislation has been passed to ensure the deficit is not accounted for as part of the General Fund. The DfE has allocated additional funding into SEND however at this time it is uncertain as to whether this will be sufficient to bring the budget back into surplus in the short/ medium term. Our value for money work in 2020/21 is ongoing.

Value for money – Children’s Services

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

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

The Director of Children’s Services and the two Service Director roles have been appointed to and as of August half of the Head of Service posts have been appointed to on a permanent basis. Our value for money work in 2020/21 is ongoing.

Assessment

- ✓ Action completed
- ✗ Not yet addressed

C. Audit Adjustments

Impact of adjusted misstatements

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

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
none			
Overall impact	none	none	None

Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Details	Adjusted?
Note 28	The Council amended its pension disclosure note to refer to the highly significant early repayment of contributions.	✓

C. Audit Adjustments



Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
none				
Overall impact				

D. Fees

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

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

Non-audit fees for other services	Proposed fee (£)	Final fee (£)
Audit Related Services –housing benefits assurance	16,000	TBC
Audit Related Services –teachers pensions	5,900	TBC
Audit related-capital receipts return	3,500	TBC
Digital Forensics Work	20,000	TBC

E. Audit opinion

Our audit opinion is included below.

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

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

Report on the Audit of the Financial Statements

Opinion on financial statements

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

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

E. Audit opinion (continued)

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

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

E. Audit opinion (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

E. Audit opinion (continued)

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

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

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

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

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

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

E. Audit opinion (continued)

Responsibilities of the Authority

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

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

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

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

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

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

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

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

Use of our report

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

Mark Stocks, Key Audit Partner

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

Birmingham

Date

F. Audit letter in respect of delayed VFM work

Dear Councillor Alan Taylor, Chair of Audit and Standards Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021. For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for the delay.

Yours Faithfully

Mark Stocks

Partner

Appendix 2

Our Ref :

Service: Finance & Legal

Please ask for: Iain Newman

Direct Line: 01384 814802

email: iain.newman@dudley.gov.uk

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

20th September 2021

Dear Sirs

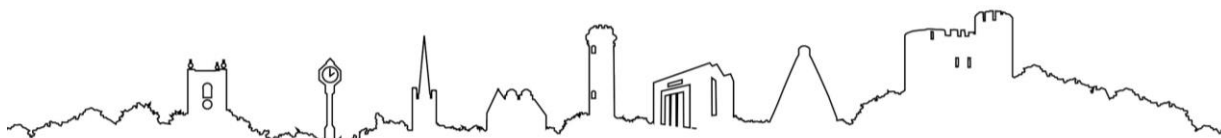
Dudley Metropolitan Borough Council
Financial Statements for the year ended 31 March 2021

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

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

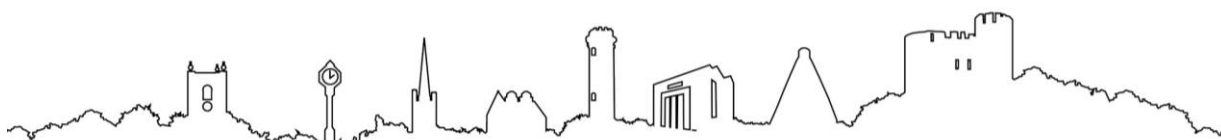
Financial Statements

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



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

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

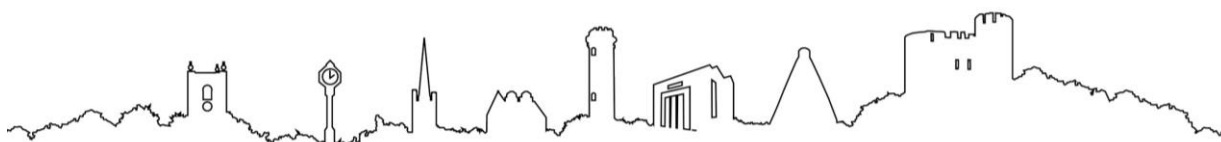


- a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue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

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

Information Provided

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



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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 20 September 2021.

Yours faithfully

Name.....

Position.....

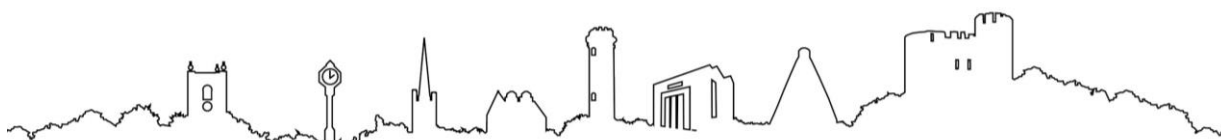
Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



Audit and Standards Committee – 20th September 2021

Report of the Director of Finance and Legal

Treasury Management

Purpose

1. To outline treasury activity during the financial year 2020/21 and in the current financial year up to the end of July 2021.

Recommendations

2. It is recommended that the Audit and Standards Committee:
 - comments and notes the treasury activities outlined in this report;
 - refers all of the above to full Council for noting at its meeting on 11th October.

Background

3. The Treasury Management strategy for 2021/22 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2017. The Code recommends that members are informed of Treasury Management activities at least twice a year. This report ensures that the Council is embracing best practice in accordance with CIPFA's recommendations.
4. Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
5. The Council undertakes treasury management activity on its own behalf and as administering authority for the West Midlands Debt Administration Fund (*WMDAF*). We are responsible for administering capital funding of approximately £780m on our own account and another £94m on behalf of other West Midlands councils in respect of the WMDAF. The treasury function is governed by the Council's Treasury Policy Statement and Treasury Management Practices.

Treasury activity in 2020/21 on the Dudley fund

6. Our treasury activities were undertaken in the context of the Treasury Strategy Statement 2020/21 approved by Audit and Standards Committee and Full Council in February 2021. The Strategy Statement stated:

“The primary factor in determining whether we undertake new long-term borrowing will be cash flow need. We will seek to minimise the time between borrowing and anticipated cash flow need, subject to the need to maintain day to day liquidity”

7. In 2020/21 our investments averaged £61.8 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.21%. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy Statement 2020/21. Our investment activity for 2020/21 is set out in more detail in Appendix 1.
8. The average value of long-term borrowings in 2020/21 was £683.5 million. The average rate of interest on these borrowings was 3.37%. The loans were due to mature on dates ranging from 2021 to 2061.
9. In 2020/21 we took out 15 medium term market loans (1-4 years duration) totalling £86m, most of which had been arranged in advance to fund an advance payment of £92m to the West Midlands pension fund (to obtain a discount on the employer's pension contribution rate), and to replace some existing loan maturities. The average value of these loans was £5.7m at an average rate of 1.45%, for an average duration of 21 months.
10. Due to cash flow requirements in 2020/21, it was necessary to undertake short term borrowing on 3 occasions. The average value of these loans was £4.5m at an average rate of 0.17% for average duration of 36 days.

Treasury activity in 2020/21 on the WMDAF

11. It was necessary to undertake short term borrowing on 2 occasions for cashflow purposes for the WMDAF, at an average value of £2.75m at an average rate of 0.18% for an average duration of 151 days. We also made 2 investments in 2020/21 for the WMDAF at an average value of £1.75m at an average rate of 0.01% for an average duration 64 days.

Performance comparisons 2020/21

12. Our treasury management advisors Link Asset Services have compared our treasury performance with their other clients using borrowing and investment data at financial year end. The results are summarised in the table below:



Performance Benchmarking

	Dudley	Client Average
Gross Borrowing (£M)	663.3	224.6
Investments (£M)	34.0	70.5
Net Borrowing (£M)	629.3	154.1
Gross average borrowing rate (the cost of borrowing, ignoring the return on investments)	3.44%	3.68%
Investment return rate (the return on investments, ignoring the cost of borrowing)	0.20%	0.35%
Net average borrowing rate (a combination of the above, representing the cost of borrowing net of the return on investments)	3.63%	5.20%

13. The data above is based on a snapshot of treasury portfolios at 31 March 2021 and includes long and short term borrowing and investments. Dudley's net cost of borrowing was substantially lower than the average of local authorities in the client group. This is partly because our ratio of gross to net borrowing is higher than other authorities who maintain larger levels of investments which are currently delivering very low yields.
14. It should be remembered that treasury performance measurement is not an exact science. These statistics represent the cumulative effect of decisions dating back over many years and the performance of other local authorities may have been achieved in circumstances different from our own.

