

Meeting of the Audit and Standards Committee

**Thursday, 23rd March, 2023 at 6.00pm
in Conference Room 1, Saltwells Education and
Development Centre, Bowling Green Road, Netherton, DY2
9LY**

Agenda - Public Session

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meetings held on 23rd January, 2023 and 13th February, 2023 as a correct record (Pages 5 - 22)
5. [Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty \(Pages 23 – 59\)](#)
6. [Exemptions from the requirement for a competitive procurement process \(Pages 60 – 63\)](#)
7. [Digital Platform Consultation Update \(Pages 64 – 69\)](#)
8. To consider any questions from Members to the Chair where two clear days notice has been given to the Monitoring Officer (Council Procedure Rule 11.8).

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

9. Resolution to exclude the public and press

Chair to move:

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

Agenda – Private Session

(Meeting not open to the public and press)

10. [Annual Audit Report for the Deputy Chief Executive \(Pages 70 – 185\)](#)



Chief Executive

Dated: 15th March, 2023

Distribution:

Members of the Audit and Standards Committee:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

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

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**Minutes of the Audit and Standards Committee
Monday 23rd January, 2023 at 6.00pm
in Committee Room 2, the Council House, Dudley**

Present:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, P Atkins, J Cowell, E Lawrence, J Martin (from Minute No. 33) and A Taylor.

Officers:

B Heran (Deputy Chief Executive) (Chief Executive's Directorate); G Harrison (Head of Audit and Risk Management), R Cooper (Head of Financial Services), and K Taylor (Senior Democratic Services Officer) (Directorate of Finance and Legal) and M Smith (Head of Business Support) (Children Services Directorate)

Also in Attendance:

M Stocks (Grant Thornton External Auditor) – for agenda item no. 5.

In Attendance Via Microsoft Teams:

A Taylor (Senior Principal Auditor) and M Landy (Senior Principal Auditor) (Directorate of Finance and Legal)

T Tobin (Grant Thornton External Auditor) – for agenda item no. 5.

28 Apology for Absence

An apology for absence from the meeting was submitted on behalf of Councillor M Evans.

29 **Appointment of Substitute Member**

There were no substitute Members appointed for this meeting of the Committee.

30 **Declarations of Interest**

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

31 **Minutes**

In referring to the minutes of the meeting held on 23rd November, 2022, Councillor S Ali suggested that, for transparency purposes, the minutes should reflect the vote undertaken by Members of the proposed recommendation to refer the findings of an internal audit report to External Auditors for further investigation, and concerns raised regarding the potential conflict of interest of the presenting officer of the report submitted.

In referring to minute no. 25 – Risk Management of the minutes of the meeting held on 5th December, 2022, it was requested that the third paragraph on page 15 of the report submitted be amended to read that the Director of Finance and Legal clarified that there were currently 454 vacancies.

Resolved

That, subject to the amendment above, the minutes of the meetings held on 23rd November, 2022 and 5th December, 2022 be approved as a correct record and signed.

32 **Change in order of business**

Pursuant to Council Procedure Rule 13(c), it was

Resolved

That the order of business be varied and that the agenda items be considered in the order set out in the minutes below.

33 **Annual Governance Statement**

A report of the Deputy Chief Executive was submitted on the amendments to the Council's Annual Governance Statement for 2021/22, reflecting previous discussions by the Committee.

The Deputy Chief Executive referred specifically to the proposed additional wording included at paragraph 6.4 of the Annual Governance Statement, which was attached as Appendix 1 to the report submitted. The amendment referred to the issues identified with the Council's approach to managing programmes, projects and contracts which would be addressed by the establishment of a Corporate Portfolio Office and Action Plans. It was noted that the Action Plans would be approved by the Audit and Standards Committee and monitored by a variety of groups including the Strategic Executive Board and Cabinet.

Members were advised that the proposed amendment would be included in the Annual Governance Statement for both 2020/21 and 2021/22 retrospectively, if approved.

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

- a) In referring to paragraph 6.4.3 of the Annual Governance Statement, Councillor J Cowell requested clarification on the proposed timescales for the development and implementation of the Action Plans as mentioned. In responding, the Deputy Chief Executive confirmed that the Action Plans could be submitted to the Audit and Standards Committee in April, 2023.
- b) Councillor S Ali considered that some areas within the report did not truly reflect the current position in particular in relation to connectivity and infrastructure including the uncertainty surrounding the delivery of the West Midlands Metro extension and unsuccessful bids for the Levelling Up Fund.
- c) In referring to paragraph 6.4 of the Annual Governance Statement, Councillor S Ali suggested that the proposed amendment was not clear on contract management across all levels and should reflect processes involved.

In responding, the Deputy Chief Executive confirmed that roles, responsibilities and delegation will be considered whilst developing the proposed Action Plans. Members were also advised that there would be further opportunity to discuss whether the issues raised were being addressed appropriately at a future Committee.

Resolved

- (1) That the information contained in the report submitted in relation to the Council's Annual Governance Statement for 2021/22 be noted.
- (2) That the additional wording included at paragraph 6.4 of the Annual Governance Statement, attached as Appendix 1 to the report submitted, be approved for both 2020/21 and 2021/22 retrospectively.
- (3) That the Deputy Chief Executive be requested to submit a further report to the Audit and Standards Committee in April, 2023 in relation to the proposed Action Plans to address the issues identified and support the delivery of programmes, projects and contract management.

33 External Audit Findings Report 2020/21 – Updated

A report of the Director of Finance and Legal was submitted on the external auditor's updated Audit Findings Report 2020/2021 together with the draft Letter of Representation, as set out in Appendix 2, to be submitted by the Council to the external auditors.

M Stocks (External Auditor) was in attendance at the meeting and presented a summary of the audit findings to the Committee, as outlined in Appendix 1 to the report submitted. It was noted that there were a number of amendments to the 2020/21 Audit Findings report in particular relating to property valuations, since it was originally presented to the Committee on 20th September, 2021.

In presenting the report submitted, the External Auditor provided an outline of the areas of work that the external auditors had undertaken between July, 2021 and January, 2022. Reference was made to the work in addressing issues identified in relation to council housing and land and buildings valuation, which had delayed the audit being finalised and the significant changes needed to the two previous years accounts in relation to other land and building valuations. A summary of the risks identified in relation to the valuation of land and buildings was outlined in page 28 of the report submitted.

Reference was made to the significant estimates in the Council's financial statements in relation to the valuation of pension fund net liability, and it was noted that following adjustments to the share of the quantifiable element which had reduced the Council's net pension liability and increased the return on assets in the other comprehensive income, the Council's share of the total value equated to £6m.

It was reported that the Council did not derecognise Infrastructure assets on replacement, and therefore the external auditors could not conclude that the disclosure was not materially misstated. Members were advised that a Statutory Instrument had been developed by the Department for Levelling Up, Housing and Communities and laid before Parliament in November, 2022. It was anticipated that the Instrument, together with updates to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code, would resolve the majority of the ongoing audit challenges related to infrastructure asset balances.

