

## **Meeting of the Audit and Standards Committee**

**Monday, 18<sup>th</sup> December, 2023 at 6.00pm  
in Committee Room 3  
at the Council House, Priory Road, Dudley**

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

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. [Grant Thornton Auditors' Annual Report \(Pages 4 – 64\)](#)
5. [External Audit Findings Report 2022/23\(Pages 65 – 115\)](#)
6. [Statement of Accounts 2022/23 \(Pages 116 – 121\)](#)
7. [Annual Governance Statement \(Pages 122 – 169\)](#)
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).



**Chief Executive**

**Dated: 8<sup>th</sup> December, 2023**

**Distribution:**

**Members of the Audit and Standards Committee:**

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

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**Audit and Standards Committee – 18 December 2023**

**Report of the Director of Finance and Legal Services**

**Grant Thornton Auditor's Annual Report**

**Purpose**

1. To consider the Grant Thornton draft Auditor's Annual Report (AAR) combined for 2021-2022 and 2022-2023.

**Recommendation**

2. It is recommended that Audit and Standards Committee considers the Auditor's Annual Report as detailed in the draft AAR attached as Appendix 1.

**Background**

3. Under the National Audit Office (NAO) Code of Audit Practice our external Auditors, Grant Thornton, are required to consider whether the Authority has in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Previously External Audit were required to provide a qualified/unqualified Value for Money (VFM) conclusion. This has been replaced with a more detailed report on the Authority's overall arrangements, as well as key recommendations identified during their audit. The final AAR is attached as Appendix 1.
4. The Auditor's Annual Report (combined for years 2021-2022 and 2022-2023) was presented to Cabinet 13<sup>th</sup> December 2023.

**Finance**

5. The AAR includes improvement recommendations in relation to the financial sustainability of the Council.

## **Law**

6. 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. The Local Audit and Accountability Act 2014 requires external auditors to report to those charged with governance on the results of their work.

## **Risk Management**

7. The Corporate Risk Register recognises the risk that the Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available. This risk is currently assigned a rating of High.

## **Equality Impact**

8. The proposals take into account the Council's Policy on Equality and Diversity. No consultations with Children and young people were undertaken or required in the preparation of this report.

## **Human Resources/Organisational Development**

9. The AAR includes improvement recommendations in relation to the People Strategy and turnover of senior officers.

## **Commercial/Procurement**

10. The AAR includes improvement recommendations in relation to procurement and reporting of single tenders.

## **Environment/Climate Change**

11. There are no direct environmental implications impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030.

## **Council Priorities and Projects**

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



**Iain Newman**  
**Director of Finance and Legal Services**

Contact Officer: Iain Newman  
Telephone: 01384 814802  
Email: [iain.newman@dudley.gov.uk](mailto:iain.newman@dudley.gov.uk)

**List of Background Documents**

*Appendix 1 – Grant Thornton Draft Annual Auditor’s Report*

# Auditor's Annual Report on Dudley Metropolitan Borough Council

2021/22 and 2022/23

November 2023

Final

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the local authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the local authority's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the local authority's arrangements for 2021/22 and 2022/23 to ensure that our work is as timely as possible and of relevance to the management of the Council. As part of our work, we considered whether there were any risks of significant weakness in the local authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

### Summary

We have significant concerns over the financial position of the Council, which has deteriorated significantly over the two years. We have considered the Council's arrangements to manage its financial position under the VfM theme of Financial Sustainability, but our concerns also extend to the theme of Governance where we have looked at the way in which the financial position has been managed at corporate level and the extent to which Members have fully engaged with the challenges the Council is facing. We have concluded that there are significant weaknesses in the Council's arrangements and have raised key recommendations. These are detailed on pages 9 and 10.

We have also concluded that there is a significant weakness in the Council's governance arrangements in relation to standards of conduct. We have raised a key recommendation on page 11.

We note that the Council did not meet minimum core service standards in housing, resulting in an Regulatory Notice from the Regulator of Social Housing (RoSH). We consider that this represents a significant weakness in the Council's arrangements and have raised a further Key Recommendation (see Page 12).

The Council should act with urgency to address the Key Recommendations outlined in this report.

Criteria	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	One significant weaknesses identified (SW1), two key recommendations raised (KR1) and (KR2), one improvement recommendations raised.	One significant weaknesses identified (SW1), two key recommendations raised (KR1) and (KR2), one improvement recommendations raised.
Governance	Two significant weaknesses identified (SW1), three key recommendations raised (KR1), (KR2) and (KR3), four improvement recommendations made.	Two significant weaknesses identified (SW1), three key recommendations raised (KR1), (KR2) and (KR3), three improvement recommendations made.
Improving economy, efficiency and effectiveness	One significant weakness in arrangements (SW2) identified, one key recommendation (KR2) and one improvement recommendation made.	One significant weakness in arrangements identified (SW2), one key recommendation and one improvement recommendation made.

# Executive summary



## Financial sustainability

We have been monitoring the Council's approach to dealing with its projected medium term funding deficits for a number of years. In our Annual Audit Report for 2020/21 we recommended that there was a need to urgently review the medium-term financial strategy to avoid the current unsustainable reliance on reserves. In 2021/22 we began to see some improvement, however in 2022/23 and looking ahead to 2023/24 it has become apparent that, in the light of high inflation and other economic challenges, the Council still has not been able to implement a credible plan to remove its reliance on reserves to fund services. Available usable reserves have now been depleted to a level which we consider to be too low to ensure financial sustainability and the Council's ability to withstand future financial shocks and manage budget overspends is now compromised. We have therefore reached a view that the lack of effective action to address the financial challenge now meets the threshold of posing a 'significant risk' to financial sustainability under the NAO's VfM framework. The positive message we can give from this otherwise difficult conclusion is that in our view, the financial challenges are still within the Council's power to overcome, as long as prompt and decisive action is taken immediately by members and senior officers. We have provided a key recommendation to assist the Council in addressing this and will closely monitor the Council progress in taking the decisive action required.

The Council spent a total of £267.5m in 2021/22 against funding of £265.7m, giving rise to £1.8m use of balances to balance the budget. This was a £7.2m favourable variance against budget. It also set a savings package of £5.4m for 2021/22 and delivered £4.26m which amounts to 79% of the plan. This is a strong percentage delivered considering the financial difficulties the Council experienced relating to the COVID-19. The Council ended 2021/22 with £27.2m in unallocated General Fund Reserves. The Dedicated Schools Grant (DSG) deficit stood at £17.2m at the end of 2021/22.

In 2022/23, the Council was still feeling the impacts of COVID-19 and service demand pressures. The Council set a balanced net revenue budget for 2022/23 of £284.8m including a contribution of £2.2m to unearmarked balances. In setting the 2022/23 budget we note that, officers proposed a number of savings, such as the introduction of a green waste charge, but officers advice was not accepted. We note that the introduction of a green waste charge would have reduced the Council's reliance on reserves and a viable alternative to this savings was not presented by Members.

As per the provisional 2022/23 outturn report presented to Cabinet in July 2023, the Council has spent £292.7m and will need to draw down £5.4m of reserves. It's forecast general fund reserve as at 31 March 2023 has reduced from £28.5m to £21.8m. We consider that this is low in comparison to similar authorities. The main variances in expenditure are due to pay, high energy and fuel prices, and demand pressures in adults and children's services. The Council has also been unable to resolve loss making catering and leisure services, for example, the Council continues to make a contribution of £1.1m to its leisure service as fees and charges are inadequate to cover costs.

The Council delivered £4.26m of its planned £5.4m savings programme for 2021/22. This resulted in a £1.2m recurring savings shortfall being carried forward into 2022/23. In March 2022, the Council stated the intention to deliver a £1.9m savings package for 2022/23. This is a fairly modest target given the demand led pressures on the Council. We note that the Council's plans included little in terms of transformation despite proposals being put forward by officers, such as a new model for waste collection. The Council delivered £860,000 of this target, which amounts to approximately 46% of the savings plan. This is a modest savings delivery given the overall size of the Council's budget.

The Dedicated School Grant (DSG) deficit is also increasing at a considerable rate. The DSG deficit as at 31 March 2021 was £10.5m. By 31 March 2022, this had risen to £17.2m. As at 31 March 2023 this has increased to £22.1m. At present the Council is protected by a statutory override and this deficit does not impact on its reserve position. Should the override be removed, it would reduce its General Fund reserves to nil. The Council continues to work with the Government to find a solution to this shortfall in funding.

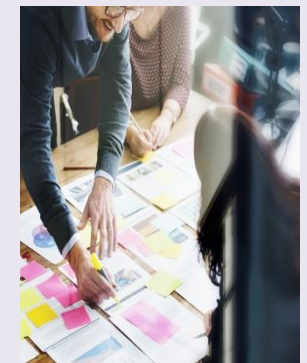


### 2022/23

We have started our audit of your financial statements and our work is planned to finished in December 2023.

### 2021/22

We have completed our audit of your financial statements and plan to issue an unqualified audit opinion in August 2023. Our findings are set out in further detail on page 45.



# Executive summary



## Financial sustainability (continued)

We consider that the continued reduction in reserves and the increase in the DSG deficit represent a significant weakness in the Council's arrangements for ensuring its financial sustainability. We have raised a key recommendation on this matter. (See page 9).

The MTFS is predicated on the need to deliver savings of £7.8m in 2023/24, £11.8m in 2024/25 and £16.3m in 2025/26. The significant £5.4m use of General fund reserves in 2022/23 is likely to have increased this savings requirement. Given the Council's savings performance in the last two years (79% delivery in 2021/22 and current 46% delivery in 2022/23) there is doubt over its ability to deliver these larger savings plans. Due to their importance to the Council's financial sustainability, we have included the need to monitor and deliver the Council's savings plans in our key recommendation (see page 9).

The Council set a balanced budget for 2023/24 (£311.5m) though this was only possible with a planned savings package of £7.8m and planned reserves usage of £4.2m. We note that in the budget setting report to the 6 March 2023 meeting of the Council the Joint Report of the Chief Executive and Director of Finance and Legal highlight a number of risks to the 2022/23 budget (see Appendix J, Risk Assessment). Given the cost of living increases we are seeing nationally, these issues present a clear risk to the Council's financial position. There is very little headroom to cope with any further cost pressures or income reduction within the budget without reducing reserves further. We also note that the Council has planned savings of £7.8m. Based on 2021/22 and 2022/23 savings delivery, it appears unlikely that the Council will reach its savings target for 2023/24. However, these savings remain critical to the Council's financial health.

The budget proposals presented by officers included savings in libraries, waste and a green collection charge. We note that the libraries savings plans have been subsequently reversed and that the waste and waste charge proposals were not accepted. We comment further on this matter in the Governance section of this report. However, we consider that the continuing use of reserves to balance the Council's financial position is not sustainable. If the options offered by officers to balance the budget are not acceptable to members it is important that they work with officers to find other means to balance the budget such as service transformation. We consider this to be a significant weakness in the Council's arrangement for managing its financial sustainability and have raised a key recommendation (see page 10).

## Summary

We have outlined a number of matters covering the financial years 2021/22, 2022/23 and 2023/24. On the basis of these matters we consider that the Council does not have appropriate arrangements in place to ensure its financial sustainability.

In particular we note that:

- It continues to rely on the use of reserves rather than implementing transformation, savings, or income generation plans
- Reserves have reduced to a level where the Council may find it difficult to manage an unexpected variance in expenditure or income
- The Council's DSG deficit continues to increase (although we note that the Council are working actively to manage this area).

Urgent action is need from members to support officers in setting a balanced budget, identifying new sources of income, delivering savings plans, and identifying service transformation.

# Executive summary

## Governance



In the light of the challenges highlighted under financial sustainability, we also need to draw attention to the broader question of governance and decision making around financial management. We note that the Chief Finance Officer has attempted to communicate the financial risks to members and has put forward options for resolving the financial deficit. We note that for the 2023/24 budget a number of options were identified with the potential to make a significant contribution to closing the gap and relieving pressure on reserves. Several of these were either agreed to initially and then stopped or were refused outright on the prompting of members, with no credible alternatives put forward. We are concerned that this is indicative of members not being adequately focused on resolving the financial challenge. As a result, we are raising a second 'significant risk' relating to financial governance.

We continue to have concerns about inappropriate behaviour of some members towards officers at the Council, indicating a cultural problem. Officer and member relationships were found to be weak, with a lack of clarity and understanding, leading to a significant weakness in the Council's governance arrangements. Urgent action is required, including the development of a charter and a joint statement from the Leader and Leader of the Opposition, to restore trust, respect, and productivity between members and officers.

The Council generally have appropriate arrangements in place with regard to decision-making. Cabinet and Committee structures are in place and are supported by standing orders and financial regulations. We note that the Monitoring Officer role continues to sit at the third layer in the Council's management structure and reiterate our view that the Monitoring Officer role should report directly to the Chief Executive as Accountable Officer. We have reiterated our improvement recommendation on this matter.

At Dudley, the Council's strategy is set out in its Council Plan. The Plan was updated in 2022 and, overall, the Council achieved the majority of its 2021/22 and 2022/23 priorities. For example, the Council delivered investment in a new leisure centre and made progress in delivering the Midlands Metro Extension. Some areas of the Council's strategy do not appear to be adequately linked. In particular, the Council's ambition to be a low spending authority impacts on its financial sustainability and key aims such as the regeneration and the sustainable improvement in Children's services. In some instances, it also appears to have impacted on the performance of services, for example, the Regulatory Notice on the health and safety of its housing and the need to improve housing stock. The Council will need to reflect on these conflicting priorities. Given its financial position it will also need to consider a wider transformation programme if it is to balance its ambition and finance.

We are concerned that appropriate governance and oversight is not being applied to the Council's finances. In our 2020/21 Annual Auditor's Report to Cabinet on 27 June 2022, we highlighted that urgent action was needed to reduce the Council's significant reliance on use of reserves. We recommended that the Council should approve further savings schemes and introduce tight scrutiny of additional spending proposals. We reported that the Council had been reliant on reserves in 2021/22 to balance its budget (£9m) but that the Council had been able to deliver an outturn significantly better than budget and reduced the drawdown on reserves to £1.8m. We have continued to monitor the Council's financial position. We note that the Council overspent its budget in 2022/23 and has continued to reduce the level of its available reserves. It also recently reversed (July 2023) 2023/24 savings plans agreed in March 2023. We consider that this represents a significant weakness in the governance of the Council and have raised a key recommendation. (see page 10).

The Council generally demonstrates adequate arrangements in relation to organisational risk management. However, we consider that its risk management arrangements have not been effective across all services including financial planning (see above and page 4), housing (see page 36) and on its arrangements to attend the Marché International des Professionnels d'Immobilier (MIPIM) Conference (see page 24). With regard to MIPIM, we note that the Council contracted to attend MIPIM in 2020, although its attendance was impacted by COVID 19. Review of the contracting processes by the Council have identified that its usual financial and governance processes did not operate effectively over the contract resulting in an overspend against the initial budget. While the sums involved are small in comparison to the Council's overall budget, it is important that matters which could impact on the reputation of the Council are better managed. The Council has investigated this matter appropriately and has put in place additional controls to prevent reoccurrence.

The Council has an effective internal audit service that has operated adequately throughout 2021/22 and 2022/23. The Council also has an effective Audit Committee that provides sufficient challenge. To further enhance the Audit Committee's ability to undertake its role, we have raised an improvement recommendation in relation to the co-option of an independent member.

In summary, the Council has appropriate structures and policies to ensure it is appropriately governed. In most instances these have operated effectively, however, we remain particularly concerned with regard to the Council's governance of its finances, standards of conduct, the effectiveness of its risk management, and, due to his place in the management hierarchy, the ability of the Monitoring Officer to fulfil his role.

# Executive summary



## Improving economy, efficiency and effectiveness

The Council has appropriate arrangements in place to manage and report on its performance. It has established a suite of indicators relating to the Council Plan to demonstrate performance against the priorities laid out in the Council Plan. 2021/22 was guided by the Council Plan 2019-2022. The Council reported against 47 measures and predominantly achieved the majority of the targets in the 2021/22 plan, albeit with mixed delivery on the separate ambitions. The Council performance from 2022/23 was guided by a new Council Plan for 2022-25. The Council reported against its new priorities and reported similarly mixed performance. The worst performance was in the 'Borough of Ambition and Enterprise' and 'Destination of Choice' priorities. These under performance in these areas mainly related to the issues in the Housing service.

The Housing directorate has been aware of significant service delivery challenges for some time. It has been actioning an improvement plan aimed at reducing these deficiencies. Ultimately, the Council self-referred in 2023 to the Regulator of Social Housing (RoSH) citing concerns surrounding health and safety in the Council's housing stock. This self-referral resulted in the issuing of a Regulatory Notice due to the discovery of several health and safety breaches in a significant proportion of Council homes. We consider that this represents a significant weakness in the Council's arrangements and have raised a key recommendation with regard to the Council achieving a minimum service standard. While there are continuing issues with the services the Council has now stabilised the services' leadership and has invested in the Decent Homes Standard, more will need to be done to tackle areas of service performance and the financial sustainability of the HRA. A solution is also needed to identify sufficient capital to maintain the housing stock.

Dudley children's services has been subject to support and supervision for a significant period. Ofsted inspections in 2018 and 2020 identified several areas of concern which were addressed in the Council's Improvement Plan. Throughout 2021/22, the Council reported to the Children and Young People's Scrutiny Committee on performance against the Improvement Plan. Children's services at Dudley Council were inspected in November 2022 by Ofsted ILACS. Ofsted identified that Dudley Children's Services had improved and the services was rated as 'required improvement to be good'. This demonstrated a significant improvement by the Council. In January 2023, the Government's Improvement Advisor reported that the leadership, organisation and performance of children's services were now much stronger. Following this, the DfE determined that Dudley's Children's Services was no longer in need of support and supervision.

The Council's MTFs requires significant savings plans from Children's Services in the medium term, £1.3m in 2024/25 and £2.8m in 2025/26, of which £0.5m in 2024/25, rising to £2m in 2025/26 are in relation to Children's Social Care (Family Safeguarding) savings required. We note that the forecasts do not consider any further demand pressures and that the directorate has overspent in recent years. Given that the service has only recently demonstrated service performance improvement and does not have a history of delivering savings the Council will need to monitor closely the potential impact on its financial sustainability and the services performance.

Adult social care is operating in an increasingly difficult landscape for all local authorities. The performance indicators in the Council Plan relating to adult social care show strong performance from a directorate managing to deliver a sufficient quality service within its financial envelope. Pressures continue in areas such as the cost of care packages, market capacity and workforce. However, the directorate appears to have a firm understanding of these factors and has the appropriate arrangements in place to facilitate improvement where it is necessary.

The procurement function at Dudley Council has experienced significant turnover in senior personnel since 2021/22. This has resulted in instability and inhibited the function's ability to fully invest in determining its strategic direction. The procurement team published a Procurement Strategy in July 2022 but it is too soon to determine the impact of the revised arrangements on the Council. The level of procurement information reported is limited and we have issued an improvement recommendation on this matter.

In summary, there are a number of aspects of good service performance at the Council. Most notably these include Children's Services and Adults Services. Performance, however, is not consistent across the Council and more needs to be done to ensure a consistent sufficient level of performance across all services.

# Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p><b>Statutory recommendations</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	We did not issue.	We did not issue.
<p><b>Public Interest Report</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue.	We did not issue.
<p><b>Application to the Court</b></p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply.	We did not apply.
<p><b>Advisory notice</b></p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> <li>is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>is about to enter an item of account, the entry of which is unlawful.</li> </ul>	We did not issue.	We did not issue.
<p><b>Judicial review</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply.	We did not apply.

# Key recommendations

## Key Recommendation 1

(A) The Council should:

- Revisit financial plans with the sustainability of reserves in mind to ensure medium-term financial plans demonstrate a realistic plan to replenish reserves where one-off use is expected to cover budget gaps;
- Review the setting of savings schemes to ensure decisions are based on robust analysis and the use of realistic, evidence-based targets rather than optimistic ones that may not be achievable in practice.
- Introduce a single, consolidated and regularly-updated mechanism that tracks its savings plans. This should include the savings that have been agreed, how they will be monitored and the extent to which they have been achieved. These savings should also be built into the authority's annual budget and its medium-term financial plan.

(B) The Council must continue to monitor its progress in managing the Dedicated Schools Grant (DSG) deficit. Members must not underestimate the impact the DSG deficit could have on the overall financial health of the Council.

## Audit year

2021/22 and 2022/23

## Why/impact

(A) The Council's continued use of reserves to balance its financial position is not sustainable.

We reported previously that the Council had been reliant on reserves in 2021/22 to balance its budget (£9m) but that the Council had been able to deliver an outturn significantly better than budget and reduced the drawdown on reserves to £1.8m. The Council set a net revenue budget of £284.8m for 2022/23. The budget allowed for £2.2m to be paid into reserves increasing balances carried forward to £28.5m. The Council's provisional outturn performance is significantly worse than budget. The Council has spent £292.7m and will need to draw down £5.4m of reserves. It's forecast general fund reserve as at 31 March 2023 has reduced from £28.5m to £21.8m. We consider that this is low in comparison to other similar authorities. The Council set a net revenue budget of £311.5m for 2023/24. Again, the budget relies on the use of reserves (£4.2m). This will reduce the general fund reserve to c£17m. We note that the Council does have access to other earmarked reserves but these are relatively limited at £27.3m and all have a clear purpose, for example, for insurance cover. We note that due to the matters above that the Council's forecast general fund balances will be £14m 2023/24, £10.1m 2024/25, and £12.8m 2025/26.

The planned use of reserves relies on 100% delivery of the savings plans. The Council achieved 41% of its savings plan in 2020/21, 79% of its savings plan in 2021/22 and 46% in 2022/23. If the Council does not deliver its savings plan, the budget gap will need to be funded from reserves. If this were the case, the Council would fully deplete its General Fund reserves balance by 2024/25. We have therefore found a significant weakness in the Council's arrangements to demonstrate a clear understanding and robust plan to address the medium-term financial gap.

(B) Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance.

## Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.

# Key recommendations

**Key Recommendation 2** Members should recognise the scale of the Council’s financial challenge and act accordingly to support the Council’s officers in developing realistic and deliverable savings plans in the short to medium term.