Prudential indicators 2020/21

15. The 2003 Prudential Code for Capital Finance in Local Authorities sets out a framework for the consideration and approval of capital spending plans. In so doing, it requires the Council to set a number of prudential indicators, some of which concern matters of treasury management. Appendix 2 outlines those indicators for 2020/21

Treasury activity 2021/22 to July

16. Treasury activities in the current year have been undertaken in the context of the Treasury Strategy Statement 2021/22 approved by Audit and Standards Committee



and Council in February of this year. In that document we anticipated that long term borrowing would be required in the next 12 months due to cash flow need.

17. Our investments up to the end of July have averaged £55.4 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.09%. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy Statement 2021/22. Our investment activity for 2021/22 is set out in more detail in Appendix 3.
18. Temporary cash balances have been significantly higher than usual in 2021-22 due to the various Covid-19 grant payments from Central Government in both 2020-21 and 2021-22, and some unspent grant will be repaid later in the year. The Monetary Policy Committee (MPC) have maintained the bank rate at a record low level of 0.10% . Consequently, investment rates have been at very low levels and are expected to stay very low in the medium term.
19. The last Monetary Policy Committee meeting in June saw no change to policy measures – as expected. The Committee re-iterated its view that inflation will breach its target, it will be transitory and moderate back to its target rate of 2% over the medium term. It also stated it needed to see clear evidence that there has been significant progress towards their target of eliminating spare capacity while reaching and maintaining 2% inflation before it would look to tighten policy.
20. The average value of long-term borrowings up to the end of July has been £643.3 million. The average rate of interest on Dudley's loans is 3.51%. The maturity dates for the loans range from the current year to 2061. To date no new loans have been taken out in 2021/22.
21. We are monitoring interest rates and cash flow closely and anticipate that some new long term borrowing may be required before the end of the current financial year.
22. On the WMDAF it has been necessary to take out one loan in 2021-21 to date, for £2m at 0.03% for 21 days. We have not made any investments on the WMDAF to date in 2021/22.

Finance

23. Forecasts of performance against budget for treasury management activities are highly sensitive to movements in cash flow and interest rates.

Law

24. These matters are governed by Part IV of the Local Government and Housing Act 1989 and Section 111 of the Local Government Act 1972, which empowers the



Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its various statutory functions.

Risk Management

25. Treasury Management, by its nature entails the management of financial risks, specifically credit risk for investments which is mitigated by limiting acceptable counterparties to those of the highest credit quality and imposing counterparty limits for non-government institutions; and interest rate risk which is mitigated by prudential indicators detailed in Appendix 2.

Equality Impact

26. The treasury management activities considered in this report have no direct impact on issues of equality.

Human Resources/Organisational Development

27. There are no Human Resources/Organisational Development implications associated with this report.

Commercial/Procurement

28. The over-riding purpose of the Council's Investment Strategy is day to day cash management and not income generation. The strategy prioritises security and liquidity of cash investments over yield. Once those are met, we aim to secure the maximum yield from our investments held with the small number of counterparties that meet the strict criteria laid out in our Annual Investment Strategy.

Council Priorities

29. Treasury Management supports the Council's capital investment priorities as set out in the approved Capital Strategy



Iain Newman
Director of Finance and Legal

Contact Officer: Amarjit Uppal
Telephone: 01384 812425
Email: amarjit.uppal@dudley.gov.uk

List of Background Papers

Treasury Policy Statement, Treasury Management Practices and Schedules to the Treasury Management Practices.

Investment Activity 2020/21

Counterparty name	Number of investments	Average value £ million	Average rate %	Average duration (days)
Debt Management Office	149	16.8	0.06	9
Other Local Authorities	14	27.3	0.32	95
Bank of Scotland	N/A	0.04	0.32	Call Account
HSBC Call Account	N/A	4.62	0.14	Call Account
HSBC 31 Day Notice	N/A	3.97	0.25	Deposit Account
Santander Call Account	N/A	6.92	0.18	Call Account
Santander 35 Day Notice	N/A	2.15	0.25	Deposit Account
Barclays Call Account	N/A	0.08	0.01	Call Account

Prudential indicators relating to treasury management 2020/21**External Borrowing**

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The authorised limit for external debt is a statutory limit (section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The operational boundary is a lower threshold allowing for a prudent but not worst case scenario for cash flow.

	£m
Authorised limit for external borrowing	863
Operational boundary for external borrowing	807
Outturn - actual external borrowing	767

Interest rate exposures and maturity structure of borrowing and investments

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Dudley MBC

	Indicator	Outturn
Upper limit for fixed interest rate exposure	100%	100%
Upper limit for variable rate exposure	10%	0%
Upper limit of principal maturing in any one year for sums invested for over 364 days	£10m	Nil
Maturity structure of fixed rate borrowing:-		
under 12 months	0-15%	11%
12 months and within 24 months	0-15%	9%
24 months and within 5 years	0-20%	7%
5 years and within 10 years	0-25%	7%
10 years and above	50-100%	67%

West Midlands Debt Administration Fund

	Indicator	Outturn
Maturity structure of fixed rate borrowing:-		
under 12 months	0-19%	19%
12 months and within 24 months	0-16%	16%
24 months and within 5 years	0-65%	65%

Appendix 3

Investment Activity 2021/22 to July

Counterparty name	Number of investments	Average value £ million	Average rate %	Average duration (days)
Debt Management Office	39	12.41	0.01	9
Other Local Authorities *	4	8.66	0.18	120
Bank of Scotland	N/A	0.04	0.00	Call Account
HSBC Call Account	N/A	7.04	0.01	Call Account
HSBC 31 Day Notice	N/A	6.54	0.25	Deposit Account
Santander Call Account	N/A	8.61	0.08	Call Account
Santander 35 Day Notice	N/A	4.16	0.25	Deposit Account
Barclays Call Account	N/A	7.93	0.01	Call Account

*Includes investments brought forward from 2020-21

Audit and Standards Committee - 20th September 2021

Report of the Director of Finance and Legal

Review of the Code of Corporate Governance

Purpose of the Report

1. To inform Members of the results of a review of the Code of Corporate Governance.
2. To ask Members to approve a revised Code of Corporate Governance.

Recommendations

3. That Members note the content of this report and approve the revised Code of Corporate Governance.
4. That Members authorise the Director of Finance and Legal to undertake the necessary action to incorporate the revised Code into the Constitution.

Background

5. The Audit and Standards Committee has responsibility for corporate governance and the review of the local code of corporate governance.
6. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produce the framework and guidance for reviewing governance: "Delivering Good Governance in Local Government 2016".
7. The overall aim of the Framework is to ensure:
 - Resources are directed in accordance with agreed policy and according to priorities,
 - There is a sound and inclusive decision making,
 - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

8. Local authorities are encouraged to review their existing governance arrangements against the principles and sub-principles for good governance detailed within the Framework and accompanying guidance. The Framework is not intended to be prescriptive and authorities are requested to consider the contents of the Framework in a way that reflects their structure, type, functions and size.
9. The council has experienced a period of significant change and there is further significant change to come, so it is important for Officers and Members to ensure that the governance framework remains “fit for purpose”.
10. The Head of Audit Services has carried out a review of the council’s governance arrangements against the principles and sub-principles of good governance included in the 2016 Framework in conjunction with a number of senior managers from across the council. The updated Code of Corporate Governance is included at **Appendix A**. The main changes are as follows:
 - Reference has been made to the setting up of a new Corporate Equality Group chaired by the Chief Executive and work being undertaken to address the recommendations made by an external consultant.
 - Updated the Council’s scrutiny arrangements.
 - Updated the Future Council programme.
 - Updated how the Council communicates with its staff.
 - The fact that the Council has declared a climate emergency and governance established to become carbon neutral by 2041.
 - Work being undertaken to establish a People Strategy.
 - The fact that the Council has obtained Cyber Essentials accreditation.
 - The fact that Audit and Standards Committee are now producing an annual report that is presented to Full Council.
11. The draft Code of Corporate Governance was discussed and agreed with Strategic Executive Board.
12. There are issues to be addressed with the council’s governance framework, but most of these are recognised or have previously been raised in internal audit reports.