Reference was made to the key estimates and judgements in relation to the provisions for Business Rate appeals that had been received but not settled at year end. During 2021/22 the Council significantly reduced the value of its Business rates appeal provision. As a result of the 2020/21 accounts still being open, Grant Thornton requested the Council look at the provision for business rate appeals in the 20/21 accounts. This led to the Business rates appeal provision as at 1st April 2021 being reduced by £10.53m and the closing balance at 31st March, 2022 remains unchanged.

In conclusion, the External Auditor anticipated that the revised accounts would be completed within the next couple of weeks for final sign-off of the Financial Statements for the year ended 31st March, 2021 shortly after.

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

- a) In responding to a question raised by Councillor J Cowell in relation to communications in dealing with valuation documents, the External Auditor advised that the Council had recently appointed an external officer to help alleviate internal pressures. It was therefore hoped that this measure would improve communication moving forward and it was evident that progress was being made. The Head of Financial Services concurred with the response and acknowledged that although there continued to be some issues there had been some improvement.
- b) Councillor S Ali shared his disappointment of the lack of improvement to processes in relation to property valuations.

- c) Councillor S Ali referred to the trivial matters within the financial statements, outlined in page 26 of the report submitted, and requested clarification on the process involved should external auditors identify any inaccuracies that needed to be brought to the Council's attention.

In responding, the External Auditor referred to the materiality approach undertaken during preparation of the financial statements, and confirmed that any errors were assessed against a trivial threshold and reported to the Council if considered necessary. Any errors that were below this level would be placed in a control setting in an effort to improve further.

- d) In responding to a question raised by Councillor S Ali in relation to long-term prudential borrowing and the affect this could have on future budgeting, the External Auditor referred specifically to the estimates and judgements in relation to the PFI (Paragon Schools) disclosure. Members were advised that differences had been identified across the split of the unitary payment, between the model used by the Council in comparison to the external auditor's model. However, whilst acknowledging various implications including inflation and change of contracts, the model utilised by the Council was considered appropriate. Should the difference be significantly different in comparison then the external auditors would intervene as necessary. Assurance was given that there were no concerns with this area, however this would continue to be reviewed accordingly.
- e) Assurance was given that there were no areas of concern to be highlighted, however recommendations had been made in relation to land and buildings valuations and the need for a formal process for routine authorisation of journals. The Head of Financial Services confirmed that processes had been developed and would be implemented retrospectively on journal authorisations for a specified limit by the 2023/24 financial year.
- f) Councillor E Lawrence requested further information in relation to the Digital Forensics Work totalling £20,000.

The External Auditor confirmed that the Digital Forensics Group within Grant Thornton UK LLP had provided Freeths LPLP with a data hosting platform in order to undertake an investigative review on behalf of the Council. Members were advised that this was in relation to a legal case with regard to the digital platform and assurances were given that there was no conflict of interest in this area.

- g) Councillor S Ali referred to the proposed fees charged for the Council audit, totalling £103,746, and queried why the Council had allocated an increase in external audit fees up to £330,000 within the Medium Term Financial Strategy to 2025/26.

In responding, the External Auditor referred to the extremely competitive market and the difficulties experienced in the recruitment and retention of experienced and qualified local auditors in order to sustain the existing market. It was noted however that the audit fees for the Council had been relatively low and unchanged for a period of time.

- h) The Chair referred to his recent attendance at an Audit Seminar and the requirement in sustaining high quality standards within the field whilst balancing delivery and profitable gain. The shortage of audit firms and subsequent delays in auditing accounts, together with the increase in external audit fees was acknowledged.
- i) In responding to a question raised by the Chair, the Head of Financial Services confirmed that the delay in providing key information in relation to housing valuations correlated with the amount of time undertaken in processing valuations by Savills UK.

Resolved

- (1) That the information contained in the report submitted on the Council's External Auditor's updated audit findings 2020/2021, attached as Appendix 1, be received and noted.
- (2) That the draft Letter of Representation, as set out in Appendix 2 to the report submitted, be noted and the Chair, following consultation with the Director of Finance and Legal be authorised to sign and date the final version of the Letter of Representation in due course.

34 Questions Under Council Procedure Rule 11.8

There were no questions to the Chair pursuant to Council Procedure Rule 11.8.

35 Exclusion of the Public and Press

Resolved

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

36 **Annual Audit Report of the Chief Executive**

A report of the Director of Finance and Legal was submitted summarising the audit work undertaken in relation to the Directors of Children's Services, Public Health and Wellbeing and Assistant Director of People and Inclusion, who reported directly to the Chief Executive for the financial year 2021/2022.

In presenting the report submitted, the Head of Audit Services advised that eight assurance audits had been undertaken, of which five had received minimal or limited assurance ratings. It was noted that these ratings had been given due to either a critical action being raised or a number of high priority actions. Further information in relation to the critical and high priority actions were outlined in Appendices 2 and 3, respectively, attached to the report submitted.

In addition to the five assurance audits, three other reviews were undertaken and in total 164 actions were raised. A full list of the audits, including the number of actions raised and assurance ratings, were detailed in Appendix 1 to the report. Mention was also made of the number of unimplemented actions from the previous reviews. It was further noted that the information included in Appendices 2, 3 and 4 had previously been agreed with Directorate Management and the comment recorded under Implementation Update was the current status of the actions that had been raised. Critical and High priority actions would be followed up by Audit Services.

The Head of Audit Services further commented on the 13 areas of audit activity undertaken relating to Schools, the findings of which would be considered by the appropriate School Governing Body/Committee.

Members were informed of the performance in relation to the issuing of final reports and Management's responses to the audit, and it was noted that there were a number of audits within People and Inclusion and Children's Services where the final report had been issued significantly later than the target date.

Reference was made to post-audit questionnaires issued on completion of an audit, in that eight of the nine returned stated they had received a very good or good service and one satisfactory service.

Arising from the presentation of the report, Members made comments and raised questions on individual audits, which were responded to at the meeting. The Committee would be provided with written responses to the following questions:

- a) Progress in relation to processes in enabling quality checks on payroll transactions.
- b) Clarification as to whether credentials had been removed from users that were no longer processing late payroll transactions.
- c) Further details in relation to whether individual payments could be processed for carers with children under Special Guardianship Orders.
- d) Further clarification as to whether all relevant staff within the Public Health and Wellbeing Directorate had attended Contract Management training.

Further to comments made, Members raised concerns that many actions had been unimplemented since 2016/17, and that the Chief Executive, Deputy Chief Executive and relevant Directors should be reminded of the importance and priority needed in relation to audit and recommendations made, with assurances demonstrated to Members accordingly.

Following further discussion, it was agreed that the Chair and Vice-Chair together with the Head of Audit Services would arrange a meeting to discuss the future reporting format of Annual Audit reports including a summary of the findings and outstanding actions.

