

**Minutes of the Audit and Standards Committee  
Monday 18<sup>th</sup> December, 2023 at 6.00pm  
In Committee Room 3, The Council House, Dudley**

**Present:**

Councillor A Lees (Chair)

Councillor D Borley (Vice-Chair)

Councillors S Ali, T Creed, J Cowell, M Evans, J Foster, S Henley and W Little.

**Dudley MBC Officers:**

B Heran (Deputy Chief Executive – via MS Teams), I Newman (Director of Finance and Legal Services), M Farooq (Monitoring Officer and Lead for Law and Governance), R Cooper (Head of Financial Services), L Jones-Moore (Finance Manager), J McGregor (Senior Principal Accountant), and K Taylor (Senior Democratic Services Officer).

**Also in Attendance:**

Councillor P Harley, Leader of the Council

Councillor S Clark, Cabinet Member for Finance, Legal and Human Resources

A Smith – External Auditor (Grant Thornton)

**36 Comments of the Chair**

The Chair welcomed everyone to the meeting and everyone introduced themselves.

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**37 Apology for Absence**

There were no apologies submitted for this meeting of the Committee.

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38 **Appointment of Substitute Member**

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

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39 **Declarations of Interest**

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

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40 **Grant Thornton Auditor's Annual Report**

The Committee considered a report of the Director of Finance and Legal on Grant Thornton's draft Auditor's Annual Report combined for both 2021-22 and 2022-23.

In presenting a summary of the report, A Smith confirmed that the report contained a combined commentary on the local authority's arrangements for both 2021/22 and 2022/23 to ensure that work was as timely as possible and of relevance to the management of the Council.

Significant weaknesses had been identified in the Councils arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness. In addressing these concerns, four key recommendations had been made including those relating to the Council's financial position and the need to replenish reserves and rebuild them to become financially resilient moving forward. The urgent action required from members to support officers in setting a balanced budget, identifying new sources of income and delivering savings plans was emphasised.

A reset in relationship between officers and members was also recommended to help restore trust and respect, which could be achieved through the development of a charter, setting out the expected standards of behaviours together with a joint statement from the Leader and the Leader of the Opposition Group calling out previous behaviour and a commitment to improving standards of conduct going forward.

A further recommendation related to the Council settling the requirements of the Regulatory Notice issued by the Regulator of Social Housing with respect to the identification of a failure to meet minimum service standards. The External Auditors would continue to review progress made against the key recommendations through their audit work plan and should sufficient progress not be made during the year, consideration would be given to the use of wider powers, including statutory recommendations. Additional improvement recommendations were also contained within the Appendix to the report submitted.

In concluding, Members were advised that of the 16 recommendations raised during previous audit work, 10 had made sufficient progress and had since been subsequently closed. The remaining six recommendations remained in progress, some of which were linked back to the key recommendations raised within the report submitted.

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

- a) Councillor J Cowell referred to concerns expressed by the External Auditors on the extent to which Members were engaged with the financial challenges and queried whether wider basic financial training could be considered for Members. Although accepting comments made regarding poor member and officer relationships, consideration should also be given to bad practice and poor relationships between officers.

Reference was also made to the five key performance indicators referred to within the Auditor's Annual Report relating to the Housing and Communities Directorate that had not been met. Councillor Cowell expressed concern about the varied targets each year and whether the purpose of this was to ensure targets were delivered rather than trying to address the challenges.

It was also considered that service areas should be required to add their contracts to the contracts register to ensure procurement had oversight and more emphasis was needed in this area.

With regard to the information concerning the review by the independent monitoring officer of the management arrangements for MIPIM, it was clear that comprehensive training and support was needed for all staff.

- b) In responding to a question raised by Councillor J Cowell as to whether figures for properties, plant and equipment as part of the valuation reports could be collated in a timely manner for future reports, the Director of Finance and Legal acknowledged that this was not as timely as desired however, the Local Authority was in the position that the accounts should be signed off imminently as all valuation information had now been received. Further work would be undertaken with colleagues in Regeneration to confirm an appropriate timetable to ensure that the information was available in advance for 2023/24.

The Head of Financial Services also stated that improvements had been made compared to previous years by introducing contract management and key performance indicators. It was noted that a 5-year contract relating to valuations would be explored once the 2023/24 valuations had been received.