Finance

13. There are no direct financial implications arising from this report.

Law

14. There is no statutory requirement for the council to produce a Code of Corporate Governance but it is considered best practice.

Risk Management

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

Equality Impact

16. The adoption of a Code of Corporate Governance is one part of the council's commitment to fair treatment for all.
17. Children and young people were not consulted on or involved with the preparation of this report.

Human Resources/Organisational Development

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

Commercial/Procurement

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

Council Priorities

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



Iain Newman

Director of Finance and Legal

Contact Officer: Graham Harrison

Email: Graham.Harrison@dudley.gov.uk

List of Background Papers

Appendix A: Code of Corporate Governance

CIPFA/SOLACE Delivering Good Governance in Local Government Framework and Guidance Notes

APPENDIX A



Code of Corporate Governance

September 2021



Introduction

The latest framework for good governance was produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in 2016. Dudley issues its own Code of Corporate Governance based around the CIPFA/SOLACE model.

Corporate Governance is defined by CIPFA/SOLACE as comprising the arrangements (including political, economic, social, environmental, administrative, legal and other administrative arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The framework aims to help local government take responsibility for developing and shaping an informed approach to governance; to achieve the highest standards in a measured and proportionate way. The overall aim is to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities,
- There is sound and inclusive decision making,
- There is clear accountability for the use of those resources in order to achieve desired outcomes for services users and communities.

The governance framework is based around seven core principles of good governance. The seven core principles are listed below with an outline of how Dudley is addressing these principles.

CORE PRINCIPLE 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-principle: Behaving with Integrity

Evidenced by:

- The council's constitution contains Codes of Conduct for both Members and Officers to ensure that high standards of conduct are maintained. The Codes of Conduct include requirements relating to the declaration of interest and the receipt of gifts and hospitality.
- The Employees' Code of Conduct is brought to the attention of all new starters to the council and forms part of the induction process. All employees are now required to electronically accept the Code and declare any interests on the HR and Payroll System.
- It is a mandatory requirement that all Members of the council receive training from the Monitoring Officer on the Code of Conduct. This includes Member conduct, declaring interests and equality duties.
- Those Members who attend regulatory committees are required to attend mandatory training on a biennial basis.
- Each Director maintains a gifts and hospitality register for their staff.
- Member declared interests are shown on the council's website.
- Protocol on Member/Officer Relations forms part of the council's constitution.
- Code of Practice for Members and Officers dealing with planning matters and Developer Selection Protocol forms part of the council's constitution.
- The constitution sets out the council's decision making framework, clearly detailing decisions to be taken by full Council, Cabinet, Committees, Cabinet Members and Senior Officers.
- Each committee agenda asks for any declarations of interest under the Members' Code of Conduct and any declarations would be recorded within the minutes. The agendas and minutes are available on the council's website.

Sub-principle: Demonstrating strong commitment to ethical values

Evidenced by:

- The council has developed a "Values and Behaviour Framework" to demonstrate how behaviour and decision making can help achieve its vision.
- The values and behaviours framework has been embedded in the Member and Officer Charter, Employee Survey, My Annual Review as well as driving workforce change initiatives such as engagement and the new staff suggestion

scheme. Leadership Forum events have incorporated a values led theme and a staff recognition and celebration segment to recognise values in action.

- Training sessions have been delivered to Managers on the values and behaviours framework. Managers have been told to cascade the framework to their teams.
- Proper standards of behaviour are set out within Contract Standing Orders and Financial Regulations which ensure that systems and processes for financial administration, financial control and the safeguarding of resources are in place. These are monitored by Internal Audit and reported upon as part of audit work.
- An independent equality and inclusion assessment to ascertain the council's progress in developing and embedding equality and inclusion practice across the council identified a number of recommendations. Following the review, a new Corporate Equality Board has been set up chaired by the Chief Executive. This Board will take forward the recommendations and produce a new Equality Strategy.
- An independent organisation Brap has been procured to lead a programme of work and develop the council's inclusive and diversity work streams and assist the council becoming an employer of choice.
- An annual report on equality is presented to Strategic Executive Board and Cabinet and provides detail of progress in implementing Action Plans 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.
- All staff are required to undertake an Equality and Diversity on-line training course.
- The council's Whistleblowing Policy is reviewed on an annual basis and a report on referrals is presented to Audit and Standards Committee.
- Posters are displayed throughout the council promoting the Whistleblowing Policy and who to contact. A clause on whistleblowing is included in the council's standard terms and conditions.
- National reports issued on standards in public life are discussed at Audit and Standards Committee.
- The Leader and Leaders of the opposition groups are required by the constitution to set an example to all Members and employees of the council in their conduct and the performance of their function. They will promote the Codes of Conduct, the Protocol for Member and Officer Relationships and encourage attendance at training courses.
- The council's Contract Standing Orders and procurement guidance are underpinned by ethical considerations.
- A Suppliers' Code of Practice has been produced and approved by the Leader of the council and distributed to all suppliers for which the council had an email address and the top 350 irrespective of whether an email address is held. The top 350 were asked to confirm their adherence to the Code.

- Clauses on fraud and corruption and the Bribery Act appear in the council's standard terms and conditions.
- Ethical procurement information, the Suppliers' Code of Practice and the Whistleblowing Policy are included on the council's website.
- A Modern Slavery and Human Trafficking Statement and Policy has been produced and promoted via the council's website. An action plan has been developed as part of this Statement and Policy, the implementation and effectiveness of which is monitored by the Community Cohesion Strategic Group. Over 1000 staff have received initial awareness training on modern slavery and a number of other staff have received more in depth training. The council's procurement and tender activity requires all relevant contracted suppliers to confirm compliance with the Modern Slavery Act (2015) during the procurement process and an appropriate clause has been included in the standard terms and conditions.
- The Prevent Delivery Group oversee the development and implementation of the Borough's Prevent Delivery Plan. The Group meets on a quarterly basis and receive updates from the Counter Terrorism Unit to inform their work.

Sub-principle: Respecting the rule of law

Evidenced by:

- Officer job descriptions include the requirement to follow statutory provisions and guidance, where appropriate.
- The constitution clearly details the responsibility for Members and Officers to follow statutory provisions.
- Statutory responsibility is covered by the Members' Code of Conduct and associated training/guidance to Members from the Monitoring Officer.
- The Director of Finance and Legal complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015).
- The Section 151 Officer and Monitoring Officer are permanent members of Strategic Executive Board and have access to all information and have the right to attend any meetings.
- Members receive training to assist with decision making, particularly for quasi-judicial committees.
- The council has an Anti-Fraud and Corruption Strategy that is regularly reviewed. There are also fraud resources contained on the council's intranet site including online training.
- The council has a Corporate Fraud Manager who has the ability to undertake in depth investigations and prepare cases for criminal prosecution.
- A fraud hotline is available to Officers, Members, Contractors and members of the public.
- An Annual Fraud Report is presented to Audit and Standards Committee, which details work undertaken in relation to fraud.
- Fraud and corruption assessments against good practice guidance are presented to Audit and Standards Committee.

CORE PRINCIPLE 2: Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-principle: Openness

Evidenced by:

- An engagement exercise involving a group of 33 people of different ages, genders and ethnicity was facilitated by the Democratic Society to understand how digital services and the council website can be made easier to use and best meet people's needs.
- A Freedom of Information Act publication scheme is maintained on the council's website.
- All committee reports and decision sheets/memorandums unless exempt can be accessed by the public through the council's website.
- The public are entitled to attend all committee meetings unless an exempt report is being discussed.
- A "forward plan" of items for which a decision is due to be made is published.
- A timetable of dates for submitting and distributing reports is maintained.
- Publish an annual Statement of Accounts and narrative report on the council's website demonstrating the Authority's financial position and performance.
- Regular meetings are held with relevant Lead Members to brief them on developments in their service area and issues of concern.
- The council has a Social Media Policy and social media is used extensively to communicate with residents and stakeholders.
- A council e-bulletin is issued via email to a significant number of residents.
- Facebook forums are used to engage with borough residents.
- The council's 'Your borough YOUR HOME' magazine features news and information and is distributed to all borough households.
- 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.
- A digital platform has been launched which allows residents to raise their service requests online.
- The constitution demonstrates the council's commitment to an open and accessible style of operation by Members and Officers in all dealings.
- The constitution is reviewed on an annual basis. The constitution sets out how council decisions are made and the appropriate conduct at meetings.