**Audit year** 2021/22 and 2022/23

**Why/impact** The Council set a balanced budget for 2023/24 (£311.5m) though this was only possible with a planned savings package of £7.8m and planned reserves usage of £4.2m. We note that in the budget setting report to the 6 March 2023 meeting of the Council the Joint Report of the Chief Executive and Director of Finance and Legal highlight a number of risks to the 2023/24 budget (see Appendix J, Risk Assessment). Given the cost of living increases we are seeing nationally, these issues present a clear risk to the Council’s financial position. There is very little headroom to cope with any further cost pressures or income reduction within the budget without reducing reserves further. Based on 2021/22 and 2022/23 savings delivery, it appears unlikely that the Council will reach its savings target for 2023/24. However, these savings remain critical to the Council’s financial health.

We note that the budget proposals presented by officers included savings in libraries, waste and a green collection charge. We note that the libraries savings plans have been subsequently reversed and that the waste and waste charge proposals were not accepted. We comment further on this matter in the Governance section of this report. However, we consider that the continuing use of reserves to balance the Council’s financial position is not sustainable. If the options offered by officers to balance the budget are not acceptable to members it is important that they work with officers to find other means to balance the budget such as service transformation.

**Management Comments** Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.



# Key recommendations

## Key Recommendation 3

We recommend a reset in relationships between officers and members, where poor conduct will not be tolerated and action is taken to restore trust and respect towards officers. This could be achieved through the development of a charter, which sets out the way in which all members are expected to behave towards officers.

Moreover, we believe that the tone from the top will be important in setting the standard for appropriate behaviour. A joint statement from the Leader and Leader of the Opposition calling out previous past behaviour and a commitment to improve standards of conduct going forward would be a helpful start. By taking these steps, we are confident that the Council can begin to rebuild trust and respect between members and officers and create a more productive and collaborative working environment for all.

## Audit year

2021/22 and 2022/23

## Why/impact

If inappropriate standards of conduct are allowed to continue and officer/member relationships remain poor, this is likely to lead to a toxic work environment, high officer turnover, and potential legal and reputational risks to the Council.

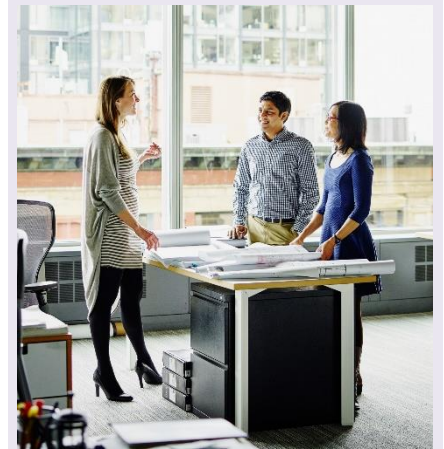
## Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.

# Key recommendations

<b>Key Recommendation 4</b>	The Council must seek to settle the requirements of the Regulatory Notice issued by the Regulator of Social Housing (RoSH) with respect to the identification of a failure to meet minimum service standards. The Council should resolve the recommendations to ensure the removal of the Regulatory Notice.
<b>Audit year</b>	2021/22 and 2022/23
<b>Why/impact</b>	<p>On April 2023, the Regulator of Social Housing published a regulatory notice concluding that Dudley Council had breached the Home Standard and a result there was the potential for serious detriment to tenants. The regulator confirmed that the Council did not meet a range of health and safety requirements in thousands of its tenants' homes. The Council failed to carry out:</p> <ul style="list-style-type: none"> <li>• 8,000 remedial fire safety actions</li> <li>• 500 annual asbestos safety inspections</li> <li>• 4,000 homes had not had an electrical inspection in the past 10 years</li> <li>• Over 300 homes had overdue gas safety inspections</li> </ul> <p>Due to the discovery of a failure to meet minimum standards in a core service, we have identified a significant weakness in the Council's arrangements to achieve value for money in this regard. The Council have failed to manage the its service delivery obligations and therefore failed to achieve economy, efficiency and effectiveness. We have raised a key recommendation.</p>
<b>Management Comments</b>	Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.

The range of recommendations that external auditors can make is explained in Appendix C.



# Securing economy, efficiency and effectiveness in the authority's use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The authority's responsibilities are set out in Appendix A.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

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



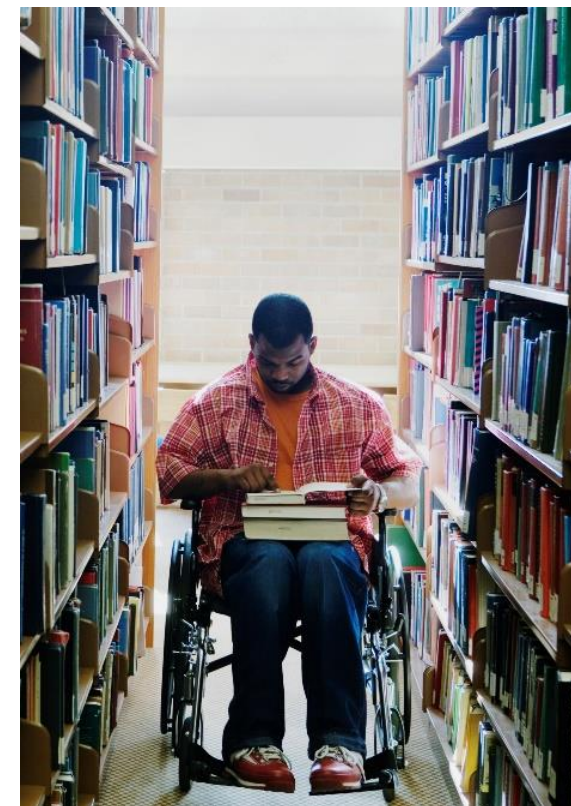
## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the authority's arrangements in each of these three areas, is set out on pages 13 to 43. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2021/22 planning and performance

The Council spent a total of £267.5m in 2021/22 against funding of £265.7m, giving rise to £1.8m use of the General Fund Revenue Reserves:

The main drivers for the overspends were in adult social care due to increased numbers of adult care clients and the rising cost of care, high energy costs relating to street lighting, pressure on waste collection and disposal resulting from additional tonnages collected and the use of agency staff, reduced car parking income and increased legal costs.

In 2021/22, the Council had budgeted to use £9m of general reserves to smooth the revenue budget. The Council used less reserves than budgeted for, ending the year using £1.8m of reserves against the £9m budget, producing a £7.2m favourable variance. The movement from the March 2022 report to the June 2022 outturn report was a £0.8m favourable movement which was transferred into the general reserves balance as a contribution. The variation from budget for 2021/22 is largely due to revisions of allocations relating to COVID grants (£7.1m of the £7.3m variance). The Council therefore enjoyed reasonably comfortable financial performance for 2021/22 though this was an atypical year due to the additional COVID grants (which are not available in future years).

The Council set a savings package of £5.4m for 2021/22. It delivered £4.26m which amounts to 79% of the plan. This is a strong percentage delivered considering the financial difficulties the Council experienced relating to the COVID-19 pandemic but resulted in a £1.2m recurring savings shortfall being carried forward into 2022/23.

The Council ended 2021/22 with £27.2m in unallocated General Fund Reserves as at 31 March 2022. The Dedicated Schools Grant (DSG) deficit stood at £17.2m at the end of 2021/22.

## 2022/23 planning and performance

In 2022/23, the Council was still feeling the impacts of COVID-19 yet the funding from government to meet the costs had ceased. Combined with demand pressures in adult social care and children's services, increasing inflation and interest rates, and supply chain issues this presented a difficult national backdrop against which to make decisions. The Local Government Finance Settlement was a one-year settlement for 2022/23 only making it difficult for the Council to plan for the long term. Despite these pressures the Council set a balanced net revenue budget for 2022/23 of £284.8m including a contribution of £2.2m to unearmarked balances.

In December 2021, officers proposed savings by introducing charging for green waste collections. Against the background of volatile and uncertain funding arrangements, this appears to have been an attempt by the Council to diversify their income sources and thereby reduce reliance on General Fund reserves to plug financial gaps.

# Financial sustainability

Councils are under pressure to seek new opportunities such as charging for services in order to risk manage and build in some certainty. However, by February 2022, this was removed from the MTFS. As stated in the report presented to February 2022 Cabinet, 'there has been one change since the December report to remove the original proposal to charge for green waste collections.' Members must be aware that the Council's financial position is such that difficult financial decisions must be made. We note that the introduction of a green waste charge would have reduced the Council's reliance on reserves and a viable alternative was not presented.. We return to this matter later in this report.

As per the provisional 2022/23 outturn report presented to Cabinet in July 2023, the Council are reporting a £7.6m overspend on their General Fund revenue budget for the year. The Council was unable to materialise its £2.2m budgeted contribution to reserves and due to the £7.6m unfavourable balance, the Council has ended the year with £5.4m reserves usage (£2.2m budgeted contribution minus £7.6m overspend).

The main variances are due to the pay award being much higher than originally assumed (the Council assumed a 2% pay award and the actual award equated to a 6.5% average increase), high energy and fuel prices, increased net costs of social care placements in adults and children's, trading income shortfalls in catering and leisure, capital programme delays and other net pressures.

The 2022/23 budget also included a £100k saving for increased leisure centre income as a result of increasing the price of peak usage of the leisure pool at Crystal Leisure Centre and badminton. The Council also assumed that the leisure centres would be self-financing within a 3-year period giving rise to a £1.1m saving in 2024/25.

The outturn for 2022/23 has shown £1.7m pressure on the Regeneration and Enterprise budget due to income shortfalls in leisure and catering. If the Council is to remain financial sustainable, leisure is an area that it will need to focus on.

The Council's usable reserves are very low compared to other comparable Councils. Benchmarking from the CIPFA Resilience Index as at 31st March 2022 indicates that the Council's usable reserves (un-ringfenced plus earmarked) as a proportion of net revenue spend were 19%. The average for Metropolitan Councils was 55%.

We also note that the Dedicated School Grant (DSG) deficit is also increasing at a considerable rate. The DSG deficit as at 31 March 2021 was £10.5m. By 31 March 2022, this had risen to £17.2m. The cumulative deficit on the High Needs Block is £26.7m resulting in an overall DSG deficit as at 31 March 2023 of £22.1m. At present the Council is protected by a statutory override and this does not impact on its reserves. Should the override elapse, it would reduce its General Fund reserves to almost nil. The Council should work with the Government to find a solution to this shortfall in funding as a matter of urgency.

We consider that the Council's overall financial position presents a significant weakness. We have raised a key recommendation on this matter.

## Savings

The Section 25 statement from the Director of Finance states that proposals for efficiency and other savings result from a detailed review of existing spending and represent a realistic estimate of what can be saved if the action proposed is implemented. Savings are considered in light of a risk assessment relating to achievability and service and equality impacts and any one-off costs involved in achieving the saving. After savings are approved, the implementation of them is monitored as part of normal budget and output processes.

As outlined earlier, the Council delivered £4.26m of its planned £5.4m savings programme for 2021/22. This resulted in a £1.2m recurring savings shortfall being carried forward into 2022/23.

In March 2022, the Council stated the intention to deliver a £1.9m savings package for 2022/23. This is a fairly modest target given the demand led pressures on the Council. We note that the Council's plans include little in terms of transformation despite proposals being put forward by officers, such as for waste collection.

The Council have delivered £860,000 of this target so far, which amounts to approximately 46% of the savings plan. This is a modest savings delivery given the overall size of the Council's budget.

The MTFS is predicated on the need to deliver savings of £7.8m in 2023/24, £11.8m in 2024/25 and £16.3m in 2025/26. The significant £5.4m overspend in 2022/23 is likely to have increased this savings requirement. Given the Council's savings performance in the last two years (79% delivery in 2021/22 and current 46% delivery in 2022/23), there is doubt over its ability to deliver these larger savings plans.

In terms of the deliverability of the savings plans, the Council's MTFS is relying on a number of challenging savings proposals, particularly in service lines that are tackling demand and cost of care challenges. As is discussed in the Improving Economy, Efficiency and Effectiveness section of this report, children's social care is just starting to experience improvements as a result of its transformation journey. The ability of the directorate to deliver large scale savings plans is called into question when one considers the challenges the directorates are facing in terms of business-as-usual service delivery. The Council is still in the process of reviewing the full impact of these factors and is keeping the position under review.

Due to their importance to the Council's financial sustainability, we have raised a key recommendation relating to the monitoring and delivery of the Council's savings plans.

# Financial sustainability

Savings	2023/24	2024/25	2025/26
In-year savings required to balance budget	7.8	4	4.5
Cumulative savings required to balance budget	7.8	11.8	16.3

Table 1: Proposed Savings in Medium-Term Financial Plan  
Source: July 6<sup>th</sup> Cabinet Report

## 2023/24 budget

The Local Government Finance Settlement was better than the Council had expected, with, for example, general grants increasing by £7.7m from 2022/23. The Council set a balanced budget for 2023/24 (£311.5m) though this is only possible with a planned savings package of £7.8m and planned reserves usage of £4.2m. We remain concerned over the Council's continued reliance on reserves to balance its budget and to fund recurring revenue expenditure.

The 2023/24 budget forecast built in the maximum increase in council tax without a referendum, which is 4.99%. The level of savings needed represents a significant challenge for the Council combined with a low level of reserves to provide resilience against under-delivery and other emerging pressures.

We note that in the budget setting report to the 6 March 2023 meeting of the Council the Joint Report of the Chief Executive and Director of Finance and Legal highlight a number of risks to the 2022/23 budget (see Appendix J, Risk Assessment). For example:

- A pay award of 1% above the 4% provided for would add costs of £1.3m
- A shortfall in business rates of 1% would reduce income by £1m
- No provision has been made for general price increase in the 2023/23 budget. A 1% increase would add costs of £2.1m per annum
- A change in borrowing rates on renewal of 1% would add £4.1m to revenue costs
- An increase of 1% in care charges would add £0.8m to revenue costs.

Given the cost of living increases we are seeing nationally, these issues present a clear risk to the Council's financial position.

There is very little headroom to cope with any further cost pressures or income reduction without reducing reserves further. Based on 2021/22 and 2022/23 savings delivery, it is appears unlikely that the Council will reach its savings target for 2023/24. It remains critical to the Council's financial health to take action to control costs and deliver identified savings.

We note that the budget proposals presented by officers included savings in libraries, waste and a green waste collection charge.

The Council budget for 2022/23 included a saving of £1.1m per year from December 2024 in relation to reductions from costs due to the library contract. The proposal has now been reversed as per the MTFS updated presented to Cabinet in July 2023.

During 2022/23, the finance and waste teams modelled a number of different options for a revised model for waste collection. The options were presented to informal Cabinet but the decision was not to implement any changes. There was some uncertainty surrounding the Government's waste strategy alongside local concerns. There were no formal reports on this exercise.

As in prior years, the option of a green waste charge was offered to members. This was not accepted.

We comment further on this matter in the Governance section of this report. However, we consider that the continuing use of reserves to balance the Council's financial position is not sustainable. If the options offered by officers to balance the budget are not acceptable to Members, it is important that they work with officers to find other means to balance the budget such as service transformation.

In July 2023, the Council published a revised financial report which contained the provisional outturn for 2022/23 and changes to the MTFS. The Cabinet was asked to note the effect of the General Fund outturn on the General Fund balances as at 31st March 2023 and consider in light of the Council's financial position whether to recommend to Council to amend the budgets considering the changes added from March to July. The main changes from the March to July reports were due to:

- Changes to the assumptions used for the 2023/24 pay award
- Additional spend
- The reversal of savings proposals which were originally in the March 2023 MTFS

The result of these changes has meant that the medium-term budget gap has increased. The tables overleaf show the journey from the March to the July position:

# Financial sustainability

March 2023 MTFS (£m)	2023/24	2024/25	2025/26
Spend	(319.3)	(327.7)	(333.3)
Resources	307.3	316.5	324.9
<b>Budget gap</b>	<b>(12)</b>	<b>(11.2)</b>	<b>(8.4)</b>
Savings	7.8	11.9	16.3
Use of reserves	4.2	(0.6)	(7.9)

Table 2: Medium-Term Financial Plan  
Source: March 6<sup>th</sup> Council Report

July 2023 MTFS (£m)	2023/24	2024/25	2025/26
Latest spend	(322.7)	(331.5)	(337.1)
Resources	307.3	316.5	324.9
<b>New budget gap</b>	<b>(15.4)</b>	<b>(15)</b>	<b>(12.2)</b>
New savings	7.6	11.1	14.9
New use of reserves	7.8	3.9	(2.7)

Table 3: Medium-Term Financial Plan  
Source: July 6<sup>th</sup> Council Report

As the tables demonstrate, the Council is anticipating there to be a budget gap due to a shortfall in resources when compared to necessary spend. This gap is to be met from savings and use of reserves. The changes to the MTFS in the July paper have increased the gap by increasing the necessary spend. The reversal of the savings has meant that there is an increased burden on the reserves balance to meet the shortfall. The result is now that the Council will not only be unable to contribute to reserves in 2024/25 as originally planned but will now further deplete reserves in 2024/25. In 2025/26, the predicted contribution is significantly lower than the originally budgeted contribution due to the increase in the gap in the previous years. Overall, the Council is in a worse financial position than initially planned and has increased its reliance on reserves to an unsustainable degree. We find this to represent a significant weakness in the Council's arrangements to secure value for money in relation to financial sustainability.

## The Dedicated Schools Grant (DSG)

In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023-24 to 2025-26. The statutory override means that any DSG deficits do not need to be included in the council's main revenue budgets.

The statutory override only provides temporary relief for councils to manage their DSG deficits. When the statutory override expires, councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from unringfenced general reserves.

The risk arises when many councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many councils have become dependent on the statutory override to continue as a going concern.

With the statutory override expiring in 2025/26, there is intense pressure for councils to devise a plan to manage the DSG deficit to mitigate the risk of funding the deficit from reserves and risk fully depleting the general reserves balance.

In June 2022, the government launched the Delivering Better Value in Send programme. The programme involves sending specialist advisors to probe council's financial data and try to cut their DSG deficits. CIPFA is a partner in the programme, providing project and change management and financial modelling capacity.

# Financial sustainability

The programme runs alongside the Department for Education's 'safety valve' support scheme that offers bailouts for councils with the largest Send deficits in return for the implementation of stringent reform.

Dudley Council are in Tranche 1 of the participating authorities of the DBV programme. The Council have acknowledged that it has been experiencing significant financial pressure from increasing demand for children that require additional education support.

The DSG deficit as at 31 March 2021 was £10.5m. By 31 March 2022, this had risen to £17.2m. The cumulative deficit on the High Needs Block is £27.6m resulting in an overall DSG deficit as at 31 March 2023 of £22.1m. The deficit is ballooning at an alarming rate.

The Council's current un-ringfenced general reserves balance as at 31 March 2023 is £21.8m. The DSG deficit is therefore currently greater than the Council's un-ringfenced general reserves balance. This risk is further exacerbated by the rate at which the DSG deficit is growing. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the un-ringfenced general reserves balance.

In October 2022, Newton and CIPFA commenced the delivery of Diagnostic support to the authorities in Tranche 1. The goal is for all 55 authorities to have completed their Diagnostics by the end of 2023. At the end of the Diagnostic, authorities will receive funding from the DfE and support from DfE officials and local SEND advisors to deliver the plan and realise opportunities to improve.

As of March 2023, the Diagnostic phase is now complete and Dudley has successfully won the £1m approved grant funding provided by the DfE.

The authority has already provided a plan for how the funding will be used to resource the capacity and capability needed to pilot a new way of working alongside parents, schools and specialist services to ensure that Dudley have the right services and support aligned to the needs of children and that these are readily accessible for parents and schools to enable children to remain within a mainstream setting with and without an EHCP.

The Council regularly reports on progress on the DBV programme to the Schools Forum. The Schools Forum received a number of progress reports during 2022/23 outlining the status of delivery against the programme, insights from the Diagnostic phase, specific issues applying to Dudley, causal factors and next steps.

The Council are currently moving to the implementation phase of the programme, including the identification of external support required. The authority are planning on bringing regular financial reports to the Directorate Leadership Team alongside reports on progress towards outcomes. The Council report to DfE on a quarterly basis on progress.

The DSG deficit is now significant and continues to increase at £5-6m per annum. Continued and urgent action is needed to resolve this matter. We consider that this is a significant weakness and have raised a key recommendation on this matter.

## Reserves

The MTFS takes account of the full costs of delivering services in the medium term. The Council's current General Fund Medium Term Financial Strategy (MTFS) covers the period up to 2025/26.

## Historical un-ringfenced general reserves usage

	Reserves (£'m)
Reserves as at 31 March 2019	22.6
Reserves use in 19/20	(6.9)
Reserves as at 31 March 2020	15.7
Contribution to reserves in 20/21	13.2
Reserves as at 31 March 2021	28.9

Table 4: Historical un-ringfenced general reserves usage  
Source: 2018/19 Outturn Report  
2019/20 Outturn Report  
2020/21 Outturn Report  
2021/22 Outturn Report

It was approved by Council on 6 March 2023, following consultation on and scrutiny of initial proposals agreed in December. In July 2023, the Council updated the MTFS in a report presented to Cabinet.

Dudley Council has a plan to replenish its reserves balance over the medium term. It is important to note that many councils across the country are not currently projecting the ability to add to their reserves balances in the medium term. Despite delivery challenges, the Council has demonstrated an awareness of the need to replenish reserves through its planned contribution in 2025/26.



# Financial sustainability

## Future planned un-ringfenced reserves usage

	Reserves (£'m)
Reserves as at 31 March 2021	28.9
Reserves use in 21/22	(1.8)
Reserves as at 31 March 2022	27.2
Reserves use in 22/23	(5.4)
Reserves as at 31 March 2023	21.8
Planned reserves use in 23/24	(7.8)
Reserves as at 31 March 2024	14
Planned reserves use in 24/25	(3.9)
Reserves as at 31 March 2025	10.1
Planned reserves contributions in 25/26	2.7
Reserves as at 31 March 2026	12.8

Table 5: Future planned unringfenced reserves usage

Source: 6<sup>th</sup> July Cabinet Report

However, it is worth noting that this plan to replenish reserves is wholly dependent on the Council achieving its already ambitious savings plan. For example, if the Council cannot deliver its £4m savings package in 2024/25, it will increase the need to use reserves beyond its planned £3.9m usage.