The Deputy Chief Executive acknowledged that although the Local Authority was in a better position and good progress had been made to enable the accounts to be signed off, issues surrounding capacity both internally and externally had impacted on the delivery by the Local Authority.

- c) In responding to comments made and questions raised by Councillor J Cowell, the Deputy Chief Executive referred to the report received by the Committee in September, 2023 in relation to the action plan that had been developed to address governance and lessons learnt following the Council's attendance at MIPIM. As part of the action plan, increased training on contract management and budget management would be provided to assist managers with project management.
- d) Councillor S Ali welcomed the report submitted which he considered reflected negatively on the administration and highlighted incompetence in managing finances which had resulted in there being a significant risk to the Council's financial sustainability. Urgent action was needed to address the issues raised. Reference was made to the executive summary which referred to the urgent review of the Medium-Term Financial Strategy; implementation of a credible plan and use of reserves that he suggested had now been depleted. Whilst it was acknowledged that the budget had been set for a number of years, savings had not been delivered.

Councillor Ali further stated that despite proposals and risks being put forward by Officers, these had not been accepted or considered by the administration. It was further reported that concerns had been raised by this Committee about governance and decision making in July 2023 where it was agreed that the Chair would write to the Leader and the Cabinet Member for Finance, Legal and Human Resources outlining the concerns raised and comments made. However, the response received was not considered acceptable or substantial given the position faced by the Council, therefore it was evident that the issues relating to governance and lack of consideration of the risks highlighted had not been taken seriously.

Councillor Ali acknowledged comments made by External Auditors in relation to inappropriate behaviour which was unacceptable and would hopefully be resolved between both Group Leaders. He also considered that the Council's financial position posed a significant risk to regeneration projects which did not instil confidence in investors.

With regard to Housing finances, Councillor Ali recommended that this should be better managed and centralised under the Director of Finance and Legal and the Cabinet Member for Finance, Legal and Human Resources portfolio moving forward.

Reference was made to the review of settings of saving schemes to ensure decisions were based on robust analysis and the use of realistic evidence-based targets rather than optimistic ones that may be achievable in practice. It was suggested that despite risks being highlighted at budget meetings, these continued to be implemented.

Although the External Auditor's Report suggested that the matters in relation to MIPIM had been addressed, Councillor Ali still considered that there remained various outstanding issues including members involvement with the decision-making process which had still not been investigated. As this remained unresolved it was therefore requested that this matter be investigated and a report submitted to a future meeting.

- e) Councillor S Ali sought a substantive response to previous questions raised in relation to the External Auditor's recommendation concerning the position of the Monitoring Officer

(At this juncture, the Director of Finance and Legal and the Monitoring Officer withdrew from the meeting)

Councillor J Cowell considered the current position to be fundamentally flawed in that the Monitoring Officer position was reporting directly to the Section 151 Officer which she considered to be two separate fields and disciplines. Despite a number of questions raised, a definitive response had still not been received.

The Deputy Chief Executive referred to the organisational redesign which was being considered as part of the Improvement and Sustainability Plan, reflecting the Council's challenging financial position and future sustainability of the organisation. The redesign would consider the future design for every service area taking into account the needs of communities and businesses, together with the senior management restructure, which included both the Section 151 Officer and Monitoring Officer. This work was being treated as a matter of urgency and the recommendation made by the External Auditors was acknowledged. Members were also advised that the link between the three statutory officers was reflected in the current structure and that meetings were undertaken on a regular basis to discuss statutory issues.

(At this juncture, the Director of Finance and Legal Services and the Monitoring Officer returned to the meeting)

- f) In referring to comments made by Councillor S Ali, the Chair considered the term 'incompetence' to be inappropriate due to the extenuating circumstances faced at this time. It was suggested that procurement and housing had been considered in detail by the Committee this municipal year and again reiterated that the Committee could make recommendations, raise concerns and recommend a particular area for more in-depth review to any Select Committee as appropriate.

With reference to comments made relating to MIPIM, the Chair referred to the detailed report presented to the Committee in September, 2023 on the improvements to programme, project and contract management.