- The constitution includes relevant guidance on the roles and responsibilities of the Section 151 Officer and the Monitoring Officer.
- Employee and Member Codes of Conduct detail the requirement to adhere to statutory provisions and guidance.
- An employee survey is undertaken on a biennial basis and is supplemented with pulse surveys to test the temperature of the workforce on key initiatives.
- Internal communication has been reviewed and now there are a number of mechanisms to relay information to council staff:
 - Chief Executive's vlog,
 - "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),
 - "Engage" (a new electronic "e-zine" to provide fresh content to engage staff and provide a brief summary of core messaging,
 - Express Briefings and Leadership Forum.

Sub-principle: Engaging comprehensively with institutional stakeholders

Evidenced by:

- There is strong partnership working with the NHS through the Health and Well-Being Board. The council are working with Dudley Clinical Commissioning Group (CCG) to develop a Multi-Speciality Community Provider (MCP) model. This is a new model of care which joins up the NHS, public health, social care and community support around the patient.
- The council is the accountable body for the following statutory partnerships: Community Safety, Dudley Safeguarding People Partnership Board, Health and Wellbeing Board and ensures appropriate governance is in place.
- There is a Dudley Business Champions Group made up of business leaders and council officers, focusing on supporting the delivery of key national, regional and sub regional economic strategies and aligning activities to the priorities in the Borough Vision 2030. The group also act as ambassadors for Dudley and by example promote Dudley as a place to invest and do business.
- A Town Deal Board has been established since Dudley Town Centre was invited to bid for a share of the £3.6billion town fund. The Town Board will prioritise and drive investment and seek long term economic and productivity growth through investment in connectivity, land use, skills and enterprise infrastructure.

Sub-principle: Engaging stakeholders effectively including individual citizens and service users



Evidenced by:

- A Corporate Communications Plan 2019-2022 is in place. The responsibility for delivering the plan applies to all elected Members, leaders and managers in line with our value of accountability. This is supported by a Communications Toolkit.
- The council has established a corporate identity and brand that is to be used on all appropriate communications. It is hoped that this will portray the council as professional and progressive.
- Planning Services have reviewed their Statement of Community Involvement to ensure it is reflective of current thinking and practice.
- Young people are actively engaged through the Youth Council and the Children in Care Council as well as through a range of groups coordinated through the Children and Young People's Alliance.
- The council has established ten Community Forums to give local citizens a greater say in council affairs. These cover the groupings of electoral wards. Their main purpose is to provide an opportunity for local issues to be discussed locally. They involve the ward Councillors for each particular ward and are held in public.
- All significant decisions are subject to consultation with the public.
- The "Big Question" is an annual survey of borough residents to obtain their views on budget setting.
- The council attends or facilitates many groups involving residents or service users.

CORE PRINCIPLE 3: Defining outcomes in terms of sustainable economic, social and environmental benefits.

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Sub-principle: Defining Outcomes**Evidenced by:**

- 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.
- The Future Council programme has 3 themes: Workforce (this will be delivered through the People Strategy), Facilities (this will be delivered through the

Corporate Estates Strategy) and Digital and Technology (this will be delivered through the Digital Strategy). The Future Council Programme will be reviewed every three years as part of the Council Plan refresh.

- A Borough Vision 2030 'Forging a Future for All' has been produced in conjunction with partners. An Action Plan to deliver on the Vision is currently being produced. In 2030 Dudley borough wants to be:
 - 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 Borough Forging the Future Executive has been established to stimulate, champion and lead programmes of action to contribute to the achievement of Dudley Borough's vision for the future. The Executive are working on getting a performance framework in place by September 2021.
- A Commercial Strategy has been produced.
- Publish quarterly and annual performance reports on the website.
- Publish annual report and account on adult social care services, which provides an assessment of how the council has performed as a provider and commissioner of adult social care as well as identifying areas for further focus.
- The council has established the Dudley Deal, which is a series of informal pledges. The Business Deal is about growing the economy, the Community Deal is about supporting stronger communities and the Green Deal is about focusing on a cleaner, greener borough. Each sets out what the council will commit to and also how residents, businesses and community groups can play their part.

Sub-principle: Sustaining economic, social and environmental benefits

Evidenced by:

- The corporate reporting template requires consideration of environmental and sustainability factors.

- The council have declared a climate emergency. 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.
- 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.
- The council has a target of reducing carbon emissions by 90% by 2030 and the final 10% to achieve carbon neutrality by 2041.
- The council has a Corporate Energy Management function which has a programme of work to improve council's energy and environmental performance on sustainable development. A Corporate Energy Strategy has been produced.
- A Corporate Estate Strategy (2017-2022) has been produced that includes capital investment and disposals. The Corporate Estate Strategy will ultimately deliver a "core" of operational buildings and sites that are "fit for purpose". It will also realise savings, generate new revenue income and deliver efficiencies through working differently and collaborating with partners in the context of the council's land and property base.
- The Corporate Estate Strategy is delivered via the Corporate Landlord Services Plan.
- The council are developing a 25-year sustainable waste strategy to minimise the borough's waste.

CORE PRINCIPLE 4: Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Sub-principle: Determining and Planning interventions

Evidenced by:

- The Council Plan 2019-2022 includes each directorate's key priorities.
- 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. The plans have a three year focus and are reviewed annually in support of the Council Plan, Future Council 2030 and Borough Vision.

- There are agreed templates in place for producing committee reports and decision sheets. These templates require the law in relation to the decision to be detailed and the impact on equality. Within the Committee report/decision sheet, the benefits of the proposed course of action and the risks in relation to it should also be clearly explained.
- Members are encouraged to discuss with officers the information they require in order to make decisions.
- Democratic Services have provided training to Senior Managers on how committee reports and decision sheets should be completed and have emphasised that the corporate standard must be followed. Training has also been provided on the process to get committee reports and decision sheets agreed and published.

Sub-principle: Optimising achievement of intended outcomes

Evidenced by:

- The Medium Term Financial Strategy balances service priorities, affordability and other resource constraints.
- The council has developed a Social Value Policy.
- Training has been provided to Officers on social value.

PRINCIPLE 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub-principle: Developing the entity's capacity

Evidenced by:

- All officers are required to have a My Annual Review (performance and development review meeting) which takes account of the council's Values and Behaviours Framework.
- All new staff are required to attend a comprehensive corporate induction.
- A Members' induction programme is in place, which is open to all Members to attend.
- Some training is mandatory for all Members to attend.
- Political groups are responsible for undertaking reviews of Members' skills.
- The council have developed a training and development programme for all Members, including Cabinet Members, which is subject to review.

- The Local Government Association have provided training on scrutiny and chairing meetings.
- A Councillors' Guide has been prepared that provides the key information a Councillor needs to be aware of.
- Members are encouraged to attend events run by the Local Government Association (LGA).
- 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.
- The council has developed an approach to appreciation and recognition.
- The council has gained accreditation to the Workplace Wellbeing Charter. Health and wellbeing resources are included on the intranet including how to contact Mental Health First Aiders and Staff Counselling Service.

Sub-principle: Developing the capability of the entity's leadership and other individuals

Evidenced by:

- The Cabinet and Strategic Executive Board review succession planning.
- A workforce planning model and toolkit is being used to develop directorate workforce plans across the council.
- Workforce planning is integral to the council's business planning process and seeks to maximise capacity through ensuring that the right people, are in the right place, at the right time, with the right skills and qualifications, and where new appointments are made, they demonstrate a commitment to the council's values and behaviours framework.
- Training programmes are run for different tiers of management.
- Leadership Forum meetings of the council's senior managers take place four times a year and is a forum for cascading key information.
- The role of the Chief Executive and Leader have been clearly defined within the council's constitution.
- Citizen rights are set out in Article 3 of the constitution. Some of these are legal rights, whilst others depend on the council's own processes.
- A Local Government Association Corporate Peer Review took place in January 2020.
- The council has a Recruitment and Selection Policy and a suite of HR policies and procedures.
- The council has approved a Pay Policy Statement to clarify the council's strategic stance on pay in order to provide direction for Members and Officers making detailed decisions on pay and to provide the citizens of Dudley with a clear statement of the principles underpinning decisions on the use of public funds. The

Pay Policy Statement sits alongside the Pay Arrangements Policy which sets out the council's approach to pay and reward, including temporary payments for additional responsibilities and temporary market forces supplement payments.