Resolved

- (1) That the information contained in the report and Appendices to the report submitted on audit work undertaken for those Directors and Heads of Service who reported directly to the Chief Executive for the financial year 2021/22, be received and noted.
- (2) That Officers provide Members with detailed responses to questions raised at the meeting.
- (3) The Chair and Vice-Chair together with the Head of Audit Services discuss the future reporting format of Annual Audit reports including a summary of the findings and outstanding actions.

The meeting ended at 7.30pm

CHAIR

**Minutes of the Audit and Standards Committee
Monday 13th February, 2023 at 6.00pm
At Dudley Town Hall**

Present:

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

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

Officers:

I Newman (Director of Finance and Legal), M Farooq (Lead for Law and Governance (Monitoring Officer)), G Harrison (Head of Audit and Risk Management), R Cooper (Head of Financial Services), L Jones-Moore (Finance Manager), J McGregor (Senior Principal Accountant) and H Mills (Senior Democratic Services Officer)

Also in Attendance:

M Stocks (Grant Thornton External Auditor) – for agenda item no. 4

N Bridger (Senior Manager HR Delivery and Intelligence) – for agenda item no. 9

M Bowsher (Director of Adult Social Care), M Spittle (Head of Access and Prevention), J Wood (Interim Service Manager) – for agenda item no. 10

37 Apology for Absence

An apology for absence from the meeting was submitted on behalf of Councillor E Lawrence.

38 Appointment of Substitute Member

There were no substitute Members appointed for this meeting of the Committee.

39 **Declarations of Interest**

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

40 **Change in order of business**

Pursuant to Council Procedure Rule 13(c), it was

Resolved

That the order of business be varied and that the agenda items be considered in the order set out in the minutes below.

41 **Treasury Management**

Members considered a report of the Director of Finance and Legal outlining the treasury activity in the year 2022/23 up to the end of December 2022 and seeking approval of the Treasury Strategy Statement 2023/24.

The Director of Finance and Legal presented the report, referring Members to paragraphs of specific importance. In referring to paragraph 5 of the report it was indicated that the Treasury Management Activity, administered on behalf of West Midlands Debt Administration Fund, would be completed by 2026.

In referring to the Treasury Activity 2022/23 – Dudley Fund, as outlined in paragraphs 10 to 14 of the report submitted, it was commented that Dudley's investments up to 5th January, 2023, equated to £22.5 million, with an average return of 1.15%. A further five loans had been taken out during 2022/23, some of which had slightly higher interest rates. It was acknowledged that at the beginning of the 2022/23 financial year, the economic environment was significantly different to the current situation.

It was reported that moving forward it was likely that there would be a further need to borrow funds and interest rates would continue to be monitored closely. It was the intention to continue with the low-risk approach, securing funds, with returns on investment being a secondary consideration.

Arising from a question raised by Councillor S Ali with regard to providing a background for the purpose of the three loans obtained during January, as well as background in relation to where the Authority's investments were located, the Director of Finance and Legal commented that the three loans were not directly linked to specific expenditure or any specific capital project and were for cash flow purposes. In referring to the Authority's investments, the Director of Finance and Legal referred to Appendix 1 to the report submitted and indicated that the vast majority of investment had been with the Debt Management Office and other financial institutions namely, Bank of Scotland, Santander, HSBC and Barclays. Members were assured that no investments were made with higher risk institutions such as merchant banks.

In responding to a question raised by Councillor A Taylor with regard to the reason for changing banks from HSBC to Lloyds PLC, it was confirmed that this had been as a result of a competitive tender exercise.

Resolved

- (1) That the Treasury Activities in 2022/23, as outlined in the report, be noted.
- (2) That the Treasury Strategy 2023/24, attached as Appendix 2 to the report submitted, be approved.
- (3) That the Director of Finance and Legal be authorised to effect such borrowings, repayments and investments as are appropriate and consistent with the approved Treasury Strategy and relevant guidance.
- (4) That the Director of Finance and Legal be authorised to update the prudential indicators, as detailed in Section 3 of Appendix 2 to the report submitted, prior to the submission of the report to full Council for approval.
- (5) That the report, and Appendices to the report, be submitted to full Council on 27th February, 2023 for approval.

42 External Audit Findings Report

A report of the Director of Finance and Legal was submitted to consider the external auditor's Audit Findings Report and formal Management Representation Letter to the Auditor.

M Stocks (Grant Thornton External Auditor) was in attendance at the meeting to present the report and in doing so indicated that the accounts presented were of a good standard, with the exception of property valuation. It was recognised that the valuation work had been outsourced by the local authority to address issues previously identified, however the external valuer was unable to meet the necessary deadlines and therefore continued to be an area of concern and a reflection of poor governance.

In referring to page 24 of the report submitted and in response to a question raised by Councillor J Cowell in relation to recommendation that the Council reviewed the related parties in the accounts as they did not fully meet the definition in the Code of Practice of Local Authority Accounting, M Stocks indicated that no significant issue had been identified. It was noted that there were a lot of ancillary disclosures but it was not considered a concern.

Arising from questions from Councillors S Ali and M Evans on whether there were any concerns for the Committee to be minded of moving forward and if adequate improvement in the land and buildings valuations had been attained, M Stocks commented that the statement was considered good except for the land and buildings valuation. However, it was considered unfortunate that there had been an issue with the contractor. It was envisaged that this would improve moving forward. It was noted that there would be a change in the incinerator contract in the future which the Committee may wish to look at the accounts for, as well as review the sustainability of the energy sales in the future.

Resolved

- (1) That the Audit Findings Report 2021/22 as set out in Appendix 1 to the report submitted, be noted.
- (2) That the Letter of Representation as set out in Appendix 2 to the report submitted, be noted.
- (3) That the Chair of the Audit and Standards Committee be authorised to sign and date the final version of the Letter of Representation.

43 Annual Report of the Committee on Standards in Public Life

Members considered an annual report of the Monitoring Officer on Standards in Public Life.

In presenting the report, the Monitoring Officer commented that the seven principles of public life applied to all that worked as a public officer holder, including West Midlands Police, the NHS and Parliament.

Reference was made to the review of the local government ethical standards, in particular the sanctions available to the Standards Sub-Committee following a complaint against an Elected Member. It was reported that the Government had not agreed to update or enhance the locally based standards regime in Local Government.

Arising from the presentation of the report, Members acknowledged the extensive time and work entailed in undertaking complaint investigations.

Resolved

That the Annual Report of the Committee on Standards in Public Life, be noted.

44 Questions Under Council Procedure Rule 11.8

There were no questions to the Chair pursuant to Council Procedure Rule 11.8.

45 Exclusion of the Public and Press

Resolved

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

46 Suspensions under the provisions of the Employee Improvement and Disciplinary Procedure or relevant Schools Disciplinary Procedure

The Committee considered a report of the Chief Executive on the number of employees who were suspended pending an investigation into allegation(s) of gross misconduct during the period 1st October, 2021 to 30th September, 2022, inclusive.

In presenting the report, the Senior Manager HR Delivery and Intelligence advised that suspension would not be the first resort and temporary reassignment would be considered in the first instance whilst an investigation was undertaken. However, this would be dependent upon the nature of the allegation.