The plan to replenish in 2025/26 is therefore dependent on a lever that is unlikely to be fully realised. Both 2023/24 and 2024/25 are assuming continued use of reserves. The Council are already unlikely to achieve their £1.9m savings package for 2022/23 and it is hoping to deliver a £7.8m savings plan for 2023/24. The likelihood of the medium-term reserves contribution is therefore low.

In terms of historical reserves usage (Table 4), in 2019/20, the Council ended up using more reserves than it had originally budgeted for. 2020/21 was an exceptional year and resulted in a massive £13.2m contribution to reserves. In 2021/22, the Council performed better than it had expected as it had budgeted to use £9m of reserves and ended up using £1.8m. This is a better-than-expected performance but it was still a budget that relied on the use of reserves to balance. In 2022/23, the Council positively budgeted to contribute to reserves. This contribution has not ended up materialising and instead £5.4m of reserves has been used to fund an overspend in the year.

The Council is relying on reserves to balance budgets for 2023/24 and 2024/25 (Table 5). The 2025/26 budget plans a contribution to reserves though this is dependent on an ambitious savings plan. Growing reliance on reserves to offset cost pressures and reduced funding raises questions about the sustainability of the Council's current model. Should the Council fail to deliver its savings plan, the level of reserves is not sufficient to compensate for the lost efficiencies.

The Council has formal processes in place to ensure budgets are robustly, efficiently and effectively managed and controlled. Financial management is conducted in accordance with the Financial Regulations in the Constitution. Full Council has responsibility for the budget and Policy Procedure Rules, including the allocation of resources in line with corporate priorities via the MTFs, setting the revenue budget, council tax and housing rents, approving the Capital Strategy and setting the Treasury Management Strategy. The Council's Scrutiny Committees have a role in scrutinizing the council's medium term financial strategy.

Reports on budgetary management are provided to all levels of council management and regular financial monitoring reports are taken to Cabinet and full Council.

At Cabinet in February 2023, the authority reported on the forecast 2022/23 adverse variance of £9.2m, though this had changed by the time the authority reported to full Council in March 2023. In March, the Council reported an improvement of £0.6m, bringing the adverse variance to £8.6m.

Unplanned overspends are commonly a symptom of an authority exhibiting financial stress. Dudley Council has reported an overspend on its General Fund revenue budget for every financial year since 2018/19, excluding 2020/21 which was an extraordinary year due to COVID significant sums of COVID funding being awarded to the entity.

Overspending against budget demonstrates weaknesses in budget setting which could point to a failure in an authority's ability to translate financial policy decisions into actions on the ground. With local authorities across the UK facing the challenges of reduced funding and increased demand for services, the need for robust financial management has never been more important.

# Financial sustainability

The overspends are due to a combination of external unforeseen events (such as inflation and cost of living pressures), changes to member decision-making (e.g. reversal of libraries savings), underestimated assumptions (e.g. pay awards), cost pressures as a result of wider economic circumstance (cost of care) and changes to legislation (Procurement Act, pay awards). There do not appear to be signs of poor budgetary control as the Council outline reasons for variances from budget in the budget monitoring reports presented to Cabinet and Full Council.

## Capital

The Council has a rolling Capital Programme which sets out detailed capital investment plans for each Directorate funded from a number of sources. This is supported by a Capital Strategy and Capital Investment and Disposal Guide.

Any decision which would likely result in the Council incurring expenditure or savings of above £250k is required to be made by full Council. The Cabinet approves capital schemes and monitoring of the Capital Programme in accordance with the approved Capital Strategy.

Updates on the progress with the implementation of the Capital Programme are presented to Cabinet. The reports also contain proposed amendments to the programme.

The Council's original capital budget for 2021/22 presented to Council in February 2021 stated the intention to deliver a £142.3m capital programme. The budget was revised to £105.1m and the Council's capital expenditure in 2021/22 totalled £105.2m. The variance against the original budget is significant at £37.1m (or 26%).

The capital monitoring report 2022/23 shows the Council forecasting £99.25m capital expenditure against a budget of £98.19m. This represents a slight overspend of £1.07m for 2022/23. The original capital budget of 2022/23 presented in February 2022 showed planned expenditure for the year of £138.8m. This represents a £39.55m deviation from the outturn for the year which would represent 28% of the original budget.

2020/21 paints a similar picture. With the Council spending £89.12m against an original budget of £116.04m. The Council have attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. The majority, however, is due to re-phasing and slippage.

Although there is monitoring of the capital programme at Council meetings, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred.

Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation. We have raised an improvement recommendation in this area.

The latest budget monitoring report (October) shows an updated scheme spending profile to show a £146.81m planned capital expenditure for 2023/24 and £126.02m for 2024/25.

## Conclusion

We consider that the Council does not have appropriate arrangements in place to ensure its financial sustainability.

In particular we note that:

- It continues to rely on the use of reserves rather than implementing transformation, savings, or income generation plans;
- Reserves have reduced to a level where the Council may find it difficult to manage an unexpected variance in expenditure or income;
- The Council's DSG deficit continues to increase (although we note that the Council are working actively to manage this area);
- Urgent action is need from Members to support officers in setting a balanced budget, identifying new sources of income, delivering savings plans, and identifying service transformation.

# Improvement recommendations



## Financial sustainability

### Recommendation 4

The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.

### Why/impact

The Council have attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. Although there is monitoring of the capital programme at Council meetings, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation.

### Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.

The range of recommendations that external auditors can make is explained in Appendix C

# Governance



## We considered how the authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Leadership and decision-making

Dudley Council has an agreed Constitution setting out how the Council operates, how decisions are made and the procedures which are followed to ensure they are efficient, transparent and accountable to its locality. The Constitution is regularly updated, the latest update was on 10 May 2023.

The Council have strengthened arrangements for improving Member to Officer relationships. We have previously documented difficulties in Member to Officer relations surrounding misunderstandings of Member roles and inappropriate behaviour towards officers.

As documented in our 2020/21 report, the Monitoring Officer role sits at the third layer in the Council's management structure. We voiced concern that this positioning may be inadvertently undermining the importance of the Monitoring Officer role, particularly with respect to the other statutory roles (section 151 and the head of paid service). This concern is further exacerbated by the fact that the Monitoring Officer reports to the Section 151 officer. We recommended that the Council promote this post to director level.

The Council have mitigated this risk by providing assurance that the Monitoring Officer reporting to the S151 is purely in line management terms and that the Monitoring Officer has a permanent seat on the Strategic Executive Board. The Chief Executive is currently considering a structural change to align the capacity of the senior management team with the ambitions of the authority. We re-iterate our recommendation that the Monitoring Officer role should sit at the same level as the S151 rather than as subordinate to the S151. This will ensure sufficient protection for the statutory roles.

## Budget setting process

We are satisfied with the Council's budget setting process for 2021/22 and 2022/23. The starting point for each year's budget and the MTFs is the previous year's base budget plus appropriate provision for anticipated pay inflation, non-pay inflation, changes to funding arrangements, treasury activities impact and other necessary changes. The Council's final budget and MTFs is determined according to the Council's priorities, ensuring that funding is allocated according to the corporate vision, aims, and objectives. Detailed directorate budgets flow from the MTFs, with provision for pay inflation allocated to directorates, together with the financial impact of specific spending pressures and savings items. The budget is prepared by staff in directorates based on known commitments, an allowance for pay awards, spending pressures and an appropriate assessment of potential risks and uncertainty.

The draft budget report is presented to Cabinet in December for review and for approval in February. There is a review of the budget to outturn position by Cabinet at least tri-annually. The budget and MTFs are considered simultaneously. The impact of the budget position is incorporated into the MTFs and considered by Cabinet regularly, informally and formally.

An annual budget review process is undertaken by the Chief Executive, Deputy Chief Executive, Directors and Members in accordance with an agreed plan and timetable with the objective of setting the following year's Budget and Council Tax and reviewing the MTFs.

# Governance

## Budget monitoring

We are satisfied with the Council's arrangements with regard to budget monitoring. Service teams prepare good monthly forecast outturn reports which are discussed with budget holders and presented to Directorate Management Teams. Finance Managers also report to the Chief and Deputy Chief Executive. At least 3 times a year the outturn is presented to the leadership team and Informal Cabinet before formally being reported to Cabinet at least three times per year. All budgets are assigned a budget holder and an accountant. Budget holders and accountants liaise on a regular basis, normally monthly but quarterly for smaller, less volatile budgets. If any adverse variances are flagged the budget holder will try and mitigate the impact. If that is not possible the adverse variance is flagged with service heads and director if appropriate. Directorate Management Teams receive monthly updates/reports.

## Strategic direction- consistency of plan priorities

The Council's strategic plan roadmaps its route to achieving its goals and visions. At Dudley, the Council's strategy is translated in its strategy and policy documents, in particular, in its Council Plan. For 2021/22, the Council's strategic direction was set by the Council Plan for 2019-2022. The plan is focused on a One Council ethos to build an effective and dynamic organisation. The plan has three priorities:

1. Growing the economy and creating jobs
2. A cleaner and greener place to live
3. Stronger and safer communities

The Council Plan 2022-25 has a clear focus on defining Dudley as an 'ambitious' and 'forward looking' authority, with aims of raising its profile as a national leading Council. The Council has been on a journey of transformation since 2018 and is reiterating this commitment to redefining itself as an aspirational authority building its locality to foster innovative and prosperous businesses and multimillion pound regeneration schemes. The Council Plan 2022-25 centres around four key priority areas:

1. The Borough of Opportunity
2. The Safe and Healthy Borough
3. The Borough of Ambition and Enterprise
4. The Destination of Choice

The Council Plan is supported by Directorate Plans. Each directorate has a Directorate Plan which aligns to the priority outcomes that the Council is striving to achieve. The plans include key performance indicators to enable the Council to track progress.

Each director must ensure that they have the necessary processes in place to collect data against appropriate and challenging performance targets.

All directorates developed plans for 2021/22 except Public Health due to the director being off and interim staff falling under increased pressure to cover compounded by Covid reporting. However, in 2022/23, this was rectified and all Directorates developed plans for the year.

The Housing Plan is supported by a review of the Council's Asset Management Strategy in light of forthcoming changes to the Decent Homes Standard.

The Public Realm directorate plan contains the waste strategy. The plan contains the waste budget, structure chart of the team. The plan notes that the waste care team received 2 awards for their innovative agreement with TexTek Ltd who are now disposing the authority's bulky waste and recycling as much as the material as possible (which would have previously gone to landfill).

The Council carried out an extensive piece of work to ensure alignment between directorate service plans and the Council Plan. This included the development of a matrix clearly mapping out corporate KPIs via the directorate service plans showing alignment to council plan priorities.

It is important to acknowledge that alongside the Council Plan's focus on innovation and regeneration, the Council simultaneously prides itself on being a low spending, low taxing authority with the lowest rate of council tax in the West Midlands and one of the lowest rates in the country. These priorities are not aligned.

The Council should consider whether the resources it is making available to officers are sufficient to meet its corporate priorities. For example, the delivery of the Council's regeneration plan requires additional and continued investment. The lack of resource also appears to be impacting performance, for example, in housing and procurement.

## Strategic direction - transformation

To deliver the Council's priorities in a low finance environment will require transformation. There is some evidence that the Council is not always willing to embrace change.

# Governance

As was mentioned in the Financial Sustainability section, there have been opportunities for the Council to make difficult financial decisions to address its challenging financial position, though these decisions have not been taken. The Council had the opportunity to charge for green waste but opted not to. The Council had the opportunity to revise the libraries contract to achieve savings but opted not to. We are concerned that these are symptomatic of an authority that is maintaining the status quo in an environment that is changing around it rapidly. The authority is at risk of remaining stagnant rather than tackling the significant issues that it faces.

The Council does not have a transformation programme. The lack of an ambitious transformation programme is representative of an authority that views financial health and service delivery in a silo fashion. The two are intrinsically linked.

For example, the lack of alignment of finance and performance in housing resulted in an under investment in the service and the issue of a Regulatory Notice. The investment now required has forced the Council's HRA into a financially challenging position.

We note that the Council is now commissioning a stock condition surveys on 100% of the housing stock over a 12-month period.

There are also a number of other costs associated with the recovery programme including completing a full review of the housing framework, policies, procedures to ensure the current issues do not occur again. The Council are estimating the full cost of the recovery programme to be in the region of £10m depending on the levels of immediate investment in homes identified through the stock condition survey.

As per the 2022/23 outturn report, the HRA forecast for 2023/24 is that recovery could be in the region of £10m but the Council is currently unsure of the timing of these costs. The HRA reserve currently stands at £7.7m which means that the estimated cost of recovery programme is over and above the current HRA reserve balance.

The Housing issue demonstrates the importance of linking service design with the Council's financial position from the outset.

It is important to note that there has been evidence of significant progress on a number of key Council priorities. During 2021/22, the Council opened the Duncan Edwards Leisure Centre, an £18.2m facility in Dudley – the centre has been praised by inspectors.

Significant investment and progress has also been made on the Midlands Metro Extension from Wednesbury to Brierley Hill and on the Very Light Railway project – which saw its first business move to the site in September 2022. These projects form part of Dudley's multimillion-pound regeneration scheme.

Similarly, the Council has progressed its house building priority. In 2021/22, the Council won homebuilder of the year award at the UK housing. The council has been building new council homes across the borough for a number of years to add to its housing stock and create homes that provide quality and affordable accommodation.

Overall, we consider that the Council should ensure that:

- The Council plan clearly references the need for its priorities and services to be delivered alongside a financially sustainable council;
- Ensure that service performance is considered alongside financial sustainability to avoid future failures in performance such as housing;

- It develops a transformation programme for services such as waste and libraries.

To support these changes the Council will need to consider how it creates a cultural shift that ensures that transformation is embraced and that service performance and financial sustainability are seen as equally important.

## The decision to attend MIPIM 2022

In March 2023, an internal audit report was leaked to the press surrounding Dudley Council's decision to send officers and members to the Marché International des Professionnels d'Immobilier (MIPIM) Conference in Cannes in 2022. The internal audit report investigated the Council's arrangements for the DMBC MIPIM delegation from 2019 to 2023.

The Council originally planned to attend MIPIM in March 2020 but the event was cancelled due to COVID-19 and proposed to be rescheduled to June 2020 and then cancelled. The March 2021 event was also cancelled due to COVID and finally took place in March 2022. Dudley's attendance surrounded promoting regeneration opportunities.

The original cost of the conference was estimated to be between £60,000 and £80,000. The final cost is estimated to reach around £400,000.

In May 2022, internal audit was asked by the Section 151 officer to undertake a review into costs and governance surrounding the decision to attend MIPIM following concerns being raised. The final audit report was issued to the Deputy CEO on 16 November 2022.

# Governance

The audit report identified 'significant weaknesses in financial controls and budget monitoring which led to significant unbudgeted overspends.' The Council commissioned expert legal advice in the form of an independent monitoring officer (IMO) to review the management arrangements for MIPIM. The IMO found that 'much of this overspend could have been avoided through more robust governance of this project.'

In terms of governance, the IMO identified issues with the Council's approach to managing programmes, projects and contracts. The concerns raised include:

- Lack of clear roles and responsibilities
- Lack of understanding of the contract in place
- Payments not made in accordance with the Financial Regulations and in line with agreed contract
- Procurement not in accordance with Contract Standing Orders
- Lack of effective governance over projects
- Decisions not taken in accordance with Council Constitution.

The Council have accepted Internal Audit's and the IMO's findings. The IMO recommended a detailed review of the Constitution to ensure alignment with the legal framework.

In response to the MIPIM findings, the Council has recently established a Corporate Portfolio Management Office (CPMO) to provide guidance, oversight and assurance on the delivery of programmes, project and corporate initiatives.

The CPMO has developed a project management framework and will provide support officers in managing their projects.

We are satisfied that the Council have responded appropriately to this matter.

## Financial Governance

We are concerned that appropriate governance and oversight is not being applied to the Council's finance. In our 2020/21 Annual Auditor's Report to Cabinet on 27 June 2022 we highlighted that urgent action was needed to reduce the Council's significant reliance on use of reserves. We recommended that the Council should approve further savings schemes and introduce tight scrutiny of additional spending proposals. We reported that the Council had been reliant on reserves in 2021/22 to balance its budget (£9m) but that the Council had been able to deliver an outturn significantly better than budget and reduced the drawdown on reserves to £1.8m.

We have continued to monitor the Council's financial position.

The Council set a net revenue budget of £311.5m for 2023/24. Again, the budget relies on the use of reserves (£4.2m). This will reduce the general fund reserve to c£17m. We note that the Council does have access to other earmarked reserves but these are relatively limited at £27.3m and all have a clear purpose, for example, for insurance cover.

We note that there are other risks to the Council's financial sustainability.

In the budget setting report to the 6 March 2023 meeting of the Council, the Joint Report of the Chief Executive and Director of Finance and Legal highlights several risks to the 2022/23 budget (see Appendix J, Risk Assessment).

For example:

- A pay award of 1% above the 4% provided for would add costs of £1.3m
- A shortfall in business rates of 1% would reduce income by £1m
- No provision has been made for general price increase in the 2023/23 budget. A 1% increase would add costs of £2.1m per annum
- A change in borrowing rates on renewal of 1% would add £4.1m to revenue costs
- An increase of 1% in care charges would add £0.8m to revenue costs.

Given the cost of living increases we are seeing nationally, these issues present a clear risk to the Council's financial position. We also note that the budget includes the delivery of £7.8m of savings plans and that the Council has not delivered its full savings programme in either 2021/22 or 2022/23. Given the continued reduction in reserves, the Council therefore has only limited financial resilience against continued overspends or other financial challenges.

In July 2023, only three months after the 2023/24 budget was set, a report went to Cabinet setting out proposals to reverse savings decisions on libraries and other services and to increase Environment Directorate expenditure. The report of the Chief Executive and Director of Finance and Legal recommended that Cabinet consider these proposals in the light of the Council's financial position. This advice was not followed by Members.

We consider that this represents a significant weakness in the governance of the Council and have raised a key recommendation (see page 10).

# Governance

In particular, we note that, the Council has been unable to remain within its budget less than 3 months after the budget was agreed, and that these issues have been reported to members by officers but do not appear to have elicited an appropriate response. We are also concerned that a press statement was released in advance of a formal decision being made by Cabinet.

## Risk management

The Council's risk management arrangements are adequately designed, though they have not operated effectively across the authority. The arrangements themselves appear adequate, however, we consider that the arrangements were not effective in detecting or mitigating risks in financial planning, (see above and page 4), housing (see page 36) and on the decision to attend MIPIM (see page 24).

A new Risk Management Framework was implemented in April 2021 which has been reviewed and approved by Audit and Standards Committee. Risk registers are maintained at Corporate and Directorate level.

Risks are reported to Strategic Executive Board and Audit and Standards Committee up to four times a year. Risks are reported to the Audit and Standards Committee via the Risk Management Report. The report discusses risks reported to the Strategic Executive Board (SEB) and the status allocated by the Risk Owner. The reports also provide updates on the embedding of the Risk Management Framework.

The development and enhancement of the reporting of risks is evident in the differences between the Corporate Risk Registers from 2021/22 compared to 2022/23.

In 2021/22, the CRR omitted reporting on the mitigating actions already in place, recommendations or actions to be taken and responsible officers for both. The Council remedied this in 2022/23.

During 2022/23, the Audit and Standards Committee received two risk management reports and reviewed the action being taken to review key risks. The Committee selected two risks (Recruitment and Retention and Procurement) for detailed scrutiny.

The Council has plans to further strengthen risk management. It is planning to introduce the completion of the Risk Assurance Protocol (RAP) by Directors and Heads of Service in April 2023. The RAP will form a key part of the Council's assurance framework and will be discussed in the 2022/23 Annual Governance Statement. We are satisfied with the visible progress that the Council has made and effort directed toward risk management.

We note that while risk management processes are in place that they have not worked effectively in all instances.

For example, the decision to attend MIPIM and the subsequent report produced as a result highlighted failures in the Council's risk management arrangements. The attendance at MIPIM had no risk register or project documentation. No financial or reputational risk analysis was undertaken. Subsequently, the Appointments Committee recommended mandating risk registers and having regular reviews.

Similarly, effective risk management did not operate in housing during 2021/22 and 2022/23 resulting in the issues of a Regulatory Notice by the Regulator of Social Housing (RoSH). We note that the Council identified the risks in the service and self-referred to RoSH.

However, the identification of the risk came at a late stage where the Council was already in breach of its statutory requirements. We note that the Council has been open on this matter and has acted with urgency to resolve the issue.

The Council's general arrangements to manage risk appear appropriate for 2021/22 and 2022/23 though it is important to note that the MIPIM and housing issues cast doubt on the efficacy of arrangements that were unable to properly detect these failures in operation and the strengthening of risk management is welcome.

## Internal audit

The Council has an adequate and effective internal audit function to monitor and assess the operation of internal controls in 2021/22 and 2022/23. The internal audit is run by Audit Services. Internal audit carry out an appropriate level of work and the work is of a satisfactory standard.

The work of internal audit is monitored by the Audit and Standards Committee who approve the annual audit plan and receive regular monitoring reports.

The Audit Services Annual Performance Report 2021/22 reported that Audit Services were able to complete 93% of the audit plan for 2021/22 and issue a 'reasonable' assurance opinion for 2021/22. This is in line with 2020/21 performance where 92% of the plan was completed. The Audit Services Annual Performance Report for 2022/23 is due to be published in June 2023. The Internal Audit Plan 2022/23 was presented to Audit and Standards Committee in April 2022 and the Internal Audit Plan for 2023/24 was presented in April 2023.

In issuing the 2021/22 internal audit opinion, the Head of Audit Services highlighted concerns surrounding the Ofsted and Care Quality Commission visit in January/February 2022.

The performance of children's services is discussed in greater detail in the Improving Economy, Efficiency and Effectiveness section of this report.



# Governance

As highlighted in CIPFA's guidance *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*, the audit committee should 'review the local code of governance and any changes to the arrangements in year.' Audit Services updated the Code of Corporate Governance which was discussed at Strategic Executive Board and approved by the Audit and Standards Committee in September 2021.

Further improvements were made to the 2020/21 Annual Governance Statement which was discussed at Strategic Executive Board and approved by Audit and Standards Committee in September 2021.