- Established a Pay Governance group to deal with pay policy issues at an organisational level.
- HR and Organisational Development are working on producing a People Strategy. 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.

CORE PRINCIPLE 6: Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-principle: Managing Risks

Evidenced by:

- A Risk Management Framework is in place that is reviewed and approved by Audit and Standards Committee.
- The Risk Management Framework states that risk identification and analysis should be undertaken at the earliest opportunity in the business processes and should be forward thinking as well as reflective.
- The Risk Management Framework emphasises the importance of assigning ownership of risks and mitigating actions.
- Corporate Risks are reported to Strategic Executive Board and Audit and Standards Committee four times a year.
- Audit and Standards Committee select risks for detailed scrutiny.
- Directors are required to complete a quarterly risk assurance protocol to confirm that risks are being identified and managed.

- Key risks in relation to proposed decisions should be detailed in all Committee reports, where appropriate.
- Training is provided to Members and Officers on risk management on request.

Sub-principle: Managing Performance

Evidenced by:

- Corporate Performance is monitored by Management, Strategic Executive Board, Informal Cabinet and Future Council Scrutiny Committee each quarter. Each Directorate will have a number of actions and performance indicators that they monitor.
- Future Council Scrutiny Committee select performance indicators for detailed scrutiny.
- Directorate summary schedules are presented to Future Council Scrutiny Committee. These provide information on the services delivered and detail on the performance of the directorate including benchmarking and key achievements.
- Unacceptable performance is challenged.
- Benchmarking is used to evaluate performance and for the setting of targets.
- A specialist project management system (Verto) is used that provides more structure, consistency and governance over the council's programmes and projects.
- The council has a Corporate Customer Feedback Procedure that covers Compliments, Comments and Complaints.
- A Corporate Customer Feedback Group is held to monitor customer feedback and ensure learning takes place.
- The Local Government and Social Care Ombudsman's Annual Review Letter is presented to Cabinet.
- A Corporate Workforce Analytics Report is presented to Strategic Executive Board on a quarterly basis. This provides information on the workforce and whether key Human Resource indicators are being achieved.
- A Health and Safety Annual Report is presented to Strategic Executive Board.
- Heads of Services are reminded on a monthly basis to complete key personnel procedures such as My Annual Review, Return to Work Interviews.

Sub-principle: Robust Internal Control

Evidenced by:

- The council operates Scrutiny Committees which undertake "in depth scrutiny investigations/enquiries and contribute to policy development in respect of issues/items falling within their terms of reference". The terms of reference of the four Scrutiny Committees cover all of the council's executive functions.
- The Chairs of Scrutiny Committees meet regularly to co-ordinate scrutiny activity. Scrutiny Committees have considerable flexibility to amend the Annual Scrutiny Programme to reflect developments during the year.
- Individual Scrutiny Committees will carry out investigations into any decisions of the Cabinet, Cabinet Members, the Chief Executive or Directors that are called in for scrutiny in accordance with the Scrutiny Committee Procedure Rules set out in Part 4 of the constitution.

- Scrutiny Committees report annually to the Full Council with details of their activities and annual work programme. Minutes of the Scrutiny Committees are submitted to full Council to increase transparency. The Annual Reports are available on the Council's website setting out the key issues considered and the outcomes of scrutiny work during the year.
- The Council periodically reviews scrutiny arrangements to ensure they remain "fit for purpose".
- The Local Government Association and the Centre for Governance and Scrutiny have previously assisted the council with scrutiny development work.
- The council has appointed the Democratic Services Manager as "Scrutiny Officer" pursuant to Section 9FB of the Local Government Act 2000. The role of this Officer is to promote the role of the Authority's Overview and Scrutiny Committees, to provide support to the Authority's Overview and Scrutiny Committees and to provide support and guidance to Members and Officers in relation to the functions of the Authority's Overview and Scrutiny Committees.
- All Scrutiny Committee agendas include a "Public Forum" to encourage greater public involvement in the council's work.
- Meetings of Scrutiny Committees are programmed in the Council calendar and additional meetings can be called if necessary. Members of Scrutiny Committees are sent links to enable them to have oversight of the Forward Plan of Key Executive Decisions.
- Reports issued by the Committee on Standards in Public Life are discussed by Audit and Standards Committee.

Sub-principle: Managing Data

Evidenced by:

- The Director of Finance and Legal is the Senior Information Risk Officer.
- The council has appointed a Data Protection Officer and reviewed his reporting lines in order to provide the required independence that his position requires.
- The council has an Information Governance Board that is attended by senior representatives (Information Risk Officers) from each directorate.
- All Officers are required to undertake mandatory information governance training.
- Members are provided with training on information governance.
- The council has a suite of Information Governance policies and procedures including data sharing and data quality.
- The Information Governance Team maintains a data sharing register (data processing agreements/data exchange agreements/third party access agreements).
- Privacy Notices have been completed for all key services and are displayed on the council's website.
- The council has received accreditation for Cyber Essentials and is now working towards Cyber Essentials Plus and ISO27001.
- The Information Governance Team routinely benchmarks its practices and processes against other members of the West Midlands Information Governance Forum, including neighbouring Local Authorities.

Sub-principle: Strong Public Financial Management

Evidenced by:

- The council has established a robust financial management regime. Reports on budgetary management are provided to all levels of Management,
- Regular financial monitoring reports to Cabinet and full Council to assist in decision making and effective stewardship of public funds.
- The council has a rolling Capital Programme which sets out detailed capital investment plans for each Directorate funded from a number of sources. This is supported by a Capital Investment and Disposal Guide.
- The constitution sets out the Financial Management Regime, which includes Contract Standing Orders and Financial Regulations.
- The council complies with CIPFA's Prudential Code for Capital Finance and reports to Members, where necessary.
- Adopted CIPFA's Code of Practice for Treasury Management as an integral part of the Treasury Strategy, which is approved by Members. Regular reports on treasury management are presented to Audit and Standards Committee and full Council.
- The Medium Term Financial Strategy takes account of the full cost of delivering services over the medium term.
- The council consults extensively on its budget proposals.
- Financial Regulations are currently being reviewed to ensure they remain "fit for purpose".
- Financial Regulations are supported by online training that is available for Members and Officers to complete.
- An employee suggestion scheme has been established to try and identify innovative change proposals and to deliver savings and efficiencies.
- Contract Standing Orders have been updated and awareness training delivered.
- A contracts register has been developed.
- The council co-ordinates and has mechanisms in place for the effective engagement of clients/service users in all commissioning activity.
- Standard contract terms and conditions are in place.
- A Procurement Management Group has been established to discuss procurement options.
- A Commercial Opportunities Group has been established to discuss commercial/investment ideas and to discuss ways of generating income for the authority.

CORE PRINCIPLE 7 : Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-principle: Implementing good practices in transparency and reporting

Evidenced by:

- All individual items of expenditure over £500 are displayed on the council's website.
- The council generally complies with the Local Government Transparency Code 2015.
- An annual Pay Policy Statement is produced for each financial year and approved by a resolution of full Council. The policy statement is published on the council's website.
- The annual Statement of Accounts is published on the council's website.
- Audit and Standards Committee approve the Certified Statement of Accounts.
- An Annual Governance Statement is compiled in accordance with the CIPFA publication "Delivering Good Governance in Local Government". This is approved by Audit and Standards Committee and signed by the Chief Executive and the Leader of the council and published as part of the Statement of Accounts.
- The Annual Governance Statement discusses the effectiveness of the council's governance framework and identifies any areas of significant concern.