The number of suspensions for Council Directorates and Schools were outlined, together with the average length in working days of the suspensions and the subsequent outcomes. A conclusion of cases that were carried forward from the previous year were also outlined.

Arising from the presentation of the report, Members made comments and raised questions, which were responded to at the meeting.

Members suggested that information on key themes identified because of suspensions in any particular service area, and the learning and training provided, be included in future reports.

Resolved

- (1) That the information contained in the report submitted on Suspensions under the provisions of the Employee Improvement and Disciplinary Procedure or relevant Schools Disciplinary Procedure, be noted.
- (2) That information on key themes identified as a result of suspensions in any particular service area and the learning and training provided, be included in future reports.

47 Annual Audit report for the Chief Executive

A report of the Director of Finance and Legal was submitted summarising the audit work undertaken in relation to the Directors of Adult Social Care and Finance and Legal, who reported directly to the Chief Executive for the financial year 2021/22. Work that related to the other Directors and Assistant Director who also reported directly to the Chief Executive had been presented to the Committee in January, 2023.

In presenting the report, the Head of Audit Services advised that six assurance audits had been undertaken, of which three had received a negative assurance rating of either minimal or limited. It was noted that these ratings had been given due to either a critical action or a number of high priority actions being raised, which were detailed in Appendices 2 and 3 to the report submitted.

In addition to the assurance audit, four other areas of audit activity had been undertaken and in total 129 actions were raised. A full list of the audits, including the actions raised and assurance ratings were detailed in Appendix 1 to the report submitted.

Reference was made to the post-audit questionnaires issued on completion of an audit. All four questionnaires were returned, all of which stated they had received a very good or good service.

Arising from the presentation of the report, Members made comments and raised questions on individual audits, which were responded to at the meeting.

Members considered that the number of unimplemented actions identified within the report was unacceptable and referred to the lack of data and information provided in relation to actions, particularly those that were unimplemented. Reasons as to why actions had not been implemented, together with any progress, should be included in future reports.

Members noted the number of unimplemented or in progress actions in relation to the Children's Transport Team and the Interim Service Manager responded, giving his view of the context and resource issues. As the service would imminently be transferred to the Children's Services Directorate, the Committee suggested that a report on the work and progress of the service be included in the Children and Young People Scrutiny Committee Annual Scrutiny Programme.

In referring to Action ASC032, Members were of the view that this action had not been adequately addressed and therefore indicated that this should be redirected back to the Chief Executive.

Resolved

- (1) That the findings in respect of the 2021/22 audit work undertaken for those Directors (Adult Social Care and Finance and Legal) who report directly to the Chief Executive for the financial year 2021/22, be received and noted.
- (2) That Action ASC032 be redirected back to the Chief Executive for further consideration.
- (3) That the Children and Young People Scrutiny Committee be recommended to receive a report on the work and progress of the Children's Transport Team as part of their annual scrutiny programme.

48 **Audit Services Interim Performance Report**

The Committee considered an update report of the Director of Finance and Legal on the performance of Audit Services.

During deliberations Members indicated that a graphical trajectory table providing a five-year analysis would be useful to establish a level of assurance.

Resolved

- (1) That the information contained in the report, in respect of the performance of Audit Services, be noted.
- (2) That the Head of Audit Services to review the reporting format in terms of providing a trajectory table for a period of five years.

The meeting ended at 8.15pm

CHAIR

Meeting of the Audit and Standards Committee – 23rd March 2023

Report of the Director of Finance and Legal Services

Accounting Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Purpose

1. This report explains the accounting policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2022/23 Statement of Accounts. It also provides the Committee with an overview of the processes for making significant accounting estimates for the Council's Statement of Accounts.

Recommendations

2. It is recommended:
 - The Committee approves the Accounting Policies that will be used to complete the 2022/23 Statement of Accounts.
 - The Committee notes the Critical Accounting Judgements made and Key Sources of Estimation Uncertainty which will be disclosed in the Statement of Accounts.
 - The Committee notes the processes for making significant accounting estimates for the Statement of Accounts.

Background

3. This report presents the significant accounting policies that will be used in the preparation of the 2022/23 Statement of Accounts; explains the requirement to disclose the critical judgements and made by management when producing the Statement of Accounts; and the key sources of estimation uncertainty within the accounts. It



also details the processes for the production of significant accounting estimates.

Accounting Policies

4. The Council's accounting policies are the specific principles, conventions, rules, and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts, and a copy of the policies can be found at Appendix 1. The only changes relating to the policies used to prepare the 2022/23 Statement of Accounts are regarding the depreciation and de-recognition of infrastructure assets. An update to the 2021/22 Code was published in November 2022 and applied to 2021/22 and future years and also to any accounts as yet unsigned for periods before 2021/22, requiring the 2020/21 accounts to also be amended.

Critical Accounting Judgements

5. In line with International Financial Reporting Standards (IFRS) and the Code, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are detailed in Appendix 2.
6. The Critical Judgements include:
 - The criteria used to determine which school assets should be recorded in the Statement of Accounts.
 - The treatment of transactions within the Better Care Fund.
 - The accounting policy for PFI and similar contracts and been applied to the Paragon PFI Scheme and the Waste Disposal contract.
7. The Critical Judgements were updated in the 2021/22 Statement of Accounts to include extra numerical information as a result of the Hot Review undertaken by Grant Thornton. These will be replicated in the 2022/23 Statement of Accounts when the information is available.

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

8. The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
9. The items in the Council's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

10. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. The Council utilises professional actuaries to make these judgements.

Valuation of Council Dwellings and Other Land & Buildings

11. Valuations of land and property are heavily sensitive to assumptions and influenced by economic circumstances which can change significantly from year to year. Buildings are depreciated over useful lives that are dependent on various factors, including assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. If the useful lives of assets were to be reduced, depreciation would increase and the carrying amount of the assets would fall. The Council utilises professional valuers to make these judgements.

Significant Accounting Estimates

12. In producing the Statement of Accounts, officers are required to calculate a number of estimates for key assets and liabilities on the balance sheet. These require the use of application of various accounting models, technical guidance and in some cases the support of experts such as actuaries and surveyors. Appendix 3 details the processes to produce the key accounting estimates.

Finance

13. This report is entirely financial in content but does not give rise to any direct costs. Many of the policies, judgements and estimates set out in this report are technical items that do not affect the measurement of the Council's usable resources.

Law

14. 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.

Risk Management

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

Equality Impact

16. The matters considered in this report have no impact on issues of equality

Human Resources/Organisational Development

17. There are no Human Resources or Organisational Development implications associated with this report.

Commercial/Procurement

18. There are no Commercial/Procurement implications associated with this report.

Environment/Climate Change

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

Council Priorities

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



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List of Background Documents

Code of Practice on Local Authority Accounting in the UK 2022/23

Accounting Policies

1. General Principles

- 1.1. The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual statement of accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS).
- 1.2. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
- 1.3. Dudley MBC as a local authority carries out functions essential to the local community and is itself a revenue-raising body (with limits on revenue-raising powers arising only at the discretion of central government). If the Council was in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. Therefore, it is reasonable to assume that the Council's services will continue to operate for the foreseeable future and that the accounts are prepared on the basis that it is a going concern.