Internal audit should be externally assessed against their compliance with PSIAS every five years. Internal audit was last assessed against PSIAS standards in March 2020. That assessment confirmed that PSIAS were being met. The Council state that the Head of Audit Services complies with the key requirements of the CIPFA Statement on the Role of the Head of Internal Audit.

## Audit committee

The Dudley Council Audit and Standards Committee comprises of 9 elected members. There are no statutory requirements that determine the composition of the Audit Committee. CIPFA's guidance *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* recommends that 'authorities should strive to have no more than eight members. A committee of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.' The Council are generally in line with this with nine members.

The Dudley audit committee does not have any independent members, all members are elected councillors. CIPFA endorses the approach of mandating the inclusion of a lay or independent member on the audit committee.

We have raised this as an improvement recommendation. The injection of an external view can often bring a new approach to committee discussions.

To discharge its responsibilities effectively, CIPFA recommends Audit Committees to meet at least four times a year. In 2021/22, the Audit and Standards Committee met five times and in 2022/23, the committee met nine times. The Council is therefore fulfilling this recommended action and should continue to do so.

CIPFA 2022 guidance states: 'where an authority has a cabinet system of governance, including a member of cabinet on the committee is discouraged.' We reviewed the current composition of the audit committee and can report that there are no members of the cabinet that are also members of the audit committee. The council should maintain this as it will allow members of the audit committee greater independence of their role and assist in maintaining a nonpolitical approach.

## Standards of conduct

As part of our 2020/21 value for money work, we identified concerns about the relationship between members and officers at the Council. During this year's work, we noted several instances of inappropriate member behaviour towards officers, which raised concerns about the wider culture of the Council. Our conversations with officers, the Leader, and Leader of the Opposition indicated that this is not an isolated issue, but rather a cultural problem that needs to be addressed.

Upon further examination, we found that officer and member relationships are not strong, and there is a lack of respect shown to officers by some Members. We believe that this is due, in part, to a lack of understanding among members about the roles and responsibilities of officers, and a lack of clarity about the boundaries between the two. We consider this issue relating to standards of conduct to be a significant weakness in the Council's governance arrangements.

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# Governance

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## Standards of conduct

It is clear that urgent action needs to be taken to address these concerns. If left unaddressed, this could lead to a hostile work environment, high employee turnover, and potential legal and reputational risks to the Council. As a result, we have raised a key recommendation requiring a reset in relationships, where poor conduct will not be tolerated and action is taken to restore trust and respect towards officers. This could be achieved through the development of a charter, which sets out the way in which all members are expected to behave towards officers.

Moreover, we believe that the tone from the top will be important in setting the standard for appropriate behaviour. A joint statement from the Leader and Leader of the Opposition calling out previous past behaviour and a commitment to improve standards of conduct going forward would be a helpful start. By taking these steps, we are confident that the Council can begin to rebuild trust and respect between members and officers and create a more productive and collaborative working environment for all.

## Conclusion

In summary, the Council has appropriate structures and policies to ensure it is appropriately governed. In most instances these have operated. However, we remain particularly concerned with regard to the Council's governance of its finances, standards of conduct, the effectiveness of its risk management, and, due to his place in the management hierarchy, the ability of the monitoring officer to fulfil his role.

# Improvement recommendations



## Governance

### Recommendation 5

The Council should consider making the Monitoring Officer role a directorship.

### Audit year

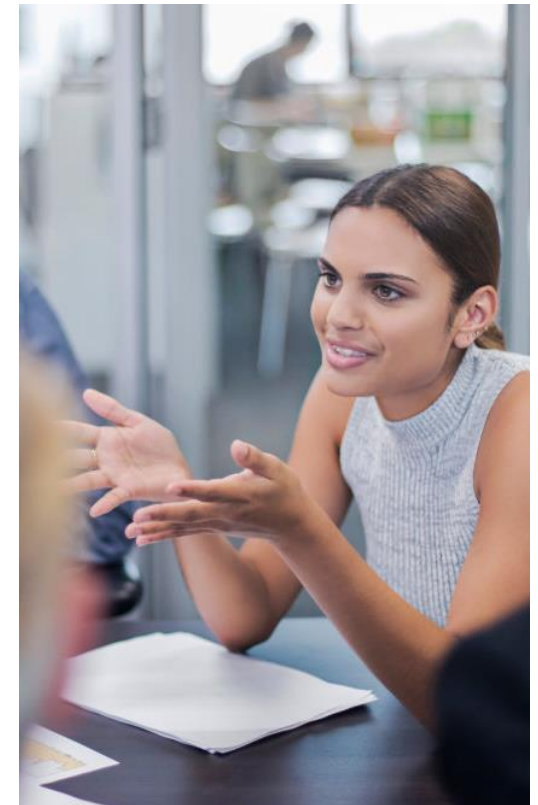
2021/22 and 2022/23

### Why/impact

As documented in our 2020/21 report, the Monitoring Officer role sits at the third layer in the Council's management structure. We voiced concern that this positioning may be inadvertently undermining the importance of the Monitoring Officer role, particularly with respect to the other statutory roles (section 151 and the head of paid service). This concern is further exacerbated by the fact that the Monitoring Officer reports to the Section 151 officer. We recommended that the Council promote this post to director level.

### Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 6

The Council should revisit its strategic goals to ensure there is alignment between financial, operational and political agendas. There should be a clear link and corporate ownership of the medium-term financial plan and savings commitments. There should also be clear links to the objectives of key partnerships and the role that they will play in supporting the Council's agenda.

The Council should also develop a transformation plan to support the revised strategy.

### Audit year

2021/22 and 2022/23

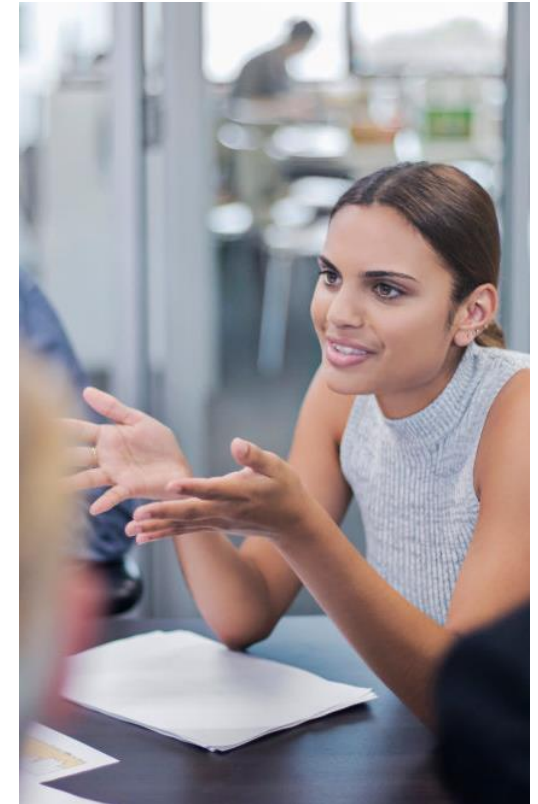
### Why/impact

At Dudley, the Council's strategy is set out in its Council Plan. The Plan was updated in 2022 and overall the Council achieved the majority of its 2021/22 and 2022/23 priorities. For example, the Council have delivered investment in a new leisure centre and has made progress in delivering the Midlands Metro Extension.

Some areas of the Council's strategy do not appear to be adequately linked. In particular, the Council's ambition to be a low spending authority impacts on its financial sustainability and key aims such as the regeneration of the Borough. In some instances, it also appears to have impacted on the performance of services, for example, the Regulatory Notice on the health and safety of its housing and the need to improve housing stock. The Council will need to reflect on these conflicting priorities. Given its financial position it will also need to consider a wider transformation programme if it is to balance its ambition and finance.

### Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 7

The Council should revisit its risk framework to determine whether changes in its processes would allow it to identify and respond to risk in a more timely manner.

### Audit year

2021/22, 2022/23

### Why/impact

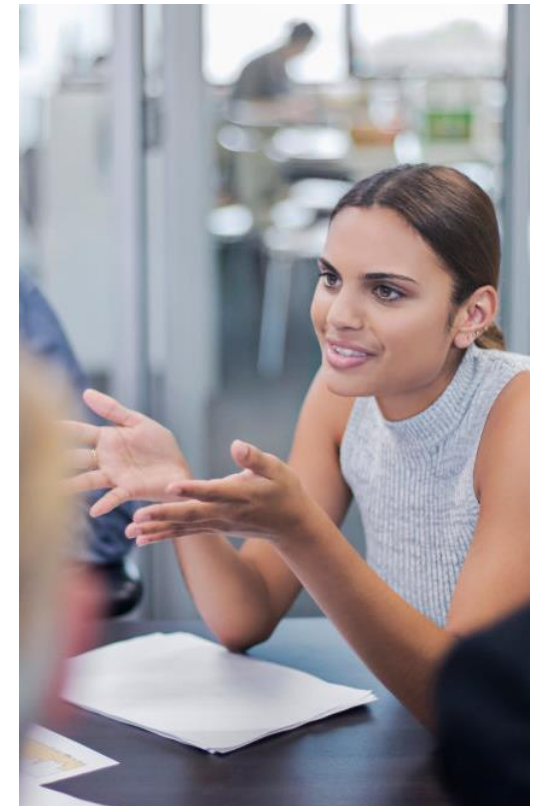
The Council has risk management processes in place. However, there is evidence that they have not worked effectively in all instances.

For example, the decision to attend MIPIM and the subsequent report produced as a result highlighted failures in the Council's risk management arrangements. The attendance at MIPIM had no risk register or project documentation. No financial or reputational risk analysis was undertaken. Subsequently, the Appointments Committee recommended mandating risk registers and having regular reviews.

Similarly, effective risk management did not operate in housing during 2021/22 and 2022/23 resulting in the issues of a Regulatory Notice by the Regulator of Social Housing (RoSH). We note that the Council identified the risks in the service and self referred to RoSH. However, the identification of the risk came at a late stage where the Council was already in breach of its statutory requirements. We note that the Council has been open on this matter and has acted with urgency to resolve the issue.

### Management Comments

**Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.**



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 8

The Council should appoint two co-opted appropriately qualified independent members to the audit committee.

### Audit year

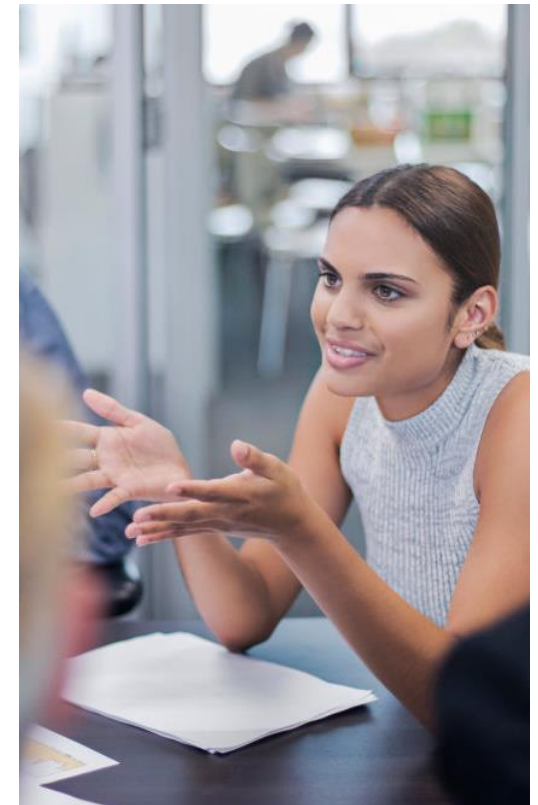
2021/22 and 2022/23

### Why/impact

Inclusion of independent members on the audit committee will provide the Council with continuity outside of the political cycle and bring a new non-political view and approach to committee discussions.

### Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance

The Council Plan provides the key strategic vision against which Council performance is measured. The Council Plan is refreshed every three years and details the Council's commitment to improving service delivery. The Council Plan is supported by the Future Council Programme that ensures the council is 'fit for the future'. The programme centres around the following key themes:

- People
- Digital
- Place
- Process

For 2021/22, service delivery performance was dictated by the Council Plan for 2019-22. For 2022/23, service delivery and performance is guided by the Council Plan for 2022-25 which was approved by Cabinet in February 2022. The plan has four new priority areas:

1. The borough of opportunity
2. A safe and healthy borough
3. The borough of enterprise and ambition
4. The destination of choice

The priorities therefore focus on Dudley's regeneration plans, tourism, housing and educational needs and community opportunity and growth.

The Council Plan is born from the Borough Vision 'Forging a Future for All' which is built around seven aspirations for Dudley by 2030.

The governance structure for the vision links to the workstreams of the Council. The Forging a Future Executive (FAFE) oversees the delivery of the Borough Vision. Three strategic boards report into FAFE: Dudley Health and Wellbeing Board, Dudley Economic Growth Board and Dudley Employment and Skills Board. Each strategic board has ownership of the delivery plans.

For 2021/22, the Council's strategic direction was set by the Council Plan for 2019-2022. The plan is focused on a One Council ethos to build an effective and dynamic organisation. The plan has three priorities:

1. Growing the economy and creating jobs
2. A cleaner and greener place to live
3. Stronger and safer communities

The Council reported its performance against 47 measures for 2021/22. In Q4 of 2021/22, the Council reported 24 indicators to be 'exceeding target', 8 were at 'tolerance' level and 12 were 'below target.' It would be fair to say that out of the four priority areas of the plan, the Council had mixed delivery of the ambitions.

1. One Council, building a dynamic and sustainable organisation – the Council did not meet this priority in 2021/22. The Council reported against 8 indicators and 7 were 'below target' and 1 'exceeded target.'
2. A cleaner, greener place to live – the Council, on balance, achieved this priority as 5 indicators 'exceeded target', 3 'met target tolerance' and 2 'below target.'

# Improving economy, efficiency and effectiveness

1. Stronger and safer communities – on balance the Council achieved this priority as 10 indicators ‘exceeded target,’ 4 ‘met target tolerance’ and 3 ‘below target.’
2. Growing the economy and creating jobs – this priority was achieved as 8 indicators ‘exceeded target’ and 1 ‘met target tolerance.’

Overall, the Council achieved the priorities laid out in its Council Plan for 2021/22 excluding the ‘One Council’ priority. Out of the 8 indicators the Council reported against on the ‘One Council’ priority, 7 performed ‘below target’ and one ‘exceeded target.’ The indicator that exceeded target related to the number of customer compliments received. The poorer performing indicators related to sickness absence, complaint response times, number of complaints received and percentage of contracts with social value outcomes approved by Procurement Management Group.

The sickness absence issues appear to be relating to high levels of work-related stress in adults and children’s, Covid related reasons, and the return to the office where previously work from home was the norm. There was a significant amount of COVID-related short term sickness absence and, when stripped out of the data, the Council actually showed short term sickness absence to be at a lower level than it was in 2019/20.

In terms of complaints management, the Council stated the intention to perform root cause analysis to increase understanding of why complaints had increased. The new Resident Action Group has also been established to focus on improving everything complaints-related. Overall, the Council’s performance in its last year of its Council Plan for 2019-2022 was mixed with its internal-facing priority experiencing the worst performance out of the four priorities.

For 2022/23, Council performance was dictated by the new Council Plan 2022-25. The Council reported performance against 57 KPIs for 2022/23. Of the 57 reported, 26 ended the year on target, 8 at target tolerance, 20 below target and 3 had no target set.

1. The Borough of Opportunity – 6 on target, 1 at target tolerance and 3 below target
2. The Safe and Healthy Borough – 11 on target, 4 at target tolerance, 4 below target and 2 without a score
3. The Borough of Ambition and Enterprise – 3 on target, 1 at target tolerance, 5 below target and 1 with no score
4. 8. The Destination of Choice – 4 on target, 2 at target tolerance and 3 below target

The poorer performing priorities in Q4 of 2022/23 were ‘The Borough of Ambition and Enterprise’ and ‘The Destination of Choice.’

In terms of the Ambition and Enterprise priority, the Council’s poor performance related to lower-than-target complaints handling time, more complaints received than target, lower-than-target square metres of highway defect repairs completed, highway safety inspections completed on time and percentage spend with local suppliers on contracts awarded by procurement. The Council have credited the performance in complaints management to complexity of and ongoing staffing resource issues which both generate and delay complaints.

The Council are currently implementing a large-scale route optimization exercise in the Environment directorate for the whole borough which has resulted in some late collections and missed bins.

Though this has impacted service delivery, the Council stress that this is a temporary situation which they are working on. There are also complaints in the Housing directorate in relation to the Ombudsman issues. In social care, delays are being reported where care providers are required to provide input. This is being managed by the complaints team and extensions to deadlines are being agreed with complainants.

The Council have reported the intention to review the KPI relating to number of complaints received as it appears to be presenting a disproportionate picture of performance. Complaints account for less than 0.05% of contact with the Council so there is discussion around changing the KPI to a more meaningful measure.

The Council have credited the poor performance in highways repairs to the fact that the budget is 100% spent. The reason for issues/risks in the service delivery is relating to cost increases and the budget not keeping in line with inflationary changes.

The highway safety inspections delays partially relate to the fact that the Council’s pothole inspector is currently fully employed dealing with complaints regarding highway defects. The Council are aiming to first sort out the highways repairs issue as this will also reduce the number of highway defects reports.

The percentage of spend with local suppliers indicator has been impacted by the high values of contracts in the last quarter of 2022/23 skewing the results. Overall for the year, the Council achieved the indicator.



# Improving economy, efficiency and effectiveness

The performance in the 'Destination of Choice' priority was below target in the indicators relating to rent lost, number of affordable homes delivered and number of hits to the 'Discover Dudley' website. The rent loss indicator has been discussed in the Improving Economy, Efficiency and Effectiveness section of the report under the Housing paragraph.

The poor performance in the number of homes delivered indicator relates to the delay in completion of the two major Registered Provider new build scheme at Bull Street and St Peter's Road. If these buildings had been completed on time it would provide c100 additional homes and the target would have been met. The schemes were impacted by material costs/shortages, staffing issues and issues with the discharge of planning completions.

The Council have attributed the low traffic on the Discover Dudley website to the increase in cost-of-living pressures impacting visitor attractions and the reduction in household disposable income. It appears to be in line with a national trend. The Council has also not undertaken much promotion in this period due to monies being spent earlier in the year to support the Commonwealth Games.

In terms of the reasons why the priorities or indicators have not delivered, there are some key themes coming out of the performance reports.

Complaints appear to be an issue across both 2021/22 and 2022/23. The Council attributed this to resourcing/staffing issues. The resourcing issues were also relevant to the poor performance in the highway safety inspections delays and the poor performance in the number of homes delivered. The Procurement Strategy similarly notes resourcing issues as an inhibiting factor, curtailing the function's ability to fully realise its strategic goals.

The Council have recognised the workforce issues as is evidenced by the creation of the Dudley People Strategy 2022-25. The Council has committed to investing in developing recruiting managers, reviewing recruitment policies and processes, building their offer as the 'employer of choice,' promoting pathways into work and identifying individuals for career development and progression.

There are some areas of noteworthy performance. The Regeneration and Enterprise directorate were commended in the Delivering Better Outcomes category at the 2022 MJ Awards for their work in regenerating Dudley. The Dudley Registration Service was highly commended by the Local Registration Services Association in November 2022. The Housing Maintenance Team was awarded the Order of Distinction from the Royal Society for the Prevention of Accidents (RoSPA), this is the 21st consecutive year that they have won gold. The legal services team was highly commended in the Legal Team of the Year category at the LGA Awards. The Council recognise that there are undoubtedly areas of improvement due to a myriad of factors that impact on the Council's ability to perform. There are, however, areas where the Council is performing well and these are worth noting.

Corporate performance is monitored by management, Strategic Executive Board, Informal Cabinet and Future Council Scrutiny Committee quarterly. Future Council Scrutiny Committee select performance indicators for detailed scrutiny. Directorate summary schedules are presented to Future Council Scrutiny Committee to provide details on the performance of the directorate including benchmarking and key achievements.

Unacceptable performance is challenged. Benchmarking is used to evaluate performance and quarterly and annual performance reports are published on the Council's website.

As detailed in the prior year, the Council produce detailed and effective performance information to aid scrutiny. Progress against directorate performance scorecards are monitored monthly.

The Council have developed a new Performance Management Framework to ensure a consistent approach between service performance measurement and management, monitoring and reporting of quality at all levels of the Council.

We have noted that the Council has initiated service improvement initiatives in targeted areas. For example, it identified housing as an area of significant improvement due to the Regulatory Notice and poor Ofsted reports in October 2019 and November 2020 led to significant improvements by the end of 22/23 where external support was rescinded due to the level of improvement. The Council do not have an overall transformation programme.

However, as the Council does not have a corporate transformation programme, there is a lack of an overarching strategy for service improvement. The section on Strategic Direction in governance relates to this and the improvement recommendation on page 30 addresses this.

## Benchmarking

Through the Leadership Challenge initiative, the Chief Executive has mandated all service areas to undertake comparisons and learn from high performing comparator councils.

# Improving economy, efficiency and effectiveness

Cost benchmarking from CIPFA statistics is reviewed annually and reported to the leadership team and Informal Cabinet as appropriate (but note that this reveals relatively low spend compared with other councils). Forecasting and benchmarking are core parts of the Council's service plans, which are an essential tool through which the Council ensure that rational, evidence-based decisions can be taken concerning levels and types of activity. Dudley benchmark against a number of means including statistical neighbours, the West Midlands, the CIPFA family group, Housemark and MHCLG. If no benchmarking data is available, for instance for workforce metrics, the Council use local trend data to set future targets.

There is arrangement through Leadership challenge initiative in which all service areas are compared with High performing councils which is evidenced through Revenue Budget Strategy and Setting the Council Tax 2022/23 presented to cabinet on 17 February 2022 in which various benchmark is compared with other councils.

There are many examples of working with other organisations to learn from them. For example, Dudley's children's services was provided with central government (DfE) support resulting from Ofsted inspection in 2018. This included assistance from Essex and Bexley Councils. This was captured in our prior year report.

An example from 2021/22 relates to the Council continues to work with South Tyneside as a Partner in Practice for the Fostering Service in Children's Services (xVFM3.37). Aim is to increase the quality of the fostering service. South Tyneside reviewed the Fostering Service and shared Dudley's strengths and areas of development.