- g) In responding to comments made, the Leader of the Council then referred to the actions agreed by the Appointments Committee in April, 2023. The Committee had considered the findings of the Independent Monitoring Officer on the review of arrangements for the Dudley MBC MIPIM Delegation 2019-23. The Leader expressed his disappointment that there had been no opposition group members in attendance at that meeting which would have provided an opportunity for Members to suggest alternative proposals and recommendations.

With regard to comments made relating to Housing, the Leader commented positively on the work undertaken by the Director of Housing and Communities and Cabinet Member where significant improvements had been made. It was anticipated that the Statutory Notice would be removed in the near future. Reference was also made to the measures approved by the Cabinet which would increase the Housing Revenue Account reserves to the national average of approximately £11m within the next three years. The need for realistic and achievable savings proposals by Officers was also emphasised.

With regard to comments concerning officer proposals not being accepted by the administration, the Leader refuted the claims and referred to the subsequent decisions made in particular areas including green waste. There was a general consensus across the political groups that steps were needed to improve the base rate in terms of Council Tax. Reference was also made to the significant investment from the private sector on major regeneration projects, including the Metro, Very Light Rail and the Entertainment Quarter in Dudley. It was also noted that a £500k capital receipt had also been achieved following the disposal of three buildings that were surplus to requirements.

It was also suggested that appropriate behaviour and respect should be demonstrated by both Elected Members and Officers recognising the pressures faced by Members and it was suggested that further training was needed for new Councillors and Officers. It had also been proposed by both Group Leaders that, in future, any complaints should be considered by the Group Whips and Leaders in the first instance prior to consideration by the Monitoring Officer.

- h) In responding to comments made, Councillor S Ali suggested that he had raised a number of concerns previously, alongside his colleagues, which were reflected within the minutes and again reiterated that the report was negative and should be acknowledged and addressed. Regeneration was welcomed by the Opposition Group, however, the External Auditors had raised a significant risk within this area in view of the financial position.

With regard to the MIPIM report, there were two issues identified relating to the Officers recommendations and the decision-making process by Officers and Elected Members separately. The report in terms of MIPIM failed to present a conclusive outcome. At the time of the Appointments Committee, the Opposition Group Members had outlined their views and the reasons for not attending the meeting.

Whilst acknowledging comments made by the Leader in relation to improving reserves in the Housing Revenue Account, this was as a result of implementing a maximum rise in rents and service charges at a particularly difficult time faced by residents financially. Councillor Ali also disagreed with comments in that the Opposition Group Leader had accepted the need for a high increase in Council Tax, but that in considering the current position of the Council there were limited options available.

- i) The Chair confirmed that the scope of the Audit and Standards Committee in considering the MIPIM report had considered the chronology of events and subsequent failings which resulted in the Committee formulating recommendations for next stages. The Chair also referred to the significant financial pressures faced within the Adult Social Care directorate which had been reported during the Autumn.
- j) Councillor J Foster welcomed the External Auditor's Report and considered there to be some parallels with the Local Government Association Peer Review Report that had recently been published. She also confirmed that a cross-party Member/Officer Charter had previously been developed and that it had appeared that this had not been reviewed for some time and therefore a mechanism was needed to re-establish this document across the authority.

Councillor Foster agreed with comments made concerning new Member training in terms of the expectations, however, she also emphasised the need to include political nous training in the Council induction training sessions for Officers, to highlight how the role of the Councillor fits into the overall democracy picture.

Reference was made to the standards regime, reflected within the LGA Peer Review Report, particularly that this area was not monitored effectively within the Local Authority or by Key Performance Indicators. It was considered that there was an insufficient range of structured options to deal with matters appropriately as they arise, therefore more structure was needed to ensure that matters were dealt with at the earliest opportunity before escalating.



Councillor Foster therefore suggested that the External Auditors consider reviewing the Local Authority's Standards and Scrutiny regime and make recommendations accordingly. Both functions within the Local Authority were under-resourced which may have impacted on the way in which they were currently performing, and concerns were raised that these did not meet the threshold for investment or expenditure in view of the financial measures implemented.