2. Accruals of Income and Expenditure

- 2.1. Activity is accounted for in the year in which it takes place, not when money is paid or received. In particular:
 - Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
 - Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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

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

2.3. This level is reviewed annually and has been set at £10,000 for 2021-22. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt. Exceptions to this de minimis rule where accruals are made in full are:

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

3. Provisions and Contingent Liabilities

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

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

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

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

3.4. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Details of provisions held at 31 March 2023 are shown in Note 25 to the statements.

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

3.6. A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot

be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in [Note 29](#) to the statements.

4. Reserves

- 4.1. The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance (GFB) in the Movement in Reserves Statement (MiRS). When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the GFB through the MiRS so that there is no net charge against council tax for the expenditure.
- 4.2. Reserves designated as Local Management of Schools relate to preserved funds of schools for use in future years, under the terms of Dudley's *Scheme for Financing Schools*. These reserves are committed to be spent in the education service and are not available to the council for general use.
- 4.3. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below and are summarised on the balance sheet as unusable reserves.

5. Government and other Grants and Contributions

- 5.1. Government grants and third party contributions and donations are recognised as due to Dudley at the date that there is reasonable assurance that the monies will be received and that any conditions will be satisfied, but will not be credited to the Comprehensive Income and Expenditure Statement (CIES) until any conditions are satisfied. Conditions are stipulations that allow the grant-giver to recover the grant if it is not used as specified.
- 5.2. Monies advanced to the Council as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors; where there is reasonable assurance that the conditions will be complied with, in the grouping Grants

Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or to Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

- 5.3. Capital grants and contributions are treated in a similar way, i.e. they are credited to CIES as Taxation and Non-specific Grant Income as soon as any conditions are complied with and there is reasonable assurance that the money will be received.
- 5.4. Any capital grants or contributions received with conditions where the council does not have reasonable assurance that those conditions will be complied with are carried in the balance sheet as creditors: where there is reasonable assurance that the conditions will be complied with, in the Capital Grants Receipts in Advance account.
- 5.5. Where capital grants and contributions are credited to the CIES, they are reversed out of the General Fund balance through the Movement in Reserves Statement (MiRS) to the Capital Adjustment Account (CAA).

6. Employee Benefits

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

to revenue in the financial year in which the holiday absence occurs.

- 6.2. Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service line, or to the Non Distributed Costs line in the CIES, at the point when the council has communicated a detailed plan for the termination of the employment of an officer or group of officers, or for offers to encourage voluntary redundancy.
- 6.3. Where termination benefits involve the enhancement of pensions, e.g. through early access to earned pension, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to accounting standards. To achieve this, appropriations in the MiRS are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.
- 6.4. Employees of the council are entitled to be members of one of three separate pension schemes:
- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
 - The NHS Pension Scheme, administered by NHS Business Services Authority (for staff who transferred with the Public Health function).
 - The Local Government Pension Scheme, administered by Wolverhampton City Council as the West Midlands Pension Fund.
- 6.5. All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the balance sheet. The Children's and Education Services and Public Health revenue accounts are charged with

the employer's contributions payable to Teachers' and NHS Pension Schemes in the year. Details are given in [Note 11](#) to the statements.

- 6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:
- The liabilities of the West Midlands Pension Fund attributable to the council are included in the balance sheet on an actuarial basis, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, and projections of future increases in pensions and salaries.
- 6.7. Liabilities are discounted to their value at current prices, using a discount rate based on the rate of return on high quality corporate bonds of appropriate period.
- 6.8. The assets of the West Midlands Pension Fund attributable to the Council are included in the balance sheet at their fair value. Details are given in [Note 28](#) to the statements. Quoted securities held as assets in the scheme are valued at bid price.
- 6.9. The annual change in the net pensions liability is analysed as follows:
- Service costs:
- current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the revenue accounts of the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, and curtailments or events that reduce the expected future service or accrual of benefits of employees – debited to the SDPS in the CIES
 - any gain or loss on settlement (the result of actions to relieve the council of liabilities) – credited or debited to the SDPS in the CIES.
- Interest Income or Expense:
- Net interest on net defined liability – the change during the period in the net defined benefit liability or asset that arises from the passage of time. It comprises interest income on the plan assets, net of interest cost on the defined benefit obligation – debited or

credited to Financing and Investment Income and Expenditure in the CIES.

Remeasurements:

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

Contributions paid by the employer:

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

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

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

7. VAT

7.1. Only irrecoverable VAT is charged in the accounts.

8. Overheads and Support Services

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

9. Property, Plant and Equipment (PPE)

- 9.1. Assets that have physical substance and are held for use in or supply of services or the production of goods, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.
- 9.2. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.
- 9.3. Assets are initially measured at cost, comprising:
- the purchase price
 - any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- 9.4. The Council does not capitalise borrowing costs incurred whilst assets are under construction.
- 9.5. The cost of an asset acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.
- 9.6. Assets are then carried in the Balance Sheet using the following measurement bases:
- community assets (except land) – depreciated historical cost
 - assets under construction and community assets land – historical cost
 - dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
 - Surplus and Investment assets - fair value by using the asset in its highest and best use

- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- 9.7. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- 9.8. For non-property assets (e.g. vehicles) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.
- 9.9. Assets included in the Balance Sheet at current value are revalued on a rolling programme, sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the CIES where they reverse a loss previously charged to the SDPS. Property assets that fall below the de-minimis level of £40,000 are not subject to valuation, they are however reviewed annually as part of the impairment review carried out by the valuer. However, there is not a formal de-minimis for initial recognition of assets.
- 9.10. Where decreases in value are identified, they are accounted for as follows:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
 - where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.
- 9.11. The Revaluation Reserve contains only revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.
- 9.12. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where such indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated

and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

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

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

- 9.16. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.
- 9.17. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, unless the difference to the depreciation charge would not be significant.
- 9.18. For major newly built assets, and identifiable new blocks, over £1m in cost, and as assets are revalued through the five year rolling programme, an assessment for significant components is made by the property professionals.
- 9.19. At post-completion review of major enhancement or refurbishment schemes, an assessment will be made of the carrying value of any identifiable parts removed. If these have a value over £40k, they will be formally derecognised from the balance sheet. If the host asset has a life longer than 30 years, and a value above £2.5m, then the new spend will be set up as a component.
- 9.20. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and it is probable that the sale will be completed within 12 months, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in current value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
- 9.21. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation,

amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

- 9.22. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 9.23. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
- 9.24. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing dwellings disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund and Balances in the Movement in Reserves Statement (MiRS).
- 9.25. The written-off value of disposals is not a charge against council tax, as the cost of Plant, Property, and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.
- 9.26. Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.
- 9.27. Expenditure on the acquisition or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the

item will flow to the Authority and the cost of the item can be measured reliably.