## Service performance: housing

In 2022/23 the Council did not meet minimum service standards in a core service area. On April 2023, the Regulator of Social Housing published a regulatory notice concluding that Dudley Council had breached the Home Standard and a result there was the potential for serious detriment to tenants. The regulator confirmed that the Council did not meet a range of health and safety requirements in thousands of its tenants' homes.

The Council had not carried out:

- 8,000 remedial fire safety actions
- 500 annual asbestos safety inspections
- 4,000 homes had not had an electrical inspection in the past 10 years
- Over 300 homes had overdue gas safety inspections

The Council has put a programme in place to rectify the issues, including a condition survey of all its homes over the next year. The regulator is closely monitoring delivery of the programme.

The Council has developed a detailed Housing Compliance Recovery plan with a number of actions under six themes. The Recovery Management Team has been put into place, a Project Board has been established to oversee delivery of the Recovery Plan, and an Assurance Board is being set up to hold the Project Board to account for delivery of the plan.

Regular meetings have been arranged with the regulator to discuss the Recovery Plan, the first of these happened in May 2023. The meeting was a relatively high-level discussion about future engagement and requirements.

The Council shared their update with the compliance standards based on the outline agenda shared in advance. The RoSH indicated satisfaction with the Council's progress in the period between the Regulatory Notice and the first meeting. The parties also discussed the need for root cause analysis which is already built into the Council's recovery plan.

There are significant costs associated with the recovery programme. The most notable cost relates to the commissioning of stock condition surveys on 100% of the housing stock over a 12-month period. Other costs associated with the recovery programme include completing a full review of the housing framework, policies, procedures to ensure the current issues do not occur again. The Council are estimating the full cost of the recovery programme to be in the region of £10m depending on the levels of immediate investment in homes identified through the stock condition survey.

As per the 2022/23 outturn report, the HRA is currently reporting a deficit position for the year. The balance on the HRA reserve currently stands at £7.7m. This puts the cost of the recovery programme over and above the current HRA reserve balance.

Given the breaches in the Home Standards identified by the Council and confirmed by the regulator, we consider that this represents a significant weakness in the Council's arrangements to achieve value for money in this service. We have raised a key recommendation.

Due to the issues identified we have reviewed the Council's performance in more detail.

# Improving economy, efficiency and effectiveness

The Housing and Community Services directorate reports performance in the Corporate Plan against five key performance indicators:

1. PI 2027 – Satisfaction – the way your anti-social behaviour complaint was handled
2. PI 1899 – Percentage of rent receipts lost (dwellings)
3. PI 2194 – Percentage of compliance gas
4. PI 2009 – Satisfaction – repairs service
5. PI 1319 / PI 2172 – Current tenant arrears as a percentage of the annual rent due (dwellings)

## **PI 2027 – Council response to anti-social behaviour**

In 2021/22, the Council set a target of 85% for this indicator and failed to achieve the target at year end, reporting 62.8% at the end of Q4. The indicator mostly worsened throughout the year and the position is worse than it was at the end of 2020/21.

The Council have cited the ‘busy period’ and resource challenges creating difficulties in maintaining the service. There are also difficulties in sourcing additional permanent and temporary staff.

In 2022/23, the Council lowered the target to 70% for the indicator. The indicator saw marginal improvements throughout 2022/23 and improved quite significantly at the end of Q4 reporting 68.1%. The Council identified common themes through engagement with service users, particularly around contact and time taken to resolve matters. The Council prompted Human Resources to look into performance concerns within the service and updated the investigation form and action plan to provide assurance to customers that their complaints are being handled.

## **PI 1899 – Rent receipts lost**

The cumulative rent loss due to voids increased from 1.72% in Q3 to 1.82% in Q4 of 2021/22. This is a similar position to Q1 and is above the 1.7% target. The Council have outlined the reasons for rent loss including investment in sheltered housing including 38 void properties, sheltered housing awaiting demolition (16 properties), other properties being used for decant and stick investment decisions. There is an ongoing programme and investment and review.

In 2022/23, the indicator worsened and at Q4 is reporting 1.97% against a target of 1.8%. The total cumulative rent loss in Q4 equates to £1,975,927.67. Approximately £200k of this is directly attributable to void loss where the Council are carrying out improvement programmes to the sheltered stock or decanting people to facilitate them, £35k is attributable to properties being used for decant or held for future decant (not as part of the sheltered improvement) programme and £259k is attributable to properties waiting an investment decision. The remainder is due to the period between a tenant leaving and the property being relet to a new tenant during which time no rent is received. The Council recognise the need to tolerate a certain level of rent loss in line with the Asset Management Strategy and acknowledge that routine voids account for over 70% of rent loss. The Council are also now performing end to end void reviews and these have already started to have a positive impact on void turnaround times (which the Council hopes will have a positive impact on void rent loss in the future).

We note that an improvement in void turnaround times would have a direct impact on rent income and the financial sustainability of the HRA.

## **PI 2194 – compliance with gas regulations**

The Council enjoyed strong performance against this indicator for the 2021/22 financial year. The Council have set the target of 100% and throughout the year the authority did not drop below 99%, ending the year with 99.66%. This is a new indicator introduced in 2021/22.

In 2022/23, the indicator dropped marginally in performance, ending the year with 99.17%.

## **PI 2009 – satisfaction with repairs service**

The Council began 2021/22 with 100% satisfaction in this indicator. Throughout the year, performance dropped, ending the year with 93.6% against the 98% target.

In 2022/23, the Council’s performance against this indicator continued to worsen, ending the year with 89.1% against a 91% target.

## **PI 1319 – current tenant arrears**

The Council finished 2021/22 reporting 1.15% against a 2.5% target. This demonstrated a short-term positive trend and exceeding of the target. In 2022/23, the Council exceeded performance, reporting 1.19% in Q4 against a 2.5% target.

## **Tenant involvement**

At the September 2021 Housing and Public Realm Scrutiny Committee, members were advised that a review of the Decent Homes Standards Policy was currently being carried out to ensure that landlords were meeting the performance standards expected from tenants.

In response to the increased expectations of the November 2020 White paper on social housing, the former Director of Housing and Communities commissioned a review of the Council’s involvement and empowerment arrangements, titled ‘The Tenant Involvement and Empowerment Survey.’

The results concluded that the Council was performing below the performance of landlords providing comparative benchmark levels in all the areas surveyed.

The two weakest areas where the gap between performance in Dudley and the benchmarks were in relation to complaints and the provision of information to tenants.

# Improving economy, efficiency and effectiveness

## Housing Improvement Plan

The Housing Directorate has experienced a high turnover of senior management in the last few years. No director was in post in January 2022 and interim Heads of Service for Neighbourhoods and Communities and for Community Safety. The gap in leadership has undoubtedly affected service delivery as stakeholders expressed frustration with delays and handling of cases in the directorate.

In October 2021, the Council commissioned the services of an experienced housing consultant to carry out a review of the Directorate of Housing and Communities and propose an improvement plan.

The review identified several high-level areas for improvement for the directorate. These included: the need for stable high quality senior leadership, a strengthened approach to policy and strategy, improved collaboration between services, more effective systems and processes and so on. The review also recommended the adoption of a managed programme of change to start in January 2022 to address the need for a significant cultural shift.

In Q4 of 2021/22, the Council commenced work on the following areas:

- Building and supporting staff
- Improving resident and councillor satisfaction
- Engaging with tenants and communities
- Improving value for money
- Improving residents safety

The actions under each of the themes included various projects and milestones for the directorate to commence in order to demonstrate compliance with the improvement points highlighted by the external reviews.

The committee resolved to report on progress on these actions throughout the year.

In November 2021, the directorate presented the HRA Business Plan – Thirty Year Business Planning Strategy for Landlord Housing which included a rolling five-year capital programme. This strategy involved a consultation process with tenants and residents and compliance with the Decent Homes Standards.

In September 2022, Members were advised that the vacancy for Head of Housing Strategy had now been filled and a complete management/officer structure was now in place. In addition, an Improvement Plan for Housing was agreed.

At the March 2022 committee, Councillors raised concerns that previous external reviews, surveys and reports had identified improvements and priorities for the Housing directorate and that there was little evidence of previous weaknesses identified being rectified.

Despite this, as at November 2022, less than 0.41% of the Council's housing stock was considered non-decent (86 homes). The Council estimate the cost to achieve decency to be a modest £373,000 though this could rise to £500,000 due to rising construction costs.

In summary, 2021/22 and 2022/23 has been a difficult period for the Housing Directorate. We consider that there have been clear weaknesses in the directorate, its leadership, and wider management arrangements during 2021/22 and 2022/23. These issues have impacted the service lines' ability to deliver.

While there are continuing issues with the services the Council has now stabilised the leadership of the service and has invested in the Decent Homes Standards. More will need to be done to tackle areas of service performance, the financial sustainability of the HRA, and the identification of sufficient capital to maintain the housing stock.

## Service performance: children's social care

Dudley Children's services has been subject to support and supervision for a significant period. Ofsted inspections in 2019 and 2020 continued to show several areas of concern. The council responded appropriately to this criticism and the matters raised were addressed in the Council's Improvement Plan. Throughout 2021/22, the Council reported to the Children and Young People's Scrutiny Committee on performance against the Improvement Plan.

The plan was structured around the priority areas identified in the most recent Ofsted visit and the Council's own self-identified immediate priorities. These included subjects such as: leadership, the timeliness and quality of decision-making, prioritizing the progression of permanency plans for children in foster care and reducing the unnecessary changes of caseworkers. The Improvement Board met every 6 weeks and reports against progress on the Improvement Plan were presented to Cabinet and ultimately full Council.

The plan was informed by the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy. At the 14 May 2021, Department for Education review meeting, the DfE reported that it could see progress and would be recommending to the Minister that Dudley did not need a formal Improvement Notice. The DfE resolved to continue to provide support for the next six months but that the pace and progress of improvement was positive.

A new DfE advisor was appointed in August 2021 and the Council refreshed the improvement plan in September 2021 with 5 priority areas of focus. At September 2021, the Council had met 60% of the DfE targets with 40% partially met. This demonstrates positive progress and the DfE reported satisfaction with Dudley's progress.

# Improving economy, efficiency and effectiveness

The audits from November 2021 showed that 60% of the sample on permanence planning 'required improvement' and 18% were 'inadequate'. The Council attributed this to a range of inefficiencies on their part with a lack of early assessment or contingency planning, limited or ineffective use of Family Group Conferencing and social worker or team manager delays.

One priority area that saw dramatic variation during the 2021/22 period was the workforce in children's social care. The Council was struggling due to staff capacity and caseload issues, particularly in safeguarding where it was difficult to recruit and vacancies continued to remain unfilled.

During 2021/22, the Council introduced a new performance indicator into its Corporate Performance reporting which was percentage of posts unfilled (i.e. vacancies). The Council beat its target of 16% by a significant margin and finished the year with a 2.33% vacancy rate.

In May 2021, the Council established a new Workforce Board (WFB) with the focus of effective recruitment and retention of social workers and induction support. The Board co-ordinates activity on the recruitment and retention of permanent staff and recruitment of agency workers. The Council agreed a market forces supplement for social workers to aim to make posts more attractive to applicants. A team of social workers was also provided by a third party (Innovate) to provide support.

The improvement in resourcing is positive but we note that a high proportion were interim workers, c20%.

The percentage of agency workers remained relatively stable (from 18.3% in Q2 of 21/22 to 19.2% in Q1 of 22/23). The indicator then improved during 2022/23, reducing to 8.7% in Q3 to 12.3% in Q4. The Council are now exceeding their 15% target.

The Workforce Board continues to meet monthly and focuses on social worker capacity, capability and culture.

Children's services at Dudley Council were inspected in November 2022 by Ofsted ILACS. The outcomes of the inspection shaped the development of the 2022/23 Children's Improvement Plan.

The improvement plan is split into five areas:

1. Restorative model of practice
2. Whole system
3. Learning organisation
4. Partnership working
5. Workforce

Ofsted identified that Dudley was an authority that required improvement to be good.

Hertfordshire performed a diagnostic exercise of children's services in preparation to adopt Family Safeguarding and found that there was an open, reflective and optimistic workforce at Dudley with stable and visible leadership.

In January 2023, the authority met with the DfE alongside the DfE-appointed Improvement Advisor. The Improvement Advisor reported that the leadership, organisation and performance of children's services were now much stronger, providing a foundation for delivering transformational practice and cultural change. Following this, the DfE recommended that Dudley's Children's Services was no longer in need of support and supervision.

In January 2023, the Dudley Children's Improvement Partnership, overseen by a DfE appointed Improvement Advisor, made the decision to conclude the partnership following a recognition of confidence in the foundations for improvement embedded across the directorate, including the commitment to ensure continued partnership working through the newly established Children and Young Person's Board, the Children's Group Safeguarding People Partnership and Family Safeguarding Board. In accordance with Ofsted recommendations, on 26 April 2023 the Children and Young People Scrutiny Committee agreed that as part of the Improvement Strategy, a Family Safeguarding Programme be implemented to provide rapid support to children and families to prevent crisis.

Dudley had used positive findings from the previously employed Family Come First (FCF) teams to design the Family Safeguarding model. The FCF teams provided strong evidence of the effectiveness of the whole family, multidisciplinary approach to reducing the number of children in need of protection and the number of children who were in need becoming looked after. The model was also attractive to staff and had a good record of staff retention.

The Children's Services is still tackling challenges regarding recruitment and retention. This risk was highlighted in the Ofsted report.

In January 2023, the Workforce Board noted an 18% social worker vacancy level and 12-month turnover rate of 19% which resulted in changes of social workers for children and families. The Council were continuing recruitment drives including attendance at the Compass Job Fair in March 2023.

# Improving economy, efficiency and effectiveness

The Council started off 2021/22 with the publication of the Improvement Plan. In November 2022, the Council was not found to be inadequate in its Ofsted inspection but there was the recognition of requiring improvement to be good. The Council started the period with an intention to improve and it has made a concerted effort to do so during 2021/22 and 2022/23.

This has been noticed by external regulators and has resulted in supervision requirements being relaxed. The Council has effective arrangements in place for the provision of children's services during 2021/22 (with the help of external supervision) and in 2022/23.

In summary, we consider that the Council had effective arrangements in place for the provision of children's services during 2021/22 (with the help of external supervision) and in 2022/23.

We note that the Council started off 2021/22 with the publication of the Improvement Plan. It took a number of actions on workforce and in particular aspects of service provision. As a result, it has received an improved rating from Ofsted inspection and no longer requires formal support and supervision.

## Future finances

The Council's MTFs requires Children's Services to make significant savings, £0.6m in 2023/24 and £2.0m in 2024/25. We note that the forecasts in the MTFs do not consider any further pressures that may arise including the pressures in social care – in particular demand for and cost of social care placements.

The Council's MTFs requires significant savings plans from Children's social care in the medium term, £0.6 in 2023/24 and £2.0 in 2024/25.

We note that the forecasts do not consider any further demand pressures and that the directorate has overspent every year since 2017/18 (excluding 2021/22). The directorate struggled to deliver savings of £1m in 2021/22 due to new pressures emerging. In 2022/23, £800k worth of savings in Children's was deemed unachievable.

The 2022/23 outturn position shows pressures of £4m in net placement costs, £1.2m in transport, £0.4m in legal costs partly offset by £1.1m of net staff savings and £0.6m utilisation of supporting families grant.

The service also continues to have challenges with maintaining an adequate workforce. Given that the service has only recently demonstrated service performance improvement and does not have a history of delivering savings the Council will need to monitor closely the potential impact on its financial sustainability and the services performance.

## Service performance: adult social care

Within the Council Plan, one of the key priority areas is titled 'Dudley The Borough of Opportunity' and 'Dudley the safe and healthy borough.' Adult social care provision is encompassed within these priority areas. The adult social care ambition is supported by Council strategies and other plans such as the SEND Improvement Plan, Education Strategy and Digital Access to Social Care Plan. The Council report against four performance indicators relating to adult social care as part of the Council Plan:

1. Proportion of 65+ at home 91 days after discharge from hospital into reablement services

2. Percentage of working age service users (18 to 64) with learning disability support living alone or with family
3. Percentage of contacts to adult social care with an outcome of information and advice/signposting
4. Percentage of conversion of safeguarding concerns to enquiry

We summarise the Council's performance below.

### **Proportion of 65+ at home 91 days after discharge from hospital into reablement services**

The first indicator has enjoyed positive performance during 2021/22 and 2022/23. The Council has consistently exceeded its target of 83% of 65+ hospital discharges within 91 days into reablement services. This demonstrates that a strong proportion of the Council's elderly population are transferring to reablement services and reducing the problems associated with hospital discharge.

It is important to note that the Council did not only outperform its own target of 83% but also sustained a performance above the England comparator of 82% (from 2019/20) for the entirety of 2021/22 and 2022/23 (for data up to Q3). The Council's latest figure for this indicator for Q3 2022/23 stands at 88%.

### **Percentage of working age service users (18 to 64) with learning disability support living alone or with family**

The second indicator represents those of working age with learning disability support who are already users of Council services in some capacity but are able to live independently (either alone or with family). The Council began 2021/22 with this indicator 'at target tolerance' with 49% against a target of 50%.

# Improving economy, efficiency and effectiveness

During 2021/22, the Council was able to marginally exceed the target in Q3 with 51% but otherwise remained at target tolerance for the rest of the year. During 2022/23, the Council reported a slight downward short-term trend with a 46% in Q1 of the year. However, this was swiftly turned around with the Council reporting a dramatic increase in Q2 bringing this indicator to 73% in Q2 and 73% in Q3.

The Council has attributed the increase to data cleansing in the system which has ensures that living situations are properly coded in the system. The figures reported in Q2 are therefore more accurate. The Disability Services have also been reviewing residential packages to ensure they are maximising people's independence and if they have the potential to live independently this is explored and realised. The Council have also had a number of residential home closures which they have counteracted by supporting people to move into supported living. The latest figures bring the Council in line with its England comparator which stands at 77.3% (2019/20).

## **Percentage of contacts to adult social care with an outcome of information and advice/signposting**

With the third indicator the Council has enjoyed relatively stable performance throughout 2021/22 and 2022/23.

The Council remained just below the target of 24% for 2021/22. In 2022/23, the Council exceeded the target in Q2 with 23% and again in Q3 with 25.6% with a greater volume of contacts into services being observed.

The Council have attributed this increase to the incorporation of manual data due to local authorities not recognizing a case notification and when reporting only counting 'new contacts' and therefore discounting when someone is already known to adult social care.

The jump therefore reflects the true picture of the number of contacts made with an outcome of information/advice and signposting.

## **Percentage of conversion of safeguarding concerns to enquiry**

The fourth indicator comes under the 'Dudley the safe and healthy borough' vision of the Council plan.

The Council set the target of 20% but have consistently exceeded this target by reporting well under the threshold for all 2021/22 and up until Q3 of 2022/23. The Council are also outperforming the England comparator of 37% (19/20) by a sizeable margin (at 8% in Q3 of 22/23).

Overall, performance in adult social care based on these four indicators appears to be strong. The Council have been able to maintain this strong performance for the past two financial years demonstrating an element of stability in service delivery and performance.

## **Other areas**

As part of our work, we considered a wider set of areas.

During 2021/22, domiciliary care proved a key issue as demand was outstripping the available supply. In response the Council introduced a Market Sustainability Fund and an increased rate of pay from 1 April 2023. This has had a positive impact on the authority and recruitment and capacity has grown significantly. In addition, the Council now has an agreement in place with the Black Country Integrated Care Board and Dudley Integrated Health and Care NHS to reinvest into reablement services. This will be fully operational by September 2023. Officers consider that domiciliary care no longer represents a key issue for the directorate.

Our discussions with officers also indicate that capacity for residential care has improved in the market-place. We note that the Council is working with the treasury and Cabinet to consider further investment in homes in the 2023/24 financial year.

Other risks remain to the service:

- Workforce continues to be a challenge as is the case with most local authorities. There are challenges in recruitment, particularly in occupational health and social work. The Council are working with West Midlands employers to explore options for overseas recruitment to tackle some of the challenges.
- Safeguarding is also a key issue for the directorate - the new CQC assurance process started in April 2023. The directorate is working toward its own preparation-based inspection process which involves demonstrating its compliance with key quality statements.

## **Finance**

The adult social care budget delivered a break-even balance for 2021/22. The latest available forecast for 2022/23 showed a slight overspend of £1m against the adult social care budget. The ability to deliver strong levels of performance within the allocated funding suggests that the Council has a financially sustainable delivery model.

However, we note that in April 2023, the Health and Adult Social Care Scrutiny Committee recommended to the Cabinet to refrain from making any additional resource cuts in relation to safeguarding, irrespective of budgetary pressures due to the rise in the number of safeguarding and self-neglect referrals year on year.

# Improving economy, efficiency and effectiveness

## Summary

Adult social care is operating in an increasingly difficult landscape for all local authorities. The performance indicators in the Council Plan relating to adult social care show strong performance from a directorate managing to deliver a sufficient quality service within its financial envelope. Pressures continue in areas such as the cost of care packages, market capacity and workforce. However, the directorate appears to have a firm understanding of these factors and has the appropriate arrangements in place to facilitate improvement where it is necessary.

## Procurement

The procurement function at Dudley Council has experienced significant turnover in senior personnel since 2021/22.

The function has had three heads of procurement since April 2021. This has resulted in instability and inhibited the function's ability to fully invest in determining its strategic direction.

The procurement team published a Procurement Strategy in July 2022. The strategy spans the three-year period from 2022 to 2025 and is centred on findings using the National Procurement Strategy for Local Government 2018 (NPSLG) toolkit. The procurement team at Dudley uses a business partnering approach to fulfil its functional requirements.

The procurement team currently reports on indicators relating to waivers on an annual basis to Audit and Standards Committee. The latest report went to Audit and Standards Committee in March 2023 and outlines the waivers from June 2022 to February 2023. During that period, eight contract waivers were received with a total value of £2,138,187.50.

This level of waivers is not dissimilar to other councils. There are no other procurement indicators reported. We have raised an improvement recommendation relating to the level of reporting. As per the Procurement Strategy, each directorate is accountable for its own procurements and commissioned services, this includes both the contracting and outcome from the services. This can create risk in the process when the service managers are not well versed in procurement activity and are therefore more likely to make errors or decisions that could put value for money at risk. The procurement team therefore function as an advisory and support function to the service managers.