Sub-principle: Assurance and effective accountability

Evidenced by:

- The Audit and Standards Committee comprises nine elected members which are appointed by full Council. No Cabinet Members will be appointed to serve on the Committee.
- The Audit and Standards Committee operates to an agreed terms of reference. The terms of reference has been reviewed in light of the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities and Police".
- The Audit and Standards Committee has responsibility for the system of internal control, both financial and otherwise.
- Audit and Standards Committee produce an annual report that is presented to Full Council.
- Regular assessments are undertaken of Audit and Standards Committee's effectiveness against good practice guidance.
- The skills of Members that serve on the Audit and Standards Committee are assessed to identify any training needs.
- New Members to Audit and Standards Committee are offered induction training.
- The effectiveness of internal audit and the adequacy of internal audit resources are monitored by Audit and Standards Committee.
- Recommendations for corrective action made by external audit are reported to Audit and Standards Committee and they ensure that appropriate action is taken.
- Internal Audit risk based plans are approved by Audit and Standards Committee.
- Progress reports on the delivery of the Internal Audit Plan are presented to Audit and Standards Committee.
- The Head of Audit Services provides an opinion on the effectiveness of the council's governance, risk management and internal control, which is then used in the production of the Annual Governance Statement.

- Internal Audit has been externally assessed as meeting the Public Sector Internal Audit Standards. The Head of Audit Services complies with the key requirements of CIPFA's Statement on the Role of the Head of Internal Audit.

Audit and Standards Committee – 20th September 2021

Report of the Director of Finance and Legal

Corporate Risks Report

Purpose

1. To discuss current Corporate Risks and the status allocated by Senior Executive Board (SEB).
2. To discuss other risks for possible inclusion on the Corporate Risk Register.

Recommendations

3. It is recommended that Audit and Standards Committee:
 - Notes and comments on the Corporate Risks shown in **Appendix A**.
 - Identifies any additional risks that it considers should form part of the Corporate Risk Register.
 - Identifies a risk for detailed scrutiny at the December 2021 meeting of this Committee.

Background

Risk Management Framework Update

4. Audit and Standards Committee in April approved a new corporate risk management framework. The Head of Audit Services has now attended all but one Directorate Management Team to talk through the changes to risk management procedures.

5. Also, for most directorates, Risk Workshops have been held. Following, the Workshop Audit Services staff will compile a list of directorate risks for agreement with the Directorate Management Team and assist in identifying:
- The Inherent/Gross Rating.
 - The current mitigating actions that are in place and considered effective.
 - The Net/Residual Rating.
 - The Target Risk Rating.
 - What further Actions need to be taken to achieve the Net Rating.
6. A similar process will be undertaken for the Corporate Risks; the Head of Audit Services will meet with each of the Risk Owners to discuss their risk(s) and ensure they are articulated, rated and managed in accordance with the new Risk Management Framework.
7. The risk workshops that have been undertaken to date have identified that a substantial amount of work will need to be undertaken to raise the level of understanding of formal risk management and to embed an effective risk management framework. It is vital that the Council is clear on its objectives, and risks have been identified in relation to these objectives. This will take time given the limited capacity of all concerned (Internal Audit, Corporate Risk Owners and Directorate Management Teams).
8. The work undertaken with Corporate Risk Owners may identify risks that can be merged or where the risk is more appropriate to be monitored at directorate level.
9. Since the last report to SEB, further changes have been made to the Risk Management System (Spectrum) and this is now in a position to be rolled out across the Council. The System is simple to use but there are “help” boxes incorporated into the system that will provide assistance to the user.
10. Audit Services are also planning to produce risk management dashboards that will provide key information in a quick and user-friendly way.

Changes to Corporate Risks

11. Strategic Executive Board on 18th August 2021 made the following changes to the Corporate Risk Register:
- The existing risk R.242 has been broadened to consider wider issues of Recruitment and Retention.

- An additional risk has been recognised in relation to Procurement and Contract Management.
- Risks R.343 and R.372, relating to the regeneration programme and funding, have been combined.

12. The following table shows changes to Corporate Risk Ratings proposed by SEB. These ratings are based upon the new Risk Management Framework that was approved by Audit and Standards Committee in April 2021. The table also shows the date when each risk was last reviewed in detail by Audit and Standards Committee. **Appendix A** provides a status update on each Corporate Risk.

Risk	Rating	Status
R.14 HR Policies Reviewed: 09/02/2017	Medium	No Change
R15 The Council Budget Reviewed: 26/7/2017	High	No Change
R.18 Information Governance Reviewed: 9/12/2014	High	No Change
R.20 Welfare Reform Reviewed: 21/04/2021	High	Decreased
R.21 Corporate Fraud Reviewed: 15/4/2015	High	No Change
R.137 Health and Safety Reviewed: 20/9/2021	High	Decreased
R.234 Emergency Planning Reviewed: 21/12/2017	Medium	No Change
R.242 Recruitment and Retention Not Reviewed	High	Change to risk description

R.286 Payroll Reviewed: 9/12/2019	High	No Change
R.287 Payment Card Industry (PCI) Compliance Reviewed: 21/9/2020	Medium	Decreased
R.306 UK failing to agree trade deals with EU, USA and Worldwide Reviewed: 15/4/2019	High	No Change
R.342 Vulnerable Adults Reviewed: 7/12/2020	High	Decreased
R.341 Vulnerable Children Reviewed: 23rd June 2021	High	Decreased
R.354 Risk of failure to meet the Regulator of Social Housing “Consumer Standard” Not Reviewed	High	No Change
R.365 Equality Act 2010 and Public Sector Equality Duty Not Reviewed	High	Decreased
R.366 Cyber Security Not Reviewed	High	No Change
R.367 Digital Platform Programme Not Reviewed	High	No Change
R.368 Ofsted and the Care Quality Commission requirements Not Reviewed	Medium	No Change

R.369 Covid-19 Not Reviewed	Medium	Decreased
R.370 Climate Change Not Reviewed	High	Decreased
R.371 Portersfield Development Not Reviewed	Medium	No Change
R.372 Regeneration Opportunities Not Reviewed	High	Decreased
R.YYY Procurement/Contract Management Not Reviewed	High	New Risk

Risk Reporting

13. Directors have followed good practice by identifying additional risks for possible inclusion on the Corporate Risk Register, prior to the quarterly meeting where risk is formally discussed. It is vitally important that this practice continues. Where urgency demands the addition of new risks to the Corporate Risk Register, the proposal should be discussed with the Head of Audit Services, and SEB approval should be sought.
14. Audit and Standards Committee at its meeting of the 23rd June 2021 selected risk R.137 "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" to be reviewed at its meeting on the 20th September 2021. The Committee are required to select another risk for review at the December meeting.

Finance

15. There are no direct financial implications arising from this report.

Law

16. The Accounts and Audit Regulations 2015 require each relevant authority to have a sound system of internal control which includes effective arrangements for the management of risk.

Risk Management

17. This report does not create any new risks. Although, new risks are put forward for consideration for inclusion on the Corporate Risk Register.

Equality Impact

18. This report does not raise any equality issues.
19. An effective risk management framework will help protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of this report.

Human Resources/Organisational Development

20. This report does not have any human resources or organisational development implications.

Commercial/Procurement

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

Council Priorities

22. An effective risk management framework will help to ensure that Council priorities are met.



Iain Newman

Director of Finance and Legal

Contact Officer: Graham Harrison
Telephone: 01384 815105
Email: graham.harrison@dudley.gov.uk

Background Documents

Appendix A – Corporate Risks

APPENDIX A

Corporate Risk Register

Risk R.14	<u>HR Policies</u>	Owner	Previous Rating	Current Rating
	Legal Challenge to HR policies e.g. Holiday pay.	Jacqueline Branch	Medium	Medium
Mitigating Action(s)	1) Specialist legal advice and support.			
Status Update	Arrangements remain in place to review and update HR policies and introduce new ones particularly in response to the Covid pandemic, to ensure they are in line with Government Guidelines and LGA guidance, consistent with the approaches agreed by West Midlands Local Authorities and informed by recommendations from expert employment lawyers. Dudley Council continues to receive regular updates from the National Employers team within the LGA on emerging employment legislation and associated guidance which is acted on in a timely manner to mitigate legal challenges to our employment practices and policies.			

Risk R.15	<u>The Council Budget</u>	Owner	Previous Rating	Current Rating
	The Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available.	Iain Newman	High	High
Mitigating Action(s)	1)Financial intelligence 2)Monitoring and forecasting of council tax and business rates 3)Reports to Cabinet, Scrutiny, Audit & Standards and Council on budgets 4)Monitor financial stability of Better Care Fund			
Status Update	No Change.			