- 9.28. Highways network infrastructure assets are generally measured at depreciated historical costs. However, this is a modified form of historical costs – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.
- 9.29. Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systemic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Depreciation is first charged the year after capitalisation. Useful lives of the highways network are assessed by the Head of Traffic, Transportation and Engineering using industry standards where applicable as follows and the useful lives typically used are:

Part of the Highways Network	Useful Life
Carriageways	20 years
Footways and Cycle Tracks	30 years
Structures (bridges, tunnels)	80 years
Street Lighting	30 years
Street Furniture	40 years
Traffic Management Systems	20 years

- 9.30. When a significant component of the Network is disposed of or decommissioned, the carrying amount of the component in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of the asset are replaced or restored the

carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

9.31. In accordance with the Temporary Relief offered by the update to the Code on infrastructure assets this note does not include a disclosure of gross costs and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position (as rather than manually derecognising infrastructure components as they are replaced we assume (as per adoption of the Statutory Instrument issued by DLUHC in December 2022) that the assets being replaced have a gross book value of nil). We are assured that this is the case because we have reviewed the useful lives used and believe that overall assets are being replaced in line with the useful lives proposed in the accounting policy.

10. Intangible Assets

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

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

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

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

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

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

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

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

13. Leases

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

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

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

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

Finance Leases

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

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

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

Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

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

Finance Leases

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

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

Operating Leases

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

14. Financial liabilities

- 14.1. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by

the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest payable). Interest charged to the CIES is the amount payable for the year in the loan agreement.

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

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

15. Financial Assets

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

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

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

- 15.3. Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.
- 15.4. The Council has one soft loan made to Dudley Zoo at zero interest but the present value of the interest that will be foregone is not material enough to record an annual loss in the CIES over the life of the soft loan.
- 15.5. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.
- 15.6. The Council evaluates expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Council, which are subject to a collective assessment.
- 15.7. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.
- 15.8. All the Council's financial assets, excluding trade receivables, were deemed to be low risk at the Balance Sheet date so only 12-month expected credit losses were evaluated and these

were not material enough to justify charging loss allowances to the CIES.

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

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

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

16. Inventories (Stocks and Stores)

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

16.2. In 2021/22 the Council introduced a de-minimis for recording stock of £50,000. Prior to 2021/22 there was no de-minimis.

17. Interests in Companies and Other Entities

17.1. The council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts. Information relating to individual companies is shown in [Note 39](#) to the statements.

18. Private Finance Initiative (PFI) and similar schemes

- 18.1. PFI contracts are agreements to receive services, where the responsibility for making available the plant, property and equipment needed to provide the services passes to the PFI contractor. In cases where the Council is deemed to control the services that are provided, and where ownership of the fixed asset will pass to the Council at the end of the contract without further payment, the Council has included these assets in the balance sheet. Details are shown in [Note 38](#) to the statements.
- 18.2. The entries are calculated as if the original recognition of the plant, property and equipment was balanced by a liability for amounts due to the scheme operator to pay for the assets.
- 18.3. Plant, property and equipment recognised on the balance sheet is revalued and depreciated in the same way as any other Council-owned property.
- 18.4. Payments made by the Council under PFI contracts are analysed as follows:
- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES).
 - finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable in the CIES.
 - payment towards liability – applied to write down the Balance Sheet liability to the PFI or other contractor.
 - Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- 18.5. Where an asset financed by a PFI scheme is transferred to an academy, responsibility for the payment of the unitary charge remains with the Council. The asset is removed from the Council's balance sheet, but the PFI liability will remain with Council and continue to be written down over the length of the PFI contract, funded by PFI credits and contributions from the academy.

PFI Credits

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

19. Accounting for Council Tax

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

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

20. Accounting for Collection of Business Rates

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

21. Cash and Cash Equivalents

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

22. Heritage Assets

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

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

23. Accounting for Schools

- 23.1. In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the borough are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.
- 23.2. Academies are not maintained schools in the council's control. The land and building assets are not owned by the council and not included on the council's balance sheet.

24. Prior Period Adjustments

- 24.1. Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in

the current and future years affected by the change and do not give rise to a prior period adjustment.

- 24.2. Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Appendix 2

Critical Accounting Judgements

1. In applying the accounting policies set out in Appendix 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
 - i. The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it legally owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

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

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

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

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

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

Key Accounting Estimates in Financial Statements

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
Land and buildings valuations	Fair value for land/buildings defined as 'existing use' by Dudley MBC	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from it's carrying amount. For land and buildings all material assets will be considered in 2022/23	Yes – Internal and external valuers	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion and adherence to the latest RICS guidance	No
Council dwelling valuations	Existing Use Value – Social Housing	Valuations are performed annually to ensure that the	External valuers	Estimation method is prescribed by DLUHC	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
		fair value of a revalued asset does not differ materially from its carrying amount. For Council Dwellings a full review of all Beacons will be carried out in 2022/23			
Depreciation	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful	See left box	Valuers to assess useful lives	Depreciation is calculated on a straight-line basis as this reflects consumption of assets and is a reasonable assumption	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
	lives and residual values are reviewed each financial year and adjusted if appropriate.				
Level 2 investments	Discounted contractual cashflows at the market rate for a similar investment of the same remaining term with a similar counterparty. Estimates are a disclosure only	Link's valuations are checked for reasonableness by Central Finance staff	Yes – Link Asset Services	Detailed in the Link Report	No
Level 3 investments	Earnings based approach for the airport shares	Valuations checked by Central Finance staff	Yes – BDO	Detailed in the BDO report	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
Provisions	Provisions are identified through detailed monthly management accounts which flags any potential issues to management	Each provision is separately reviewed by financial accountants and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item	No
Accruals	We use standard accruals accounting – accruals are based on expenses	Monthly management accounts provide rigorous analysis so that any accruals are	N/A.	N/A.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
	incurred that have not yet been paid	highlighted and actioned throughout the year.			
Credit loss and impairment allowances	The simplified approach is used to estimate the impairment loss allowance for trade receivables. 100% allowance for debt over 12 months old. Historical collection rates used for other aged debt	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. S151 Officer signs off the write offs.	N/A	N/A	No
Finance lease liabilities	Spreadsheet model developed in-house	Review of property and vehicle databases	No	Standard lease valuation methodology used	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty	Change in accounting method in year (Y/N)?
PFI Liabilities	PFI conversion model created by an expert	Reviews by finance staff	Yes	Detailed in expert's reports	No

Meeting of the Audit and Standards Committee - 23rd March 2023

Report of the Director of Digital, Customer and Commercial Services

Exemptions from the requirement for a competitive procurement process

Purpose of report

1. To notify Audit and Standards Committee of the Exemptions from the requirement for a competitive procurement process received.