The procurement service can only help with the procurements if they are informed of them by the directorate. There was recently a push at the Council for service areas to add their contracts to the contracts register to ensure procurement have oversight. The procurement function also provided direct training and uploaded the training to the intranet to aid stakeholders. The procurement service are currently exploring the possibilities surrounding linking the finance system and the contracts register to automatically interface contract payments to the contracts register. This, however, seems complicated, costly and time-consuming based on the current systems. The Council therefore appear somewhat limited in their options due to the systems in use.

## Partnerships

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

The Council's partnership approach with business, tourism, education and voluntary sectors has received praise by national government and led to very significant funding opportunities being supported.

Dudley Metropolitan Borough Council is a member of the West Midlands Combined Authority and a full voting rights member. The WMCA is made up of 18 local councils and 1 LEP who work together to support transport requirements, land use, economic opportunities and community support arrangements in the area. During 2021/22, there were seven meetings of the WMCA Board that Dudley sits on and in 2022/23 there were another seven.

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

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

The key benefits from the WMCA for Dudley in 2021/22 include:

- £200m investment into the land remediation fund for the Black Country to bring contaminated brownfield land sites back into use
- Transforming Cities provided funding for the Brierley Hill Metro Extension which will get £208m of the £250m funding available
- New Dudley Interchange Bus Station and highways infrastructure funding
- Dudley Business and Innovation Enterprise Zone DY5
- Funding for the Demolition of Cavendish House to enable the Portersfield Regeneration Development



# Improving economy, efficiency and effectiveness

- Investment for the development of Resonance Music Institute in Brierley Hill
- Development of an Institute of Technology at Dudley College
- Very Light Rail Test Track and Innovation Centre

Dudley is an active partner in the healthcare space, supporting and encouraging coherent commissioning strategies across the NHS, social care, public health and other partners. The Dudley Health and Wellbeing Board deals with the responsibilities of the local authority and the GP consortia for the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment. It is also involved in developing a Joint Health and Wellbeing Strategy.

Overall, we are satisfied that the Council's arrangements for working with key partners are operating effectively and the Council can demonstrate some good outcomes as described above. There may be further opportunities to work with partners to support transformation and drive further efficiency (see our recommendation on page 30).

## Conclusion

We have found a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness due to the failure to meet a minimum core service standard in the Housing directorate. It is important to recognise that the Council self-referred to the Regulator which demonstrates a show of goodwill in terms of a willingness to recognise that it may be underperforming. The Council have also put effort toward abiding by the RoSH's requirements but ultimately it is too soon to tell if the Council will be effective in resolving the recommendations raised by the regulator.

The Council have appropriate arrangements in place with regard to performance reporting. Children's social care is still on an improvement journey but has made promising strides in 2021/22 and 2022/23 towards achieving 'good.' Adult's social care has performed well during the year with respect to the performance indicators in the Council Plan. It also managed to deliver a balanced budget in 21/22 and 22/23. The procurement team is growing and there is room for improvement with regard to reporting. We have reviewed the nature of the KPIs the Council is reporting against and have found no issues. These should be kept under constant review to ensure continued relevance with Council priorities.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 9

The Council must report on a greater suite of procurement indicators to Audit Committee. These indicators should include the value and number of waivers to the Contract Standing Orders. Inclusion of details of patterns including reasons why waivers were raised and directions of travel in terms of plans for reductions of use of waivers will bolster this tracking.

## Audit year

2021/22 and 2022/23

## Why/impact

At present the procurement team reports on waivers to Audit Committee on an annual basis. This reporting is limited and does not provide much detail on the reasons for waivers or plans for reduction of use.

## Management Comments

Recommendation accepted – actions to address will be incorporated into the Improvement and Sustainability Plan.



The range of recommendations that external auditors can make is explained in Appendix C.

# Opinion on the financial statements for 2021/22 and 2022/23



## Audit opinion on the financial statements 2021/22

Our work was substantial complete in March 2023 but was delayed by a national issue with Pensions reporting.

We issued an unqualified opinion in August 2023.

## Preparation of the accounts

The draft statement of accounts was not published until October 2022 and therefore missed the statutory deadline. This was because the Council did not receive a draft valuation report until 16 September and only received a final version in November 2022. This meant the Council could not issue draft accounts until 18 October 2022. We do not consider this is compatible with good governance.

The Council continues to work with its valuers to improve the timeliness of reporting.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Standards Committee in March 2023.

## Issues arising from the accounts:

The accounts were prepared to a good standard together with appropriate working papers available from the start of the audit for most areas.

During the year, the accounting requirements for infrastructure assets changed. As with other councils Dudley did not have sufficient evidence to fully report these balances. The Council therefore applied the revised CIPFA guidance and the temporary statutory override issued by the Department for Levelling Up, Housing and Communities. This allowed the Council to report the infrastructure assets on a net basis.

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

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

There are no significant findings to report.

## Audit opinion on the financial statements 2022/23

Our audit of the 2022/23 financial statements is well underway. We received the accounts at the start of September 2023 and plan to issue an Audit Findings Report to the Audit and Standards Committee in December 2023.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

# Appendices

# Appendix A – Responsibilities of the authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

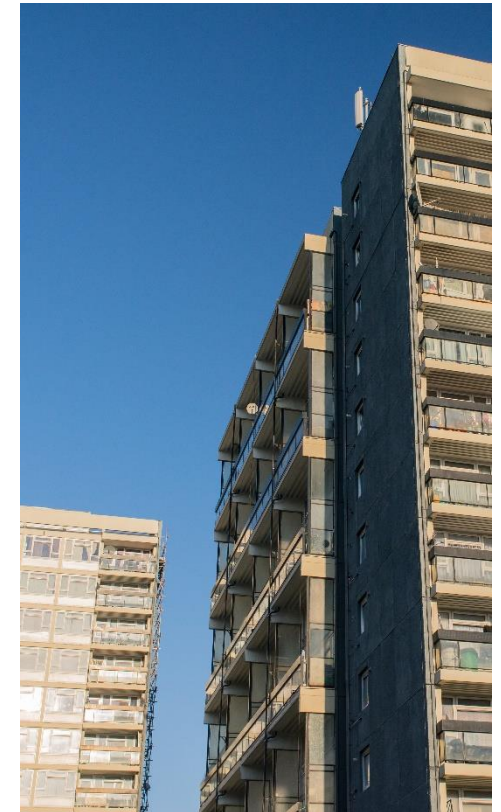
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the authority will no longer be provided.

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



# Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and / or 2022/23	Financial sustainability was not identified as a potential significant weakness, see pages 14 to 20 for more details.	N/A – no risk of potential significant weakness identified	See pages 7 to 17.	Appropriate arrangements in place, six improvement recommendations raised in 21/22 and 22/23.
2021/22 and / or 2022/23	Governance was not identified as a potential significant weakness, see pages 22 to 28 for more details.	N/A – no risk of potential significant weakness identified	See pages 18 to 28.	Appropriate arrangements in place, six improvement recommendations raised in 21/22 and five improvement recommendations in 22/23.
2021/22 and / or 2022/23	Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 33 to 43	N/A – no risk of potential significant weakness identified	See pages 29 to 25.	Significant weakness identified, one key recommendation raised and one improvement recommendation raised in 21/22 and 22/23.

# Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the authority. We have defined these recommendations as ‘key recommendations’.	Yes	9-12
Improvement	These recommendations, if implemented should improve the arrangements in place at the authority but are not a result of identifying significant weaknesses in the authority’s arrangements.	Yes	21, 29-32, 44

# Appendix D – Sources of evidence



## Staff involved

- Cllr Harley, Leader
- Cllr Lowe, Leader of the Opposition
- Kevin O’Keefe, Chief Executive
- Balvinder Heran, Deputy Chief Executive
- Mohammed Farooq, Monitoring Officer
- Iain Newman, Director of Finance
- Rachel Cooper, Head of Financial Services
- Laura Jones-Moore, Finance Manager
- Catherine Ludwig, Finance Manager
- Stacey Carter, Finance Manager
- Matt Bowsher, Director of Adult Social Care
- Kathryn Jones, Director for Housing & Communities
- Ayaz Maqsood, Head of Housing Strategy
- Catherine Driscoll, Director of Children’s Services
- Luisa Fulci, Director of Digital, Customer & Commercial Services
- Helen Martin, Director of Regeneration
- Tim Robbins, Head of Procurement
- Graham Harrison, Head of Audit Services
- Jacqueline Branch, Assistant Director People & Inclusion
- Karen Taylor, Senior Democratic Services Officer
- Clair Blunn, Corporate Performance & Programme Manager



## Documents Reviewed

- Corporate Quarterly Performance Reports 2021/22 and 2022/23
- Council Plan 2022-25
- Cabinet Reports 2021/22 and 2022/23
- Audit Committee Papers 2021/22 and 2022/23
- Letter of Focused Visit to Dudley MBC Children’s Services
- Letter of Joint Area SEND revisit in Dudley
- Annual Governance Statement 20-21
- Directorate Plans 2021/22 and 2022/23
- Capital Programme Monitoring
- Statement of Accounts 2021/22
- Procurement Strategy 2022
- Procurement Improvement Plan 2022
- Corporate Risk Reports
- Members Code of Conduct
- Employee Code of Conduct
- Audit Services Annual Performance Report 2021/22
- Anti-Fraud and Corruption Strategy
- Audit & Standards Annual Report 21/22
- Corporate Procurement Audit Report
- Waiver Record
- Revenue Budget Strategy 21/22
- Treasury Management Strategy
- Revenue Outturn 21/22
- People Strategy
- Budget Reports
- Cash Flow Forecast
- Medium Term Financial Strategy
- Department for Education, Guidance on our intervention work with local authorities October
- Annual Report of the Committee on Standards in Public Life
- Re-appointment of the Standards Sub-Committee
- Risk Management Report
- Code of Corporate Governance 2022
- Whistleblowing Policy
- Dudley MBC Constitution
- Internal Audit Plan Report 22-23
- Internal Audit Plan 23-24
- Annual Overview and Scrutiny Report 2021-22
- Appointments Committee Reports Pack April 2023
- Procurement Team Structure
- Exemptions from the requirement for a competitive procurement process
- Children and Young People 's Plan Update Report



# Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

**NAO** – National Audit Office

**AGS** – annual governance statement

**The Code** - Code of Audit Practice

**SOLACE** – Society of Local Authority Chief Executives

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**VfM** – Value for Money

**AGN** - Auditor Guidance Note

**SMT** – Senior Management Team

**DMBC** – Dudley Metropolitan Borough Council

**RoSH** – Regulator of Social Housing

**DSG** – Dedicated Schools Grant

**DfE** – Department for Education

**MTFS** – medium term financial strategy

**SEB** – Strategic Executive Board

**RAP** – Risk Assurance Protocol

**PSIAS** – Public Sector Internal Audit Standards

**S151** – Section 151

**MIPIM** - Marché International des Professionnels d'Immobilier2

**IMO** – independent monitoring officer

**CPMO** – Corporate Portfolio Management Office

**FAFE** – Forging a Future Executive

**KPI** – key performance indicator

**HR** – human resources

**SLA** – Service Level Agreement

**PMO** – Project Management Office

**FCF** – Family Come First

**SEND** – special educational needs and disabilities

**NPLSG** - National Procurement Strategy for Local Government

**WMHoP** - West Midlands Heads of Procurement

# Appendix E - Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 To urgently review the medium term financial strategy to avoid the current unsustainable reliance on reserves.	Improvement	April 2022	The Section 151 Officer will facilitate the budget decision-making process, continuing to highlight discretionary expenditure and presenting options (including unpopular options) to reduce spending and/or increase income. They will continue to review forecasts of available resources and, where necessary, reiterate advice on budget risks as set out previously in the Section 25 report. This advice will recognise that Dudley is, relative to other councils, a low-taxing, low-spending council with a low level of reserves. The budget process was conducted against a background of political and economic uncertainty, with the Chancellor's Autumn Statement being delayed until 17th November. Officers developed a range of options including options to cease and/or end the subsidy of non-surplus generating discretionary services. Cabinet on 14th December approved a draft budget including a number of challenging savings (e.g. increased joint funding of Adult Social Care, introduction of Family Safeguarding, phased transfer of school catering, review of the libraries contract and radical new Energy from Waste arrangements) gradually restoring reserves over the next three years. The Provisional Local Government Financial Settlement is better than the Section 151 Officer's previous assumptions and the additional funding has mainly been used to address pressures on Children's Services.	There are still risks concerning the reserves balance.	Our savings recommendation in the current year report makes reference to the importance of the delivery of the savings plans with respect to the impact on reserves.
2 To further develop the project management and monitoring of savings and transformation projects.	Improvement	April 2022	The Corporate PMO is now in place and progress has been made to develop a suite of tools and templates to support project managers to manage projects. A PM framework is being drafted, linked to existing processes in procurement, audit, risk and information governance that sets out the formal corporate methodology and consistent approach to project management. The framework will also lead to the develop of a governance structure for reviewing and monitoring business cases and project delivery. The Dudley Project Portal (Verto 365) is being configured as the centralised PM system for all projects and activity, pilot underway in several service areas and wider rollout to commence in February 2023. A project baseline for all major and directorate led projects has been developed alongside a Major Projects Status Update report that will be presented to senior managers and elected members on a 6 weekly basis proving a position statement and delivery against key milestones on all major projects.	Partially	New savings improvement recommendation raised this year.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
3	Ensure that the people strategy is successfully introduced and this aligns to the medium term financial plan.	Improvement	April 2022	The People strategy was approved by Cabinet on 20th July 2022 and a programme has been set up comprised of a number of projects focused on delivery of the strategy. A quarterly update on delivery of the programme is provided to the strategic executive board and monthly updates to the Chief Executive as the sponsor of the programme. The two heads of service for finance and for HR continue to work closely together to ensure the people implications arising from the MTFs are identified and addressed as part of the people strategy work programme.	Yes	No
4	Ensure that the current review of estates delivers the expected environmental and financial benefits whilst meeting future needs of the Council.	Improvement	April 2022	We are in receipt of a draft report from Eddison's.  Review of Corporate Estates is being considered at Future Council Scrutiny in January 2023.	Partially	Yes, complete review of Corporate estates
5	Ensure that there is a robust and realistic plan to reduce the DSG deficit and ensure progress against this is closely monitored.	Improvement	April 2022	DBMC has participated fully in the DfE commissioned Delivering Best Value in SEND programme, provided by Newton Europe and CIPFA. Three modules have been undertaken and completed and formal feedback is expected in February 2023. A request for £1m of DfE funding available to support an action plan is underway.	Partially	New improvement recommendation raised
6	When spending and savings plans are being considered, ensure discretionary spending is clearly differentiated from statutory spending in the financial planning reports underlying the budget and MTFP.	Improvement	April 2022	The public reports to Cabinet and Scrutiny Committees classify additional spending into the following categories: unavoidable cost pressures, elected member priorities and officer recommendations.	Yes	No

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
7	The Council should consider making the post of Monitoring Officer a director appointment.	Improvement	April 2022	The Chief Executive is currently considering a structural change to align the capacity of the senior management team with the ambitions of the authority.	No	Yes – re-instated
8	The Council should investigate why there has been so much turnover of senior officers over recent years and implement recommendations to ensure greater continuity.	Improvement	April 2022	New exit monitoring arrangements have been put in place and the data from this is now regularly reported to directors and SEB as part of the corporate workforce analytics report. A range of initiatives and activities are underway as part of the people strategy programme to improve retention of employees, informed by exit monitoring data.	Yes	No
9	The Council should carry out a review of member behaviour and take action to implement recommendations. This should include enhanced member conduct training and guidance..	Improvement	April 2022	On the 30th June 2022 a report was presented to the Audit and Standards Committee on a review of the operation of the Whistleblowing Policy. A wider review of the Whistleblowing Policy is currently being undertaken, however, any concerns about the behaviour of Members is regulated by the Localism Act 2011 and can only be considered by the Monitoring Officer. The grievance policy and the Council's complaints policy and procedure clarify that a grievance or a complaint in respect of an elected member should be reported to the Monitoring Officer as a standards complaint.	Yes	No
10	The Council should ensure that the governance of the Very Light Railway project is effective and ensure members are provided with regular updates on progress.	Improvement	April 2022	A new CEO has been in place since September 2022 and in addition to the listed reporting lines the CEO meets regularly with the S151 officer. An updated business plan is being prepared and the council (including Leader and Cabinet Member) are fully briefed on progress.	Yes	No

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
11	Improve the integration of financial and non financial information in reporting to Members and other users.	Improvement	April 2022	Consideration of Council Plan priorities formed part of the budget setting process with the inclusion of an additional column to identify which priority any additional budget growth would work to deliver, and which priority areas would be impacted by any budget savings. Key success factors in delivering the Council Plan will be re-designing our services so they deliver an improved customer experience, reduce costs, increase capacity and skills, improve retention and recruitment, see our own carbon footprint reduce as well as ensuring our staff understand their role in delivering and supporting financial sustainability through robust procurement and commercial approaches. These priorities areas were focused on the Future Council Programme and the key enablers of Process, People, Place and Digital.	No	New improvement recommendation raised
12	Ensure robust service plans are produced for all directorates annually.	Improvement	April 2022	The council plan cycle is 3 years with directorate plans being revised annually against the council plan for that year. Currently for 2022/2023 financial year we have a number of key actions and KPI's aligned to the three-year Council Plan for this financial year (2022/2023) and are reported to Our Strategic Board and Scrutiny Committees on a quarterly basis to review and monitor performance. During Jan- March 2023 we will be reviewing and revising the directorate plans, this allows us to be responsive to developing priorities as well as ensuring we are delivering against the current plan. The Corporate Performance Team, co-ordinate and oversee the review of directorate plans, these plans will be reviewed, actions / KPI's agreed and in place for 1st April 2023 to facilitate performance monitoring for the next financial year 2023/2024.	Yes	No
13	Continue to closely monitor the improvements planned in Children's social care	Improvement	April 2022	The Improvement Plan has been implemented and Ofsted undertook an ILACS inspection in November 2022. This resulted in a Requires Improvement to be Good judgement. The DfE will complete a further review on 19/1/23 which will recommend an ending of Support and Supervision arrangements due to confidence in the current leadership team and trajectory of improvement.	Yes	No
14	Ensure the findings of the current catering review are implemented.	Improvement	April 2022	The future of the catering service was subject to in-depth consideration as part of the current MTFS process.  The decision has been taken to manage a phased transfer of the service over the next 2 years.	Yes	No

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
15	Ensure that preparations are made to secure waste disposal arrangements at the end of the existing PFI contract.	Improvement	April 2022	Good progress has been made following a procurement process through the summer of 2022, culminating in the award of a new O & M contract. Officers are now working with the new contractor to implement their mobilisation plan. Furthermore, separate arrangements are being put in place to allow the Council to sell the electricity it generates. Significant savings in 2023/4 are anticipated compared to the existing contractual position.	Yes	No
16	Monitor that the current changes to procurement arrangements deliver the expected benefits.	Improvement	April 2022	<p>Each quarter we report on the following KPIs to monitor progress against this recommendation:</p> <ul style="list-style-type: none"> <li>• % of savings against the total budget spend for each quarter. We agreed with the Strategic Executive Board what constitutes a procurement saving, a target saving, and how we calculate this. We have overachieved against the target consistently in 2022/23</li> <li>• % of contract spend in West Midlands and Number of Market Engagements. These two KPIs assess the extent to which we promote and enable local buying</li> <li>• % of contracts that include social value</li> </ul> <p>The Director and Head of Service recently restructured the procurement team to enable it to better work alongside service areas and to more proactively engage them.</p> <p>The new Head of Service introduced a new pipeline planner with a focus on planning procurement exercises for the future to allow procurement adequate time engage with service areas and deliver on the council's objectives.</p>	Yes	Procurement related improvement recommendation raised this year

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
17	Centrally monitor the use and reasons for single tenders and report this regularly to Audit and Standards Committee.	Improvement	April 2022	We have made progress on these recommendations through various initiatives: <ul style="list-style-type: none"> <li>We updated the Procurement Code making it much easier for staff to understand the regulations specifically around waivers. Staff can now easily see the circumstances that allow for direct award.</li> <li>To change behaviour and address the root cause of waivers, we started the training programme and have trained 186 people to date.</li> <li>In addition, the Deputy Chief Executive has carried out meetings with all the heads of service and senior managers re-enforcing the need for contracts to be included in the contract register and the value of tendering for contracts</li> <li>Both actions have resulted in an increase in staff discussing tender projects with the central procurement team and this is helping ensure staff follow the correct process</li> <li>In October 2022 we appointed 2 Procurement Business Partners and have a third senior procurement manager on a contract. The Business Partners will develop the category plans for their respective areas. At present they are heavily involved in carrying out tender projects.</li> <li>We have developed a new pipeline to better plan procurement activity in advance mitigating waivers that will help mitigate the requirement for waivers.</li> <li>The procurement team captures approved waivers on a spreadsheet.</li> </ul>	No	Procurement related improvement recommendation raised this year
18	Carry out a review of the property valuation team and implement its findings.	Improvement	April 2022	Restructure completed. Review of Corporate Landlord structure undertaken and although there has been significant turn over and a reliance on agency staff to fill posts the changes have been positive. Once full establishment is achieved again in the new year the speed/timeliness of response will improve.  Two temporary surveyors have been engaged within Economic Skills and Growth to cover a long-term sickness absence. The substantive post holder is on a phased return and to ensure continuity on key regeneration projects the 2-agency staff will be retained until at least the end of March 2023.	Yes	No





## **Audit and Standards Committee – 18<sup>th</sup> December 2023**

### **Report of the Director of Finance and Legal Services**

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

##### **Purpose of report**

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

##### **Recommendations**

2. It is recommended that:-
  - the committee considers the Audit Findings Report 2022/23 (Appendix 1)
  - the Committee considers the Letter of Representation (Appendix 2)
  - the Committee authorises the Chair to sign and date the final version of the Letter of Representation.

##### **Background**

3. The Council has delegated the responsibility for the approval of the Statement of Accounts and all audit matters, to the Audit and Standards Committee.
4. The Audit Findings report presents the observations arising from the audit of the 2022/23 accounts which the auditor deems significant to those charged with the governance to oversee the financial reporting process.
5. Towards the end of each audit of the annual accounts, the Director of Finance and Legal Services provides a management representation letter (sometimes known as a letter of comfort), confirming the completeness and reliability of the information and records supplied to the auditors. The external auditors request that this letter should also be signed by the Chair

of Audit and Standards Committee, to evidence Member's acknowledgement of responsibility for financial management. A draft of this letter is attached as Appendix 2.