Risk R.18	<u>Information Governance</u>	Owner	Previous Rating	Current Rating
	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.	Iain Newman	High	High
Mitigating Action(s)	1)Maintain standards of Information Governance and Transparency through the Information Governance Board. 2)Corporate Information Governance Team 3)On line Data Protection Training 4)Escalation of Information Governance issues 5)Action plan for compliance			
Status Update	No Change.			

Risk R.20	<u>Welfare Reform</u>	Owner	Previous Rating	Current Rating
	There is a risk that various changes to welfare and benefits systems could place people at risk and increase pressures on statutory services.	Iain Newman	Extreme	High
Mitigating Action(s)	1)Corporate Welfare Reform Board in place to take a strategic approach. 2)Increased provision for bad debt (Housing Services). 3)Joint working with third sector and other partners to identify & support people affected by Welfare Reforms. 4)Review housing stock to balance supply and demand. 5)Council Tax Reduction (CTR) Scheme Review. 6)Strengthening Families Programme enables and assists families in meeting progress to work criteria Implementation of additional Council Tax reductions under the Hardship Fund. 7)Implementation of Covid Isolation Payments. 8)Implementation of Winter Support Grant and Emergency Assistance Grant.			
Status Update	Mitigating controls are operating. Changes to the administration of CTR have been successful and have helped to manage the economic impacts of the pandemic.			

Risk R.21	<u>Corporate Fraud</u> 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.	Owner	Previous Rating	Current Rating
		Iain Newman	High	High
Mitigating Action(s)	1)Anti-Fraud and Corruption Plan.			
Status Update	No Change.			

Risk R.137	<u>Health and Safety</u> 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.	Owner	Previous Rating	Current Rating
		Iain Newman	Extreme	High
Mitigating Action(s)	1)Effective information, instruction and training. 2)Effective Planning & Implementation. 3)Effective Health & Safety organisation. 4)Effective monitoring & auditing. 5)Personal Protective Equipment PPE.			
Status Update	Mitigating controls are working effectively, including additional controls introduced in response to the pandemic. There has been no formal HSE intervention.			

Risk R.234	<u>Emergency Planning</u> Failure to implement emergency planning and business continuity arrangements will increase the inability of the local authority to respond and recover from incidents.	Owner	Previous Rating	Current Rating
		Karen Wright	Medium	Medium
Mitigating Action(s)	1)Develop corporate protocol and support the implementation of emergency evacuation procedures across all Council operated premises. 2)Ensure elected members are equipped to carry out responsibilities for managing and recovering from civil emergencies. 3)Support the organisation's resilience in meeting its business continuity management obligations. 4)Co-ordinate and manage the Council's response to COVID-19 to ensure that it meets its statutory responsibilities.			
Status Update	No Change			

Risk R.242	<u>Recruitment and Retention</u> There is a risk that the Council's capacity to support delivery of its priorities or take advantage of emerging opportunities may become insufficient due to the inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise. This is due to market supply difficulties as a result of a shortage of skills nationally and potential employees choosing other Local government employers over Dudley due to perceptions about Dudley's employment offer and the Council not being a desirable place to work. This will lead to services supporting vulnerable people failing to meet statutory requirements, a loss of potential regeneration investment into the borough, increases in workforce stress, customer dissatisfaction and diminishing political support.	Owner	Previous Rating	Current Rating
		Jacqueline Branch	N/A	High
Mitigating Action(s)	1) Delivery of the key actions within the 5 priorities within the People Strategy.			
Status Update	Risk description has been updated and rating changed.			

Risk R.286	<u>Payroll</u> Failure to address the payroll actions in the internal audit report may result in staff not being paid correctly	Owner	Previous Rating	Current Rating
		Jacqueline Branch	High	High
Mitigating Action(s)	1)Where required CHAPS payments will be made. 2)Payroll, ICT and Finance working closely to identify root causes of problems.			
Status Update	Steady progress continues to be made to implement the actions identified in the internal audit report. HR, Finance and ICT continue to work closely to identify and address any emerging issues and the establishment of a Pay Governance group to deal with pay policy issues at an organisational level has further strengthened governance around these matters.			

Risk R.287	<u>Payment Card Industry (PCI) Compliance</u> 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.	Owner	Previous Rating	Current Rating
		Iain Newman	High	Medium
Mitigating Action(s)	1) Specialist security consultants commissioned to conduct a review and provide report. 2) Icon Programme Board to review all payment methods and revisit preferred methods of taking payments.			
Status Update	By splitting the submission into several separate Self-Assessment Questionnaires (SAQ), this significantly mitigated the risk of non-compliance. Recently Semafone has been installed which has mitigated telephone payments. The only area outstanding is Chip-and-PIN with point-to-point encryption (P2PE) for cardholder-present payments. However, alternatives have been explored and it is intended to remove Chip and PIN option. It is expected that the PCI standard will be refreshed for 2022 so specialist advice will be needed to complete the new Self Assessment Questionnaires (SAQs). However, we will be in a position to submit this year's SAQs unsupported.			

Risk R.306	<u>UK failing to agree trade deals with EU, USA and Worldwide</u> 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 World wide.	Owner	Previous Rating	Current Rating
		Kevin O'Keefe	High	High
Mitigating Action(s)	1) Ongoing monitoring of the situation and appropriate advice and guidance provided to businesses.			
Status Update	No additional actions required at present. Whilst the longer term impact of Brexit is still unknown ongoing support is still being provided to local businesses through Dudley Business First.			

Risk R.342	<u>Vulnerable Adults</u>	Owner	Previous Rating	Current Rating
	Risk of failure to protect adults in positions of vulnerability due to increasing demand, changing patterns of abuse (e.g. exploitation) and reducing resources.	Matt Bowsher	Extreme	High
Mitigating Action(s)	1)Current referral pathway for MASH is multi agency and Care Act Compliant. 2)Strategic safeguarding training and social media strategy established. Conversations with stakeholders are taking place and training opportunities have been identified. 3)The Dudley peoples safeguarding partnership have identified their 4 key priorities these include, protecting vulnerable adults from financial abuse, protecting vulnerable adults from violence and the identified LPS 4)Work with Trading Standards continues to protect vulnerable adults and is receiving national interest.			
Status Update	Dudley MBC maintained a full safeguarding adults offer throughout the pandemic and has also been able to triage and complete Deprivation of Liberty Safeguards in a timely fashion with very low outstanding cases. The rating has been downgraded to High accordingly.			

Risk R.341	<u>Vulnerable Children</u> Risk of failure to protect children in positions of vulnerability, due to increasing demand, changing patterns of abuse (e.g. exploitation) and reducing resources.	Owner	Previous Rating	Current Rating
		Catherine Driscoll	Extreme	High
Mitigating Action(s)	1)Performance is scrutinised through the Children's Service Improvement Board, the Department for Education (DfE) and Ofsted on a regular basis. 2)Dudley MBC with partners has launched an Exploitation Hub in June 2021 (known as DEx) to improve the partnership response to children and young people at risk of criminal exploitation. 3)Workforce Board led by the DCS has been established to increase recruitment and retention activity to build capacity to work with children and families to support and protect.			
Status Update	Performance indicators have shown improvement as a result of the comprehensive improvement plan, particularly in relation to timeliness at the Multi Agency Safeguarding Hub (MASH) which means that risk is assessed in a timely way. Improvement and grip has been recognised by the DfE to support the reduction of risk rating. However, this risk remains High given the scale of the challenges facing the service, the scarcity of staff and the as yet unknown impact on children and young people of the pandemic.			

Risk R.354	<u>Risk of failure to meet the Regulator of Social Housing "Consumer Standard"</u> Risk of failure to meet the Regulator of Social Housing "Consumer Standard".	Owner	Previous Rating	Current Rating
		Paul Davies	High	High
Mitigating Action(s)	1)Compliance Health check has informed actions to address structural, process and operational issues.			
Status Update	No Change.			