Recommendation

2. It is recommended that the Audit and Standards Committee note the information contained in this report.

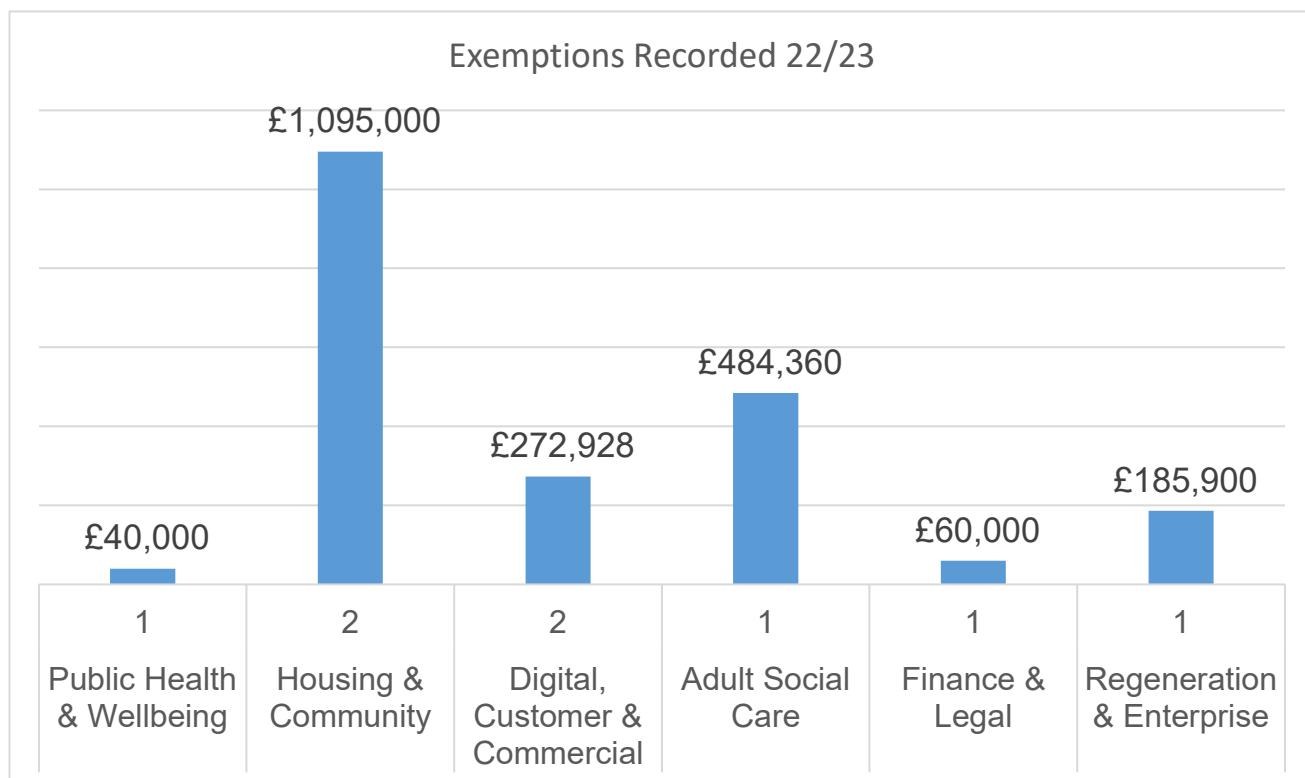
Background

3. The Public Contract Regulations 2015 (PCR 15) require us to competitively tender all contracts above the threshold of £213,477 for goods and services, or c.£5.3 million for works contracts. Regulation 32 in PCR 15 provides for the use of a negotiated procedure without prior publication in certain circumstances e.g. competition is absent for technical reasons.
4. Since June 2022 Procurement have recorded Exemptions – where officers directly awarded contracts using the allowance in the Contract Standing Orders (CSO) based on Regulation 32 of the PCR 15.
5. Procurement services do not grant Exemptions retrospectively. This is where an officer has made a commitment to a provider of works/goods/services without appropriate approval. Procurement report retrospective requests to the Executive Leadership Team (SEB) and to the Audit and Standards Committee as part of the Annual Contract Review. None have been identified to date this year, but this does not mean that contracts have not been direct awarded.

6. Proceeding with a non-compliant procurement without the appropriate approvals is the responsibility of the officer involved and their executive director.

Exemptions Received

7.
 - 8 Exemptions were received between June 2022 & February 2023.
 - Total value of £2,138,187.50



8.
 - The Exemptions were granted with the following rationale:
 - Genuine Urgency = 2 Exemptions
 - Previous/Expertise knowledge = 4 Exemptions
 - No Genuine Competition = 2 Exemptions
9. In addition, Public Health submitted 17 breaches of the CSO to SEB that have been captured by Procurement.
 - This was as a result of the discontinuation of the Integrated Care Provider Model after it was determined the procurement exercise was no longer live or viable due to the time elapsed since initiating the procurement exercise and significant changes in the NHS landscape.
 - As continuation of these contracts would breach legal requirements under the PCR 15 no Exemption could be granted. A decision was taken to accept the risk of challenge by SEB as the contracts needed to continue whilst the Council re-tendered.
 - These were worth £12,372,015

- It is acknowledged by the Head of Procurement that further work needs to be done around how breaches to the CSO's are reported and how any waivers, if appropriate, are granted. As these processes are developed, they will be brought back to Audit and Standards Committee for approval.
10. Procurement do not have data from previous years to compare the values of direct awards made. The view of the Head of Procurement and Director of Digital, Customer and Commercial Services is that there are likely to be unreported breaches, where Exemptions and/or Waivers have not been properly granted. This incompliance creates a risk of challenge from the market and/or potential fraud.

Future Reporting

11. Moving forward the Procurement Service has created a new form to capture the rationale and justification more accurately for Exemptions and rolled out training to over 150 Council Officers that included information on direct awards. Procurement will continue to train and inform Council officers and conduct further work on the recording and reporting of Waivers to the CSO.

Finance

12. Adherence to the Contract Standing Orders and Procurement Code provides greater oversight of expenditure and means there is less likely to be off contract spend with suppliers that has not gone through a competitive process and as such does not demonstrate value for money.

Law

13. There is a requirement to ensure all 3rd party expenditure is procured within the legal framework of the Public Contract Regulations 2015.

Risk Management

14. Failure of Council Officers to comply with the Procurement Code and Contract Standing Orders could lead to greater risk of procurement challenge and/or fraud.

Equality Impact

15. No equality impacts have been identified.

Human Resources/Organisational Development

16. The Procurement team will continue to train and inform Council officers of the requirements under the Procurement code and Contract Standing Orders.

Commercial/Procurement

17. The information provided in this report is required to be presented under the Procurement Code and Contract Standing Orders.

Environment/Climate Change

18. No environment/climate change impacts have been identified.

Council Priorities and Projects

19. The information contained within this report supports the Future Council Programme as the Council aims for financial sustainability and looks to strengthen governance processes to take informed and transparent decisions.