### **Finance**

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

### **Law**

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

### **Risk Management**

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

### **Equality Impact**

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

### **Human Resources/Organisational Development**

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

### **Commercial/Procurement**

11. There are no implications associated with this report.

### **Environment/Climate Change**

12. There are no direct environmental implications impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030.

### **Council Priorities and Projects**

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



**Iain Newman**  
**Director of Finance and Legal Services**

Report Author: Rachel Cooper  
Telephone: 01384 814844  
Email: [Rachel.cooper@dudley.gov.uk](mailto:Rachel.cooper@dudley.gov.uk)

**List of Appendices**

Appendix 1 – Audit Findings for Dudley MBC  
Appendix 2 – Draft Letter or Representation

# Audit Findings Report

Dudley Metropolitan Borough  
Council

Year ended 31 March 2023



# Contents



## Your key Grant Thornton team members are:

### Andrew Smith

Key Audit Partner

T 0161 953 6472

E [andrew.j.smith@uk.gt.com](mailto:andrew.j.smith@uk.gt.com)

### Terry Tobin

Senior Audit Manager

T 0121 232 5276

E [terry.p.tobin@uk.gt.com](mailto:terry.p.tobin@uk.gt.com)

### Francesca Hitchman

Assistant Manager

T 0121 232 5345

E [francesca.hitchman@uk.gt.com](mailto:francesca.hitchman@uk.gt.com)

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

Andrew Smith

**For Grant Thornton UK LLP**

6 December 2023

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

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dudley Borough Council's ('the Council') financial statements for the year ended 31 March 2023 for those charged with governance.

## Financial Statements

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

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

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

Our audit work is being carried out between September 2023 and December 2023. The draft statement of accounts was not published until 19 September 2023 and therefore missed the statutory deadline. This was because the Council received its draft valuation report late from one of its external valuers and only received a final version on 28<sup>th</sup> November 2023. As discussed in previous years, we do not consider this is compatible with good governance with regards to the Council's financial reporting duties.

We have identified four audit misstatements in the draft accounts:

- During the audit, the Council requested an assessment (IFRIC 14) on the extent it should recognise a defined benefit pension surplus in its balance sheet and was advised by its actuary to restrict the asset to zero. This was originally shown in the draft accounts as an £9.8m net pension asset.
- When reconciling the valuations report to the fixed asset register a £11,533,000 adjustment was identified to reduce the balance of Council Dwellings in the balance sheet. The Council has also adjusted this same amount through surplus of revaluation, other comprehensive income and expenditure in the Comprehensive Income and Expenditure Statement.
- An insurance prepayment of £3.8m was processed incorrectly to the creditors balance sheet. This impacted the balance sheet only. The entries made to correct this were to increase both trade creditors and short-term debtors (payments in advance) by £3.8m.
- The balance sheet nets of cash and overdraft. This is possible only if there is a legally enforceable right of set off and the authority intends to settle on a net basis. We do not believe that to be the case. Whilst this has a nil net impact on the balance sheet, the correction of this led to an increase to both current assets and current liability by £8,644,000.

We have also raised three audit recommendations for management as a result of our audit work in Appendix A.

There are some areas outstanding on the audit which are set out on page 5. Subject to these being resolved satisfactorily, we anticipate issuing an unqualified audit opinion on the Council's accounts.

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

# 1. Headlines

## Value for Money (VFM) arrangements

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

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

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

We have not yet completed our VFM work and so are yet not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report in December. This is in line with the National Audit Office's revised deadline. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of financial sustainability, member-officer relationships and council housing. We have performed further procedures in respect of these risks. An update on this is set out in the value for money arrangements section of this report (Section 3).

## Statutory duties

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

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

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

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

## Significant Matters

We encountered significant difficulties in obtaining some key reports from the Council's land and buildings external valuer.. This related to the valuation report, calculation sheets and support for assumptions used.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their very good support in working with us so constructively.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. We are pleased to say that we have not seen this at this Council.

However, we have noted an increasing trend to fund expenditure deficits from reserves. Therefore, we remain concerned about the Council's financial sustainability unless action is taken to reduce net expenditure and rebuild reserves.

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## 2. Financial Statements

### Overview of the scope of our audit

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

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

### Audit approach

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

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

We have not had to alter our audit plan.

### Conclusion

Our audit is still on-going and the following items are still outstanding;

- receipt and review of the IAS 19 assurance report from the Pension Fund auditor;
- review of work on PPE and PFI
- receipt of a signed letter of representation; and
- review of amended accounts.

Our work in this area was significantly delayed again this year as we awaited key information to conclude our work. The Council received its draft valuation report late again (the final report was received on 28<sup>th</sup> November 2023) which meant the Council could not publish draft accounts until 19 September 2023. This meant the Council missed the statutory deadline. Subsequently there were significant delays in obtaining evidence from the valuers to support a sample of the valuations and some is still outstanding. This remains an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years.

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

## 2. Financial Statements



### Our approach to materiality

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

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

### £ Qualitative factors considered

#### Materiality for the financial statements

11.3m We determined materiality for the audit of the Council's financial statements as a whole to be £11.3m, which is based on 1.5% of the Council's gross operating expenses in 2021/22.

#### Performance materiality

8.4m We used a lower level of materiality, to determine the extent of our testing. We set this at 75% of financial statement materiality.

#### Trivial matters

560k We determined the threshold at which we would communicate misstatements to the Audit and Standards Committee at £560,000 (5% of financial statement materiality)

#### Materiality for senior officer remuneration

Nil We have set a qualitative level of materiality for senior manager remuneration disclosures because we believe these disclosures are of specific interest to the reader of the accounts. Therefore, we will consider all misstatements by their nature.



## 2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>There were no significant issues identified from our testing of journals.</p> <p>We noted in the previous year's audit findings report that there was not a formal process for the routine authorisation of journals and we concluded that the lack of authorisation processes exposed the Council to the risk of fraud and error. We are pleased to report that during 2022/23 the Council has put in an authorisation process for all manual journals over £10,000. However, because this was in place for only part of 2022/23, we deemed that the risk remained higher (a medium risk) and carried out more testing.</p>
<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>In addition, we completed our understanding of the processes and controls surrounding COVID-19 grant income and determined that this can also be rebutted.</p> <p>Therefore, we do not consider this to be a significant risk for the Council.</p>

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of PPE (including land and buildings and council dwellings)

The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

The Council owns around 21,069 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged an external valuer to complete the valuation of these properties

We focused our audit attention on that have large and unusual changes and / or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration. The risk was pinpointed as part of our final accounts work, after we have understood the population of assets revalued

## Commentary

### Auditor commentary

We:

- evaluated management's processes and controls for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable
- tested a selection of other assets revaluations made during the year to see if they had been input correctly into the Council's asset register, revaluation reserve, and Statement of Comprehensive Income.; and
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
- engaged our own valuer to assess the instructions to the Council's valuer, the valuer's report and the assumptions that underpin the valuation.
- for all assets not formally revalued or revalued on a desktop/indexation basis only, evaluated the judgement made by management or others in determination of current value of these assets
- tested a sample of beacon council houses.

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

Our work on land and buildings was significantly delayed again this year as we awaited key information to conclude our work. The Council received its draft valuation report late again (the final report was provided on 28<sup>th</sup> November 2023) which meant the Council could not publish draft accounts until 19<sup>th</sup> September 2023. This meant the Council missed the statutory deadline. Subsequently there were significant delays in obtaining evidence from the valuers to support a sample of the valuations and some is still outstanding. This remains an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years.

Audit work on land and buildings is not currently fully completed. When reconciling the valuations report to the fixed asset register a £11,533,000 adjustment was identified to reduce the balance of Council Dwellings in the balance sheet. The Council has also adjusted this same amount through surplus of revaluation, other comprehensive income and expenditure in the Comprehensive Income and Expenditure Statement

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

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

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

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

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

## Auditor commentary

Our audit work included, but was not restricted to:

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

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

During the audit, the Council requested an assessment (IFRIC 14) on the extent it should recognise a defined benefit pension surplus in its balance sheet and was advised by its actuary to restrict the asset to zero. This was originally shown in the draft accounts as an £9.8m asset

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant audit risks

## Risks identified in our Audit Plan

### Risk of fraud in expenditure

Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.

Having considered the risk of improper recognition of expenditure at Dudley Metropolitan Borough Council we are satisfied that this is not a significant risk for the same reasons set out above.

## Auditor commentary

Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's expenditure streams, as they are material. We will:

- Update our understanding of the Council's business processes associated with accounting for expenditure
- Agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence
- Evaluate the Council's accounting policies for recognition of expenditure and compliance with the CIPFA Code

We designed tests to address the risk that expenditure has been misstated by not being recognised in the correct financial year.

There were no significant findings from this work.

## 2. Financial Statements - other risks

### Risks identified in our Audit Plan

### Commentary

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

Infrastructure assets includes roads, highways and streetlighting. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:

- The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.
- The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.



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

We have:





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

We have completed the work as set out above. The Council does not derecognise Infrastructure assets on replacement. This is a national issue and, as set out on page 4, the Department for Levelling Up, Housing & Communities (DLUHC) has drawn up a Statutory Instrument which came into force on 25 December 2022. The Statutory Instrument, together with updates to the CIPFA Code, has resolved the audit challenges related to infrastructure asset balances.

## 2. Financial statements – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for credit losses	The Council estimate the balance of debtors which are unlikely to be received post year-end and create a provision to allow for the expected losses.	The Council has made a provision for credit losses on debtor balances at year end. The Council's estimate is based on the likelihood of receipt of income on the different income streams. The Council's provision follows a similar basis to the previous year and overall, we are satisfied with the approach taken and that the provision is not materially misstated.	 Green
Land and Buildings – Council Housing -	The Council owns around 21,069 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged an external valuer to complete the valuation of these properties.	We challenged the basis for this valuation and whether it meets the Code requirements. This included comparison to external housing valuation indices. When reconciling the valuations report to the fixed asset register a £11,533,000 adjustment was identified to reduce the balance of Council Dwellings in the balance sheet. The Council has also adjusted this same amount through surplus of revaluation, other comprehensive income and expenditure in the Comprehensive Income and Expenditure Statement	 Red

### Assessment


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



# 2. Financial statements – key judgements and estimates

Key estimate	Summary of management's policy	Audit Comments	Assessment
Other land and buildings	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2023 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.	<p>Our work in this area was significantly delayed again this year as we awaited key information to conclude our work. The Council received its draft valuation report late again (the final report was received on 28<sup>th</sup> November 2023) which meant the Council could not publish draft accounts until 19th September 2023. This meant the Council missed the statutory deadline. Subsequently there were significant delays in obtaining evidence from the valuers to support a sample of the valuations and some is still outstanding. This remains an area of concern for us and we consider that this reflects poorly on the governance of the Council. Urgent action is needed to resolve this issue and to strengthen controls in this area for future years. This work is still in progress.</p> <p>The Council's general fund valuer, Bruton Knowles, has not valued nearly £22m of other land and building assets in the year. Management have completed an assessment of the potential movement in asset values since the dates these assets were last valued and estimated this to be immaterial (£2.48M) Our own estimate was very similar.(£2.42m)</p>	TBC

# 2. Financial statements – key judgements and estimates

Key estimate	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability	<p>The Council uses Hymans to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>PwC were engaged by the NAO as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2023.</p> <p>We use this report to inform our assessment of the valuation of the pension fund liability in the Authority's accounts. We have compared the assumptions used by the Authority's actuary against industry benchmarks. Based on the work performed we are able to conclude that management's assumptions overall are reasonable.</p>	 Amber																								
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.95% to 3.00% p.a.</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Salary growth</td> <td>3.95%</td> <td>0.5-2.5% above CPI ranges of 3.45%-5.45 % p.a</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Retiring today:: Males: 21.0 years Retiring in 20 years: after CMI 2020 update: Males: 21.6 years</td> <td>Male Pensioners: 20.1 – 22.7 Non-pensioners: 21.4 – 24.3</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Retiring today: Females: 24.0 years Retiring in 20 years: after CMI 2020 update: Females: 25.3 years</td> <td>Females: Pensioners: 22.9 – 24.9 Non-pensioners: 24.8 – 26.7</td> <td style="text-align: center;">●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	2.95%	2.95% to 3.00% p.a.	●	Salary growth	3.95%	0.5-2.5% above CPI ranges of 3.45%-5.45 % p.a	●	Life expectancy – Males currently aged 45 / 65	Retiring today:: Males: 21.0 years Retiring in 20 years: after CMI 2020 update: Males: 21.6 years	Male Pensioners: 20.1 – 22.7 Non-pensioners: 21.4 – 24.3	●	Life expectancy – Females currently aged 45 / 65	Retiring today: Females: 24.0 years Retiring in 20 years: after CMI 2020 update: Females: 25.3 years	Females: Pensioners: 22.9 – 24.9 Non-pensioners: 24.8 – 26.7	●	
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## 2. Financial statements – key judgements and estimates

Key estimate	Summary of management's policy	Audit Comments	Assessment
Net pension liability		<p>We have also reviewed the:</p> <ul style="list-style-type: none"> <li>• completeness and accuracy of the underlying information used to determine the estimate</li> <li>• reasonableness of the Authority's share of LGPS pension assets.</li> <li>• reasonableness of increase/decrease in estimate</li> <li>• adequacy of disclosure of estimate in the financial statements</li> </ul> <p>During the audit, the Council requested an assessment (IFRIC 14) on the extent it should recognise a defined benefit pension surplus in its balance sheet and was advised by its actuary to restrict the asset to zero. This was shown in the draft accounts as an £9.8m asset. Management has agreed to adjust for this.</p>	<p style="text-align: center;">● Amber</p>

### Assessment

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

## 2. Financial statements – key judgements and estimates

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

### Assessment

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

## 2. Financial Statements - other communication requirements

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

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

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to third party banks and other financial institutions and a number of other local authorities. This permission was granted and the requests were sent. Of these requests all were returned with positive confirmations.</p> <p>There are a number of third party balances where it is more efficient to undertake alternative procedures, including long term debt with the PWLB where we received central notification of the balances and temporary borrowing where the cash had been repaid before the audit commenced.</p>
Accounting practices	<p>Our review found no material omissions in the financial statements but there were some areas where there was not full compliance.</p> <p>Note 35: Assumptions Made About the Future, and Other Major Sources of Estimation Uncertainty does not fully comply with the Code in reporting on uncertainty including the requirement to include a sensitivity analysis for all assumptions noted.</p>
Audit evidence and explanations/ significant difficulties	<p>Most information and explanations requested from management was provided promptly in carrying out the audit. One significant difficulty we experienced was in obtaining information from the Council's valuer. This is the second year that this has occurred. In addition, the detailed transaction listings we were given for several accounts balances from which we initially select samples to test contained a large number of unexplained contra entries (e.g. debit balances in a creditor balances listings). This created additional work for both council officers and auditors .</p>

## 2. Financial Statements - other communication requirements



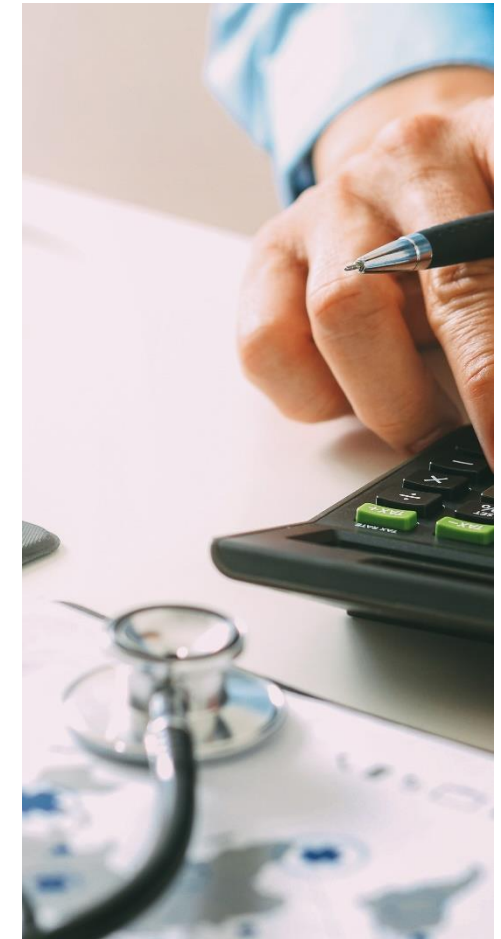
### Our responsibility

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

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

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out limited specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We will send the consolidation return to the NAO when the audit opinion is issued.</p>
<b>Certification of the closure of the audit</b>	<p>We expect to certify the closure of the 2022/23 audit of <b>the Council</b> in the audit report, as detailed in Appendix E, upon completion of our work on the accounts.</p>





# 3. Value for Money arrangements

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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



## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# 3. VFM - our procedures and conclusions

We have not completed our work on VFM and so are not in a position to issue our Auditor's Annual Report. We plan to issue our Auditor's Annual Report in December 2023.

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

Risk of significant weakness	Work performed to date
<p>Our last AAR in 2020/21 noted the Council did not have a fully worked up plan to address the underlying deficit. The Council continues to rely on the use of reserves rather than implementing transformation, savings, or income generation plans. Reserves have reduced to a level where the Council may find it difficult to manage an unexpected variance in expenditure or income. The un-ringfenced GF reserve is planned to fall to £10m at 31/3/2025. The Council's DSG deficit continues to increase at a rate of about £6m p/a despite the actions of Council. Members need to support officers in setting a balanced budget, identifying new sources of income, delivering savings plans, and identifying service transformation. Due to the inherent uncertainty, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.</p>	<p>Work performed to date:</p> <ul style="list-style-type: none"> <li>We have held a number of meetings with key officers of the Council, including the Chief Executive and s151 officer.</li> <li>We have reviewed budget reports presented to members of both the Cabinet and the Council.</li> <li>We have reviewed the going concern assessment provided by management in relation to the 2022/23 financial statements.</li> </ul> <p>This work is still in progress. We plan to report the findings of this work in our Auditors Annual Report in December 2023.</p>
<p>In April 2023, the Regulator of Social Housing published a regulatory notice concluding that Dudley Council had breached the Home Standard and a result there was the potential for serious detriment to tenants. The regulator confirmed that the Council did not meet a range of health and safety requirements in thousands of its tenants' homes. The Council failed to carry out:</p> <ul style="list-style-type: none"> <li>8,000 remedial fire safety actions</li> <li>500 annual asbestos safety inspections</li> <li>4,000 homes had not had an electrical inspection in the past 10 years</li> <li>Over 300 homes had overdue gas safety inspections</li> </ul>	<p>Work performed to date</p> <ul style="list-style-type: none"> <li>We have held a number of meetings with key officers of the Council.</li> <li>We have reviewed reports setting out issues and progress to date.</li> </ul> <p>This work is still in progress. We plan to report the findings of this work in our Auditors Annual Report in December 2023.</p>
<p>Due to the discovery of a failure to meet minimum standards in a core service, we have identified a significant weakness in the Council's arrangements to achieve value for money in this regard. The Council has failed to manage its service delivery obligations and therefore failed to achieve economy, efficiency and effectiveness. We therefore consider this a risk of significant weakness.</p>	

# 3. VFM - our procedures and conclusions(continued)

## Risk of significant weakness

As part of our 2020/21 value for money work, we identified concerns about the relationship between members and officers at the Council. During this year, we noted several instances of inappropriate member behaviour towards officers, which raised concerns about the wider culture of the council. Our conversations with officers, the Leader, and Leader of the Opposition indicated that this is not an isolated issue, but rather a systemic problem that needs to be addressed.

We found that officer and member relationships are not strong, and there is a lack of respect shown to officers. This is due, in part, to a lack of understanding among members about the roles and responsibilities of officers, and a lack of clarity about the boundaries between the two. We consider this to be a risk of significant weakness in the Council's governance arrangements.

## Work performed to date

Work performed to date:

- We have identified and investigated a number of examples of inappropriate behaviour during the year
- We have held a number of meetings with key officers, the Leader and the Leader of the Opposition to seek their views on the state of officer / member relationships

This work is still in progress. We plan to report the findings of this work in our Auditors Annual Report in December 2023.

## 4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

### Transparency

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

# 4. Independence and ethics

## Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
<b>Certification of Housing capital receipts grant</b>	£5,000 (2021/22)  £7,500 (2022/23)	Self-Interest (because this is a recurring fee)   Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
<b>Certification of Teachers Pension Return</b>	£10,000 (2022/23)  £7,500 (2021/22)	Self-Interest (because this is a recurring fee)   Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
<b>Certification of Housing Benefit Claim</b>	£TBC (2022/23)  £19,900 (2021/22)	Self-Interest (because this is a recurring fee)   Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
<b>Certification of Homes England return</b>	£5,500 (2022/23)  £5,500 (2021/22)	Self-Interest (because this is a recurring fee)   Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# 5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We have considered whether the ethical outcomes required by the overarching principles and supporting ethical provisions of the FRC Ethical Standard have been met by both the relevant requirements and with reference to the perspective of an objective, reasonable and informed third party. This assessment has also considered the matters reported above individually and in aggregate.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices

# A. Communication of audit matters to those charged with governance

<b>Our communication plan</b>	<b>Audit Plan</b>	<b>Audit Findings</b>
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.