NB/ Update provided by the Deputy Chief Executive

Risk R.365	<u>Equality Act 2010 and Public Sector Equality Duty</u> 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.	Owner	Previous Rating	Current Rating
		Kevin O'Keefe	Extreme	High
Mitigating Action(s)	1) Establish a Strategic Equality and Inclusion Leadership Group. 2) Develop a new 3-year Equality and Inclusion Strategy and Action Plan (which is outcome focused). 3) Performance manage the 17 recommendations from the independent review. 4) The Chief Executive and delegated Cabinet Member have responsibility and champion Equality and Inclusion. 5) Identify resources to support the Council to meet its legal equality duties.			
Status Update	The rating has been reduced from Extreme to High as the Corporate Equality group has now been established and a work programme developed. Both the Equality, Diversity and Inclusion Manager and Support Officer Posts have been appointed to and both post holders will be commencing employment soon to lead on delivering all the actions in the work programme.			

Risk R.366	<u>Cyber Security</u>	Owner	Previous Rating	Current Rating
	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.	Luisa Fulci	High	High
Mitigating Action(s)	1)An assessment against the good practice issued by the National Cyber Security Centre has been undertaken and an action plan is in place to address anything outstanding. 2)Any national or local cyber events are evaluated and any learning identified. 3)An Information Security Standards Board has been established to monitor the security of the Council's infrastructure and systems. 4)A process is in place to deal quickly with any cyber events that do arise, which includes contingency arrangements.			
Status Update	Cyber Essentials accreditation has been obtained. The Council are also actively working with MHCLG on a Cyber Treatment Plan to improve our technical defences.			

Risk R.367	<u>Digital Platform Programme</u>	Owner	Previous Rating	Current Rating
	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.	Luisa Fulci	High	High
Mitigating Action(s)	1) Objectives of the digital platform programme will be determined and a clear commitment made by the Council to support the programme. 2) Resources will be identified to deliver the objectives of the programme. 3) A methodology will be agreed to prioritise developments to the portal. 4) Business change staff will be employed to ensure processes are as efficient and effective as possible.			
Status Update	<p>a) Initiated a programme of work aimed at producing a business case for developing fit for purpose:</p> <ul style="list-style-type: none"> a. portal for customers to self-service and associated forms b. portal for councillors to raise issue c. customer service CRM. A system that captures customer details, manages a service request and retains details of the service request. Not a system that provides a single customer view. This will be a separate case. d. booking system e. reporting module <p>b) The programme of work includes:</p> <ul style="list-style-type: none"> a. requirements capture b. scoping suppliers that could deliver the requirements c. cost and benefit quantification d. documenting a high level transition plan and how we can make the most of what we already have e. producing the business case <p>The plan is to present the business case to SEB end September 2021</p>			

Risk R.368	<u>Ofsted and the Care Quality Commission requirements</u> The lack of effective governance may mean that the issues raised by Ofsted and the Care Quality Commission in their local area inspection report issued in July 2019 are not implemented resulting in the needs of young people with SEND not being properly assessed and addressed.	Owner	Previous Rating	Current Rating
		Catherine Driscoll	Medium	Medium
Mitigating Action(s)	1) Formal programme management has been established to address the Written Statement of Action including regular monitoring by the SEND Oversight Group. 2) Governance meetings are regularly attended by DfE and NHSE to monitor and feedback on progress.			
Status Update	No additional actions required.			

Risk R.369	<u>Covid-19</u> Failure to effectively implement the Local Outbreak Management plan will result in a rising infection rate, greater economic distress and increased deaths.	Owner	Previous Rating	Current Rating
		Karen Wright	Extreme	Medium
Mitigating Action(s)	1) The Local Outbreak Management Plan is in place and will be reviewed and updated in line with changes in the national Contain Framework.			
Status Update	Vaccination uptake in the borough continues to improve - ensuring that more of the population is protected from becoming seriously ill or dying from covid 19. It also prevents covid-19 spreading to others .			

Risk R.370	<u>Climate Change</u> 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.	Owner	Previous Rating	Current Rating
		Balvinder Heran	Extreme	High
Mitigating Action(s)	1) Climate Change formal Programme Management established with defined plans and regular reporting. 2) A bid is to be made to Cabinet for additional resources to drive Dudley's response.			
Status Update	The aim is to provide a DMBC masterplan for carbon neutral linked to the WMCA key themes. Discussions taken place with WMCA to provide resource to support the development of the masterplan. The identified additional resource is a critical element that is required to support Climate Change as a key priority.			

Risk R.371	<u>Portersfield Development</u>	Owner	Previous Rating	Current Rating
	Portersfield Development is an ambitious project that has potential to kickstart regeneration of Dudley Town Centre and add value to the local economy but, at the same time, carries financial, commercial, planning, procurement and other compliance risk that will need to be carefully managed.	Kevin O'Keefe	Medium	Medium
Mitigating Action(s)	1)Independent due diligence on Financial elements undertaken. 2)Independent due diligence on Development elements. 3)Ensure the independence of the LPA is retained by use of planning agent to ensure probity. 4)Phasing of scheme so that each element (student accommodation, residential and ice rink) is only brought forward as an end user is contracted. 5)Ensure the delivery of a high quality well designed scheme to increase the attractiveness of the residential offer and provide longevity of the offer. 6)External legal advice is being sought to address the procurement aspects of the development.			
Status Update	<p>The independent due diligence undertaken indicated a level of risk that was unacceptable to the council. Therefore, as of end of June 2021 the Council made the decision to end the partnership with Avenbury and to go out to the market for a partner.</p> <p>A Prior Information Notice (PIN) is being developed and a design competition will be held.</p> <p>Whilst this has reduced the level of risk in many regards, until a development partner is identified and the development mix is fixed financial, commercial, planning, procurement and other compliance risks cannot be fully quantified.</p>			

Risk R.372	<u>Regeneration Opportunities</u>	Owner	Previous Rating	Current Rating
	Failure to seize the opportunities and exploit the benefits that will come from the huge regeneration programme investment due to a lack of a strategic approach and insufficient resources could result in unfulfilled economic prosperity and social benefits.	Helen Martin	Extreme	High
Mitigating Action(s)	<p>1)Creation of a clear regeneration statement/plan on a page on the vision for the borough, linked to the Council Plan and local plan to show that activity is aligned.</p> <p>2)Robust governance process, with regular reporting via SEB, Major Capital Investment Board on regeneration opportunities and progress on projects.</p> <p>3)Member and key stakeholder involvement in decisions to bid and bid submission. Use of scrutiny process to ensure Member oversight.</p> <p>4)Ensuring adequate resourcing, and where capacity is insufficient use of interims and consultants (i.e. bid writing and project management).</p>			
Status Update	<p>We need to produce a regeneration and an economic strategy that has a clear vision and direction so that we can prioritise resources and activity towards these key drivers, and therefore by implication not pursue activities and bids that do not further these aspirations. It may mean less but more impactful projects rather than a scatter gun approach. Also, a need to balance the competing demands of the larger projects and the local ward member priorities.</p> <p>The more regeneration we deliver successfully greater the demand from local communities and members will want us – there is a need to level up across all areas - so a need to ensure we deliver at both scales.</p> <p>There are a number of funding streams being announcement by the government and we have been successful in many bids. But the quantum of funds is expected to be less than was available via EU funds, some are direct to LA and some are via WMCA so the level of control and influence is reduced. Capacity of the team remains a critical issue as there are many live bids (Towns Fund, Brierley Hill Future High Streets Fund, and 4 x Levelling Up Fund Bids plus a number of master planning exercise such as Lye). There is a skill shortage and the ability to recruit is limited in this market. We buy in skills and capacity where we can but this takes time and money and still requires an input from the team. A real need for project and programme managers.</p>			

	<p>What else can we do:</p> <ul style="list-style-type: none"> • Continue to seek further resources and capacity as well as outsourcing where we can capitalise the costs against projects. • Engage specialised bid writers and additional project managers. • Upskilling team to provide key elements.
--	---

Risk R.YYY	<u>Procurement/Contract Management</u>	Owner	Previous Rating	Current Rating
		Luisa Fulci	N/A	High
	Non-compliance with Contract Standing Orders/Procurement legislation and ineffective contract management due to a lack of procedures, training and quality framework could result in value for money not being obtained, contracts set aside and statutory obligations not being met).			
Mitigating Action(s)	1)A central Procurement Team that can offer advice and guidance 2)Guidance documents to be produced 3)Training to be delivered to all appropriate officers.			
Status Update	New Risk			