- k) In responding to comments made by Councillor J Foster in relation to training, the Deputy Chief Executive referred to recent discussions held in relation to improved scrutiny training and the Member Training and Development Programme for the next Municipal Year. Further consideration would be given to the support available from the Local Government Association. Members were advised that training was considered as part of the Improvement and Sustainability Plan. This aimed to ensure a sustainable Council going forward, assist local democracy and decision-making processes and to ensure effective scrutiny. It was suggested that a cross-party Member/Officer Working Group may be beneficial to review this area further.
- l) A Smith acknowledged the publication of the LGA Peer Review Report and confirmed that the areas highlighted within the report would be considered in more depth during the External Auditors work plan in 2023/24.
- m) In responding to a question raised by Councillor M Evans, A Smith confirmed that Grant Thornton had audited approximately 40% of the Local Authorities based in England.
- n) Councillor M Evans considered the points on relationships between Members and Officers to be incorrect and reflected on the process involved whereby Members considered savings proposals made by Officers which were either accepted or rejected as a collective. The need for further training and cross-party collaborative working was also emphasised.
- o) The Leader of the Council confirmed that a Budget Summit meeting had been arranged for Friday 22<sup>nd</sup> December, 2023 to which the Opposition Leader and Deputy Leader had been invited to discuss the current financial position and proposals to be considered by both Political Groups.

- p) Councillor J Cowell reiterated previous comments concerning the decline in officer relationships and how this impacted on services and personal health and wellbeing. She also sought clarification as to whether there was an indicative timetable for the implementation of the Improvement and Sustainability Plan.

The Deputy Chief Executive confirmed that the Improvement and Sustainability Plan was an ongoing piece of work to be implemented in three phases as a direct response to the LGA Peer Review and External Auditor's Report. This would be addressing the urgent financial challenges, organisational redesign and revisiting the corporate strategy.

There would be a need to maintain the continuous improvement needed. It was noted that the Strategic Executive Board met twice per week to develop the Improvement and Sustainability Plan, which would be considered and approved by the External Assurance Board. The Plan would also be considered by the Overview and Scrutiny Committee to provide any feedback or comments on the robustness of the plan.

Although it was acknowledged that this was a lengthy plan, the proposals would change the way the organisation was structured to enable the Local Authority to operate within available resources and focus on the needs of residents and identify key areas where vulnerable customers required support.

## **Resolved**

That the information contained in the report submitted on the Grant Thornton draft Auditor's Annual Report for 2021/22 and 2022/23, attached as Appendix 1, be received and noted.

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## 41 **External Audit Findings Report 2022/23**

The Committee considered a report of the Director of Finance and Legal on the external auditor's Audit Findings Report 2022/23, together with the draft Letter of Representation, as set out in Appendix 2, to be submitted by the Council to external auditors.

A Smith expressed his sincere thanks for the engagement and cooperation by the Finance Team and presented a summary of the appendix of the report submitted, advising that the materiality of the audit of the Council's financial statements was £10.6m. An overview of the significant audit risks contained within the audit plan was provided, particularly in relation to the presumed risk on the management override of controls. Additional work had been undertaken on the authorisation of journals, where it was confirmed that no issues had been identified. It was noted that one technical adjustment was required in relation to the valuation of pension fund net liability.

Further details on issues identified in relation to property valuations was outlined on page 76 of the report submitted.

In conclusion, the External Auditor anticipated that the revised accounts would be completed imminently for final sign-off of the Financial Statements following receipt of the signed Statement of Accounts and Letter of Representation.

### **Resolved**

- (1) That the information contained in the report submitted on the Council's External Auditor's audit findings 2022/23, 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 Services be authorised to sign and date the final version of the Letter of Representation in due course.

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#### 42. **Statement of Accounts 2022/23**

The Committee considered a report of the Director of Finance and Legal on the Statement of Accounts 2022/23. The Statement of Accounts, and the audit of them, was the main formal and public report on the financial standing of the local authority. A copy of the Statement of Accounts 2022/23 had been circulated separately to Members. Officers of the Finance Team were commended for the work undertaken in producing the Statement of Accounts.

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

The Director of Finance and Legal reported on the Audit progress and confirmed that some queries were outstanding in relation to the payroll system and Pensions. Members were also advised of the proposed recommendation of the Committee in that the Chair of the Audit and Standards Committee, following consultation with the Director of Finance and Legal, would be authorised to approve any changes to the Statement of Accounts arising from audit work, provided there was no impact on useable reserves at 31<sup>st</sup> March, 2023.

Arising from the presentation, the Chair commented positively on the report and the outstanding growth demonstrated. Councillor M Evans also expressed his appreciation for the excellent work undertaken and presentation given.