Luisa Fulci

Director of Digital, Customer and Commercial Services

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Meeting of the Audit and Standards Committee – 23rd March 2023

Report of the Director of Digital, Customer & Commercial Services

Digital Platform Consultation Update

Purpose of report

1. To provide an update to the Audit and Standards Committee on ongoing and planned consultation and support for residents to use online services, specifically elderly and vulnerable.

Recommendations

2. It is recommended that the Committee note and comment on the contents of the report.

Background

3. The Audit and Standards Committee on 26th September 2022 considered a report on the Code of Corporate Governance and questions were raised around the digital strategy. The Committee resolved that a report be submitted to a future meeting on the strategy of how the Council will support residents, particularly the elderly and vulnerable, to access services online.
4. The 2021/22 MTFS approved spend in (1) a new digital platform to improve resident self-serve experience, (2) additional staff to improve the information we provide our residents on our web site.
5. In May 2022 we completed the restructure of the ICT team creating a Digital team and a Technology team with 2 newly appointed heads of service. The team responsible for the content on the web site and for the new digital platform report into the Head of Digital and Customer Services.

6. The Digital and Customer Services team is leading on the purchase of a new digital platform. This platform will provide quick and easy online access to council services from paying bills to booking a bulky item collection and much more. Residents will be able to access services online 24/7.
7. Whilst online self-service will be the first choice for many of our residents, they will still be able to contact us by phone and visiting us in-person. We will continue to ensure the needs of our residents are met.
8. The more we enable residents to self-serve, the more resources we have for residents of different communities who cannot self-serve, or are vulnerable, or have complex needs. We will have more resources to support these residents via phone or face-to-face. This will improve our response rates and save costs and mean elderly or vulnerable residents access the services they need quicker.
9. The introduction of this new technology and online services has the potential to bring about long-term improvements and efficiencies for the council. However, it can also be a further barrier for digitally excluded groups and communities to access services.
10. We are committed to understanding how different groups and communities use existing council services. We are carrying out Community Engagement Sessions to understand how residents use digital technology and what we need to do to make these technologies meet the needs of different communities. Involving users in the co-creation of the platform is a way of reducing exclusion due to digitalisation.
11. To bring independence and help local people amplify their views, the team recently partnered with Healthwatch Dudley to facilitate the first two of our digital platform community engagement sessions at the end of February/early March 2023.
12. We held the first sessions at Queens Cross Network and DY1. They were attended by residents and carers with wide ranging age, ability and accessibility needs. From having BSL interpreters, to working with residents to understand their needs, online process development will focus on accessibility at every step.
13. These sessions also create awareness amongst residents and community organisations of the self-service options we will create.

14. Feedback will help us identify existing community groups that service users' access for support already. We will work with those groups on the design and roll out of the services and work with them to build their capacity to play a role in supporting elderly and vulnerable residents use new digital services.
15. Once we have collated the insight from these recent sessions our aim is to demonstrate 'You said, we did' and directly trace aspects of the new platform back to what residents told us.
16. Where there are common themes emerging, there will be future engagement sessions on different topics for residents to share thoughts and experiences with us as we continue to enhance Dudley's offer to the community.
17. Work is already taking place to bake in inclusion and maximise the use of feedback already being sought across the council. We have insight from:
 - Digital and Customer Services,
 - Adults Social Care,
 - Public Health
 - and CaPA
18. We are also using the input from local and regional community groups, for example:
 - Just Straight Talk
 - and NHS "Black Country Get Connected" Integrated Care Board (ICB) also engaged in the sessions.
19. Joining up with other organisations creates opportunity to review and include the outcomes of work such as "Digi Dudley" and the "Inclusive Digital Health" study researchers at University of Birmingham, in collaboration with ICB are doing.
20. The Black Country Integrated Care Board's Involvement Team are holding 'feet on the street' sessions and will be asking questions to the public and service users living in the Black Country on digital access and solutions. Joining up and co-designing three top level questions extends the reach of our consultation as is likely to reach different people who may not come to one of our events.

21. The Just Straight Talk project “Digi-Dudley” funded by Public Health until October 2023 is focussed on supporting older people to reduce the risk of becoming lonely through digital exclusion. Since its launch in August 2021, Digi Dudley has received 134 referrals for tablet loans and currently have 60 older people actively engaged. The project supports 1:1 teach and show support and provides a signposting service to drive residents to community group skills workshops within libraries and adults and community learning.
22. Digi Dudley has provided over 300 hours of support each quarter to older residents. Support includes building trust and confidence to go online for day to day needs such as setting up email, online shopping, ordering prescriptions, booking a GP appointment and using social media and information searching. Support is given to use whatever device the resident has.
23. The project has strong connections with adult social care. Residents are shown how to access services through the Adults Social Care portal (Liquid Logic). Subject to continued funding, there is good opportunity to extend this to the new digital platform and show residents how to use the new online services.
24. In December of 2022, Just Straight Talk made a successful application to the Good Things Foundation for an agreed monthly amount of data from O2, Vodafone and Three. The data will be made available for Digi Dudley participants via pre-loaded SIM cards and data vouchers. For Digi Dudley, there will be sufficient data to provide support for about 4 people each month with data.
25. Within Dudley, there are over 20 organisations who have joined the Good Things Foundation online centres network. This means they provide digital skills to people to improve their confidence and knowledge. This includes Dudley’s libraries, adult community learning and Dudley Archives in addition to voluntary sector groups, organisations and Dudley College.

Finance

26. We will need to do more consultations with residents within the existing budget. Partners will need to establish their funding requirements for ongoing work.

Law

27. We review feedback from consultation to ensure all development meets current legal and accessibility requirements

Risk Management

28. Any risks will be mitigated using the Council's existing risk management framework

Equality Impact

29. Being digitally literate opens-up opportunities for all age groups to enjoy the social, cultural, economic, and educational benefits being digitally active brings. Digital technology allows people who are housebound to interact with the outside world, overcoming loneliness and social exclusion. Advancements in technology that enable visually impaired residents and hearing-impaired residents to use technology.
30. The work described in this report has no effect of the decision on children and young people. Being digitally literate opens-up opportunities for all age groups.

No consultation with children and young people has taken place; and we did not involve children and young people in developing the proposals. We may extend engagement activity to young people as we develop the platform.

Human Resources/Organisational Development

31. Colleagues within HR Organisational development are working with the Digital Platform project to develop employee engagement sessions.

Commercial/Procurement

32. Procurement legislation and compliance with Contract Standing Orders will be adhered to should the purchasing of goods be required

Environment/Climate Change

33. Being digitally literate enables a greater reach of climate change information and resources to residents, increasing accessibility to information such as becoming more energy efficiency, reducing pollution and waste management. Using digital services encourages less use of paper. Becoming paperless reduces chemical and physical waste and reduces carbon footprint.

Council Priorities and Projects

34. The contents of this report relate to the key Council priorities including the Borough Vision, Council Plan 2022-25.

Dudley The borough of Ambition and Enterprise

Digital opportunities are being exploited to modernise our working culture, customer experience and public services.



Luisa Fulci

Director of Digital, Customer and Commercial Services

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