## **Resolved**

- (1) That the information contained in the report on the Statement of Accounts 2022/23, be approved and the Chair of the Audit and Standards Committee be authorised to sign and date the Statement of Accounts.
  - (2) That the Chair of the Audit and Standards Committee, following consultation with the Director of Finance and Legal, be authorised to approve any changes to the Statement of Accounts arising from audit work, following this Committee meeting, provided there is no impact on useable reserves at 31<sup>st</sup> March, 2023.
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## 43 **Annual Governance Statement**

The Committee considered a report of the Director of Finance and Legal on the Council's Annual Governance Statement for 2022/23. This was required to be included as part of the Annual Statement of Accounts and detailed how the Council had complied with the local Code of Corporate Governance, the effectiveness of the governance framework and described any significant governance issues and how these would be addressed.

In presenting the report, the Director of Finance and Legal confirmed that the proposed Annual Governance Statement had incorporated areas and reflected comments that had previously been discussed by the Committee including housing compliance and improvement in processes following lessons learnt from MIPIM.

The Director of Finance and Legal referred specifically to paragraph 5.3.2 of the Annual Governance Statement which had been updated to reflect the latest forecast in terms of the financial position for the current year and risks that been highlighted to Cabinet in October, 2023. Paragraph 6.2 had been included to reflect the LGA Peer Review; the seriousness of the recommendations made by Grant Thornton Annual Auditor's Report and the creation of the externally chaired Improvement and Assurance Board.

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

- a) Councillor J Cowell expressed concern and the need for action on paragraphs 4.7.3 and 4.7.4, in particular of the increase in sickness figures associated to work-related stress and turnover rate which had seen 420 new starters and 580 leavers, which highlighted low morale and lack of support to staff.

Reference was also made to the wording in paragraph 4.11.5 in relation to the Dudley Housing Board which suggested that it provided a community-based scrutiny function of the housing service to help ensure that services meet residents' needs and were of the highest standard. However, this was not representative of the current format of the Board. The Regulator of Social Housing Tenant Involvement Standard referred specially to tenants and not residents generally, therefore steps were needed to ensure the views of tenants were obtained.

With regard to paragraph 4.12.5, in that the Local Authority was not providing satisfactory remedy in advance of complaints being considered by the Ombudsman, Councillor Cowell emphasised the importance of improving the existing complaints process and suggested initial work with the complainant and involving them in investigations at an early stage.

- b) In responding to a question raised by Councillor J Cowell in relation to the representation of the Shadow Cabinet Member for Housing on the new overarching Customer Board, the Deputy Chief Executive agreed with comments made and undertook to review accordingly.
- c) In responding to comments made by Councillor J Cowell, the Deputy Chief Executive confirmed that with regard to the Dudley Housing Board, an action plan was being developed on the voice of customers and tenants; how that could be delivered and how they were represented in community meetings including the Housing Board. There were two external non-executive directors with customer backgrounds so that they could challenge the Local Authority to ensure that improvements were being made for tenants. Members were also advised of a Community Housing Base pilot in Halesowen, potentially co-hosted with external partners including the Police and NHS. If successful, it was proposed that this would be implemented across the Borough. The Community Bases would allow more face-to-face interaction with tenants to address any issues before they become formal complaints and would help build relationships.

With regard to staff morale, as part of the organisational redesign, Heads of Service, Service Managers and all staff across the organisation would be invited to contribute towards the process. It was acknowledged that further work was needed to improve staff morale and motivation recognising that staff delivered valuable services and were an asset to the Local Authority. The Committee was assured of the importance to the senior management team that staff would be engaged in any organisational redesign process.

## **Resolved**

- (1) That the Annual Governance Statement, as set out in Appendix A to the report submitted, be approved and referred to the Leader of the Council and Chief Executive for signature.

- (2) That the Annual Governance Statement be re-presented to Audit and Standards Committee for approval should there be any significant changes in governance between the date of this Committee and the date of signing of the accounts.
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44 **Questions Under Council Procedure Rule 11.8**

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

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45 **Comments of the Chair**

The Chair thanked all those present for their attendance and contributions during the meeting and wished everyone a Happy Christmas.

The meeting ended at 7.35pm

CHAIR