# A. Action plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
High	There was a significant delay in obtaining the valuation report for property plant and equipment as at 31 March 2023 from the Council's external valuation team. As a result, the Council missed the statutory deadline for publishing a draft statement of accounts. There was subsequently a delay in obtaining evidence to support the sample of valuations chosen.	Urgent action is needed to resolve this issue and to ensure that key documents supporting land and buildings valuations are available in future from start of final accounts audit and are accurate. We consider that the Council should undertake a review of the valuation process and determine how it can resolve the current delays.  Management response-Management are aware of the issues raised and a review of the valuation process will be undertaken to ensure that the current issues are resolved. (Corporate Landlord Services)
Medium	There were significant delays in obtaining information from the IT team in relation to IT controls which was required for the new auditing standard this year (ISA315)	Ensure information on IT control processes is made available for audit on a timely basis.  Management response-Management are aware of the issues raised and steps are being taken to ensure that resources are deployed effectively to enable timely responses. (Technology, Systems and Services)
Medium	We have noted that reporting from the finance system still includes large balances of debit and credit items that are not stripped from the population for testing. This continues to produce much larger sample sizes for testing than we would expect for a Council of this type and therefore takes more time on both the part of council staff and auditors. This has been raised previously with both officers and members, particularly in light of the impact it has on audit work. In addition, when some sample evidence was received it was initially inadequate.	Ensure breakdowns of accounts balances provided for audit only contain genuine balances and all evidence supporting samples selected is of a reasonable quality.  Management response-Management are aware of the issues raised and a review of the transactional detail will be undertaken along with relevant training.(Financial Services)
Low	As asset valuations are used for financial accounting purposes it is usual for the Finance department to compile the outline requirements of the instruction to the Valuer. In turn the Valuer must prepare a written Terms of Engagement document to set out the terms of how these instructions will be met. This is a mandatory requirement of the RICS Valuation – Global Standards. For both portfolios, we have been provided with the Contract / Framework Agreement documents. We understand that the current Valuers are instructed further to an open tender process. For the General Fund, we understand that no formal 'terms of engagement' document are issued annually from the Valuer and that instead this element is covered by this overriding valuation agreement. There is a formal 'terms of engagement' for the HRA which supplements the information covered by the overriding valuation agreement.	Ensure a formal terms of engagement is provided annually by all valuers.  Management response-Management are aware the issue and all valuers will be requested to provide formal terms of engagement annually.(Corporate Landlord)

#### Controls

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

# C. Audit Adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total comprehensive income and expenditure £'000
<b>IFRIC 14 – Net pension asset</b>			
During the audit, the Council requested an assessment (IFRIC 14) on the extent it should recognise a defined benefit pension surplus in its balance sheet and was advised by its actuary to restrict the asset to zero. This was shown in the draft accounts as an £9.774m asset	9,774	9,774	9,774
<b>Bank overdraft</b>			
The balance sheet nets of cash and overdraft. This is possible only if there is a legally enforceable right of set off and the authority intends to settle on a net basis. We do not believe that to be the case. Whilst this has a nil net impact on the balance sheet, the correction of this led to an increase to both current assets and current liability by £8,644,000. The balance sheet now shows cash and cash equivalents as both current asset and current liability.	0	0 Increases cash and bank overdraft by £8,644	0
<b>Insurance prepayment</b>			
Our testing has identified £3.8m of paid insurance costs relating to 2023/24 has been accounted for within Short-Term Creditors. The balance should have been accounted for as a prepayment and classified as a Short-Term Debtor. The impact of this is that both identified balances are understated. The audit team has completed an extrapolation of the error identified, the extrapolation totals £6.6m. The Council has agreed to adjust for the factual misstatement (£3.8m) and the residual estimated error will not be adjusted for as it is auditor estimate (£2.8m). We note there is no impact to the CIES and it only impacts the balance sheet and related disclosure notes.	0	0 Increases debtors and creditors by £3,800	0
<b>Property, Plant &amp; Equipment- Council Dwellings</b>			
When reconciling the valuations report to the fixed asset register a total of £11,533,000 adjustment was identified to reduce the balance of Council Dwellings in Note 17 and also the balance sheet. The Council has also adjusted the amount through surplus of revaluation, other comprehensive income and expenditure.	11,533	(11,533)	11,533

# C. Audit Adjustments

## Misclassification and disclosure changes

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

Disclosure omission	Details	Adjusted
Various	A number of typographical, presentational, grammatical and numerical adjustments and additions were completed to the financial statements to improve the readability and understandability of disclosures and to ensure that they are in line with the current International Financial Reporting Standards.	✓
Various	The Council has changed their directorate during 2022/23. This has resulted in a restatement of the 2021/22 comparatives in the CIES, Expenditure & Funding Analysis and Segmental Reporting Disclosure. The restatement is not material, the largest adjustment being around £4.4m and was therefore technically not required. We note that the restatement is adequately disclosed and the adjustment does not impact the subtotals and totals within the primary statements	✓
Note 17	The Council agreed to make a disclosure relating to useful economic lives of 3 vehicle plant and equipment assets which fell outside of stated policy of 5-20 years.	✓
Collection Fund	Following CIPFA guidance on the subject the council amended the comparatives to take account that Enterprise Zone balances should have been taken to the CFAA rather than retained in the Collection Fund note. The total restatement is £11k to the opening balances.	✓
Critical Judgements Note-	The reference to Dudley CCG to be updated to NHS Black Country ICB.	✓
Audit fees note	Changes were required to update the audit fees note including grant claims fees.	✓
Financial instruments	There was one difference in the value of Birmingham Airport Shares (Note 39) value reported as per Note 19 which is 32,302,000 does not agree to Note 39 i.e. £30,550,000 which is a difference of £1,752,000. Note 19 was correct.	✓

# C. Audit Adjustments (continued)

Disclosure omission	Details	Adjusted
Note 10	The payroll band £60,000 - £64,999 for non-schools was understated by one staff member in the financial statements.	✓
Estimation uncertainty	We recommended the Council include OLB revaluations in this disclosure given the material balance of the accounts and sensitivity of underpinning assumptions. The Council has agreed to include the narrative but is not planning to provide a sensitivity analysis and therefore the disclosure is not fully code compliant.	X
IFRIC 14-net pensions benefit	A disclosure was required to be added regarding the reporting of any limitation on the net defined benefit asset should. This needed to explain why the pension surplus reported under IAS 19 is not fully realisable by the authority in the form of either refunds or reduction in employer's contributions so that the users of the accounts and other stakeholders can understand why the net defined pension benefit asset (if any) is limited to the economic benefits realisable by the authority and what 'realisable' might mean in this context.	✓
NIL net book value assets	In 2021/22 we recommended that the Council review fully depreciated assets for existence and complete a housekeeping exercises on its Fixed Asset Register. During this audit we identified £40m of fully depreciated Vehicles Plant and Equipment assets included in Note 17. The Council has now completed a review of assets and has derecognised £14m of aged ICT assets. The residual balance of fully depreciated assets post the adjustment is therefore £26m. We recommend the Council continue to identify fully depreciated assets for derecognition in 2023/24. The adjustment does not impact the balance sheet or CIES as the assets have a nil net book value. The adjustment only impacts Note 17 where the disposals line for both gross cost and depreciation will increase by £14m and does not impact the Balance Sheet or CIES.	✓
Estimates and judgements -PFI (Paragon Schools) disclosure	The Council is required to disclose the future unitary payments (split into service charges, repayment of Liability, and finance costs) for the life of the schemes. For the Paragon Schools PFI disclosure, we identified differences between the model used by the Council and our own model which were over a trivial amount. The differences were across the split of the unitary payment (service charge, liability and finance costs) and total value. The total difference in the next year was only £14,000, in the future years 2 to 5 this was £1,168,000 and in the following five years £3,742,000. This was a total difference of £4,925,000. For Paragon schools, there was a £1.19m difference in unitary charge/expenditure in 2022/23 between our model and the Council's model, but there no variance in the outstanding liability Officers consider that their model is appropriate and have not adjusted for this.	X

# C. Audit Adjustments



## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Council's general fund valuer, Bruton Knowles, has not valued nearly £22m of other land and building assets in the year. Management have completed an assessment of the potential movement in asset values since the dates these assets were last valued and estimated this to be immaterial (£2.48M) Our own estimate was very similar. (£2.42m) The asset was understated in the draft accounts.	2,420	2,420	2,420	Not material
Our testing has identified £3.8m of paid insurance costs relating to 2023/24 has been accounted for within Short-Term Creditors. The balance should have been accounted for as a prepayment and classified as a Short-Term Debtor. The impact of this is that both identified balances are understated. The audit team has completed an extrapolation of the error identified, the extrapolation totals £8m. The Council has agreed to adjust for the factual misstatement (£3.8m) and the residual estimated error will not be adjusted for as it is auditor estimate (£4.2m). We note there is no impact to the CIES and it only impacts the balance sheet and related disclosure notes.	0	4,200 increase in both debtors and creditors.	0	Not material and extrapolation
In testing the higher risk (SCOT +) sample we identified an extrapolated overstatement of valuation totalling £1.745m. This related to isolated calculation issues and variances in external site area measurements used by the valuer and the plans provided by the Council.	1,745	1,745	1745	Not material and extrapolation

# D. Fees

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

<b>Audit fees</b>	<b>Proposed fee(£)</b>	<b>Final fee(£)</b>
Council Audit	184,506	195,506
<b>Total audit fees (excluding VAT)</b>	<b>184,506</b>	<b>195,506</b>

Nationally we have revised fees charged by grants to reflect the actual time it takes to complete this work.

The additional audit fee was incurred due to additional work on IFRIC 14 and other issues (namely PPE, additional samples and quality of sample evidence).

<b>Non-audit fees for other services</b>	<b>2021/22 (£)</b>	<b>2022/23 Proposed fee (£)</b>	<b>2022/23 Final fee (£)</b>
Audit Related Services – Housing Benefits assurance	19,900	TBC	TBC
Audit Related Services – Teacher’s Pensions certification	7,500	10,000	TBC
Audit related - Capital Receipts return	5,000	7,500	TBC
Audit related – Homes England	5,500	5,500	TBC

# Audit fees – detailed analysis

Scale fee published by PSAA 2019	£116,246
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£10,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Local Risk Factors	£16,000
Increased audit requirements of revised ISAs 315 / 240	£5,000
Additional testing in relation to employee remuneration	£500
Additional testing in relation to valuation of PPE	£5,260
Lowered materiality due to FRC expectations	£3,750
Additional quality control procedures due to FRC expectations	£1,500
Infrastructure assets	£2,500
Additional testing in relation to collection fund reliefs	£750
IFRIC 14	£4,000
Other issues (PPE/additional samples/quality of evidence)	£7,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>195,506</b>

All variations to the scale fee will need to be approved by PSAA.

# E. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

- ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement.' This impacts audits of financial statement for periods commencing on or after 15 December 2021.
- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
<b>Risk assessment</b>	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> <li>• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>• the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>• the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>• the considerations for using automated tools and techniques.</li> </ul>
<b>Direction, supervision and review of the engagement</b>	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
<b>Professional scepticism</b>	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>• increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>• increased guidance on management and auditor bias</li> <li>• additional focus on the authenticity of information used as audit evidence</li> <li>• a focus on response to inquiries that appear implausible</li> </ul>
<b>Definition of engagement team</b>	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> <li>• Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>



# E. Auditing developments

Area of change	Impact of changes
<b>Fraud</b>	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"><li data-bbox="376 676 1211 700">• clarification of the requirements relating to understanding fraud risk factors</li><li data-bbox="376 721 1263 745">• additional communications with management or those charged with governance</li></ul>
<b>Documentation</b>	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# E. Audit opinion

Our audit opinion is included below.

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

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

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Dudley Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

In our evaluation of the Director of Finance and Legal Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

# E. Audit opinion (continued)

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

## Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

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

## Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities set out on page 124, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Legal Services. The Director of Finance and Legal Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Legal Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# E. Audit opinion (continued)

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government and Housing Act 1989, the Local government Act 1972 and the Local Government Act 2003

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

# E. Audit opinion (continued)

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

# E. Audit opinion (continued)

## Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2022. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Dudley Metropolitan Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report and we had completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2023.

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

## Use of our report

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

Andrew Smith, Key Audit Partner

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

Birmingham

Date



Service:	Please ask for:	Contact Details
Financial Services	Iain Newman	01384 814802 <a href="mailto:iain.newman@dudley.gov.uk">iain.newman@dudley.gov.uk</a>

Grant Thornton UK LLP  
17<sup>th</sup> Floor  
103 Colmore Road  
Birmingham B3 3AG

**[Date - TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]**

Dear Grant Thornton UK LLP

**Dudley Metropolitan Borough Council**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Dudley Metropolitan Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council’s financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.



- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of other land and buildings and surplus assets, the net pension liability, and the investment in Birmingham Airport Holdings Limited. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be

expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvi. We are not aware of a material issue in relation to reinforced autoclaved aerated concrete (RAAC) being used within the assets of the Council.

### **Information Provided**

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 18 December 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

**Audit and Standards Committee - 18 December 2023**

**Report of the Director of Finance and Legal Services**

**Statement of Accounts 2022/23**

**Purpose of Report**

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

**Recommendations**

2. It is recommended that:
  - The Committee consider and approve the Statement of Accounts.
  - The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above.
  - The Committee authorises the Chair of the Audit & Standards Committee in consultation with the Director of Finance & Legal Services to approve any changes to the Statement of Accounts arising from audit work after the date of the Committee meeting as long as there is no impact on usable reserves at 31 March 2023.

**Background**

3. The Statement of Accounts is circulated with the committee papers. The audit of the accounts is currently on-going and has resulted in a small number of adjustments to the unaudited accounts and further adjustments may be required. None of these changes are expected to affect the Council's usable reserves at 31 March 2023.

4. These accounts are prepared under International Financial Reporting Standards (IFRS) as adopted for local authorities by the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### General Fund outturn

5. The General Fund outturn of £292.7m was reported to Cabinet on 6 July 2023. The Statement of Accounts presented to this Committee is consistent with this outturn position.

### Statement of Accounts

6. The layout of the Statement of Accounts is as last year, with the Movement in Reserves (MiRS), which sets out a summary of the changes to General Fund Balance, Housing Revenue Account (HRA) balance and other reserves over the year, presented as the first key statement.
7. A summary of the key financial statements is detailed below:

### Movement in Reserves Statement (MiRS)

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

11. After transfers to and from earmarked reserves, the year end balance on the General Fund has decreased by £5.4m from £27.2m to £21.8m. This is consistent with the outturn reported to Cabinet.

### Comprehensive Income and Expenditure Statement (CIES)

12. The net effect of income and expenditure items results in a deficit on the provision of services of £46.2m. This is a technical deficit intended to represent the Council's revenue position as it would be if calculated according to IFRS. As such it differs from the movement on the General Fund shown in the MiRS and in the outturn report. This is adjusted by Other Comprehensive Income and Expenditure (balance sheet revaluation items) to arrive at a total Comprehensive Income and Expenditure surplus of £716.3m. This matches the increase in balance sheet net asset value from £527.4m to £1,243.7m.

### Balance Sheet

13. The Balance Sheet shows that the value of total net assets has increased by £716.3m between 31 March 2022 and 31 March 2023. This is mainly due to a decrease in the Net Pension Liability caused by changes in the actuarial assumptions that comply with IAS19 in 2022/23 compared to 2021/22.
14. The lower half of the Balance Sheet summarises the usable and unusable reserves held by the Authority. The General Fund balance decreased by £5.4m as discussed above.
  - Earmarked General Fund reserves have decreased by £5m
  - School reserves have decreased by £2.6m
  - HRA reserves have increased by £1.7m

The decrease in usable earmarked General Fund reserves is mainly due to the Business Rates grants received in 2022/23 being much lower than the prior year due to covid lockdown having been lifted.

The changes in unusable reserves are mainly due to the decrease in pension liability. There has also been a net increase in the Revaluation Reserve due to the latest revaluation of assets and a net increase in the Capital Adjustment Account due to adjustments between the accounting basis and funding basis.

## Audit of the Accounts

15. The audit of the accounts for 2022/23 is nearing completion and the statutory date for publication of audited accounts was 30 September 2023. Due to delays in the provision of supporting information in respect of asset valuations, Dudley issued a late publication notice on 24 May 2023 and subsequently issued draft accounts for public consultation on 19 September 2023. The public consultation ended 31 October 2023.
16. As a result of the audit process, and reviews by officers there are several amendments to the accounts, these are noted below:
  - Housing Revenue Account – When reconciling the valuations report to the fixed asset register an £11.5m adjustment was identified to reduce the balance of Council Dwellings in the balance sheet.
  - Pensions Net Liability – During the audit the Council requested an assessment (IFRIC 14) on the extent it should recognise a defined benefit pension surplus in its balance sheet and was advised by the actuary to restrict the asset to zero. This was originally shown in the draft accounts as an £9.8m net pension asset.
  - Insurance Prepayment - £3.8m was processed incorrectly to creditors within the balance sheet and has been corrected to be reflected in payments in advance.
  - Cash (Balance Sheet) – The value was adjusted to reflect the difference between presented and unrepresented items as at 31 March 2023. The correction of this led to an increase to both current assets and current liabilities of £8.6m.

The changes to the accounts noted above do not impact the usable reserves balance as at 31 March 2023.

17. At the time of writing this report, some audit work was outstanding in a few areas, particularly relating to the valuations of Other Land and Buildings which requires the provision of further audit evidence from the Council's valuers and evidence required from Technology, Systems and Services in relation to controls and processes. There may be further amendments to the accounts before the audit is finalised, but they are not expected to impact on usable reserves at 31 March 2023.

18. The Code of Audit Practice requires the auditors to report the results of their audit work to the approving body before signing their audit opinion. This report will be presented at a later meeting of the Audit and Standards Committee.
19. A management representation letter is provided to the auditors each year, assuring auditors that all material information has been made available to them. This will be signed by the Director of Finance and Legal Services, relying in some matters on assurances by the Lead for Law & Governance.

### **Finance**

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

### **Law**

21. 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**

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

### **Equality Impact**

23. The proposals consider the Council's Policy on Equality and Diversity.

### **Human Resources/Organisational Development**

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

### **Commercial/Procurement**

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



## **Environment/Climate Change**

26. There are no direct environmental implications impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030.

## **Council Priorities**

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



**Iain Newman**  
**Director of Finance and Legal Services**

### **List of Background Papers**

Working and supporting papers for the accounts.

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

Contact Officer: Laura Jones-Moore  
Telephone: 01384 815680  
Email: [laura.jones-moore@dudley.gov.uk](mailto:laura.jones-moore@dudley.gov.uk)

**Audit & Standards Committee – 18<sup>th</sup> December 2023**

**Report of the Director of Finance and Legal Services**

**Annual Governance Statement**

**Purpose of the Report**

1. This report presents the council's Annual Governance Statement (AGS) for 2022/23 which is required to be included as part of the annual Statement of Accounts and details how the council has complied with its local Code of Corporate Governance, the effectiveness of its governance framework and describes any significant governance issues and how they will be addressed.

**Recommendation**

2. The Committee is recommended to approve the Annual Governance Statement as set out at **Appendix A** and refer it to the Leader of the council and Chief Executive for signature. If any significant changes in governance occur between the date of this committee and the date of signing of the accounts, then the Annual Governance Statement will be re-presented to Audit and Standards Committee for approval.

**Background**

3. The international framework: Good Governance in the Public Sector 2014 defined governance as “comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”. Members and officers must try to achieve the organisation's objectives whilst acting in the public interest at all times.

4. The requirement to produce an AGS is contained in the Accounts and Audit Regulations 2015, and guidance is provided by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The AGS encompasses all aspects of governance.
5. CIPFA/SOLACE carried out a fundamental review of their guidance during 2016 and issued “Delivering Good Governance in Local Government Framework 2016”. This provided updated guidance on what should be considered when the local code of corporate governance is produced and also on producing an Annual Governance Statement. The Framework defines the principles that should underpin the governance of each local authority, as:
  - Behaving with integrity, demonstrating strong commitment to ethical values,
  - Ensuring openness and comprehensive stakeholder engagement,
  - Defining outcomes in terms of sustainable economic, social and environmental benefits,
  - Determining the interventions necessary to optimise the achievement of the intended outcomes,
  - Developing the entity’s capacity, including the capability of its leadership and the individuals within it,
  - Managing the risks and performance through robust internal controls and strong public financial management,
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
6. The overall aim is to ensure resources are directed in accordance with agreed policy and according to priorities, that there is sound decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
7. The Framework states that the annual governance statement should include the following:
  - An acknowledgement of responsibility for ensuring that there is a sound system of governance,
  - Reference to and assessment of the effectiveness of key elements of the governance framework,

- An assessment as to whether the governance arrangements continue to be “fit for purpose”,
  - An action plan to show how identified significant governance issues are to be taken forward,
  - Reference to how issues raised in the previous year’s statement have been addressed.
8. The Framework also requires that the AGS is approved at a meeting of a committee with a remit including audit or governance and signed by the Chief Executive and Leader of the council. It should then be included within the council’s Statement of Accounts.
9. The draft AGS has been discussed with Strategic Executive Board (SEB) and updated for their comments.
10. The AGS covers the financial year 2022/23 and the subsequent period up to the sign off of the 2022/23 Statement of Accounts and therefore governance issues up to the date of approval of the audited accounts need to be considered.

### **Finance**

11. This report has no direct financial implications.

### **Law**

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

### **Risk Management**

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

### **Equality Impact**

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

## **Human Resources/Organisational Development**

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

## **Commercial/Procurement**

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

## **Environment/Climate Change**

18. There are no direct environmental implications within this report impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030, although there is a section on environmental within the Annual Governance Statement.

## **Council Priorities and Projects**

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



## **Iain Newman Director of Finance and Legal Services**

Contact Officer: Graham Harrison  
Email: [Graham.Harrison@dudley.gov.uk](mailto:Graham.Harrison@dudley.gov.uk)  
Telephone: 01384 815105

## **List of Background Papers**

Appendix A: Annual Governance Statement 2022/23  
Code of Corporate Governance September 2022

# **Annual Governance Statement**

**2022/23**

# Annual Governance Statement

## 1. Scope of Responsibility

- 1.1 Dudley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance (including the system of internal control) of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The purpose of the Annual Governance Statement (AGS) is to explain how the council has endeavoured to deliver good governance through the arrangements in place during the period covered and how the council has reviewed the effectiveness of these arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 to undertake a review of the effectiveness of internal control and publish an AGS. The AGS covers the financial year 2022/23 and the subsequent period up to the sign off of the 2022/23 Statement of Accounts and therefore governance issues up to the date of approval of the audited accounts need to be considered.
- 1.4 The AGS should be read in conjunction with the council's Code of Corporate Governance. The Code of Corporate Governance provides details of the framework the council has put in place to meet the principles of effective governance as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their guidance "Delivering Good Governance in Local Government".

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes

for stakeholders are defined and achieved. It places the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance structures and processes and stresses the importance of taking account of the impact of current decisions and actions on future generations.

- 2.2 Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve objectives and priorities and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's objectives and priorities, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **3. The Governance Framework**

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

The key statutory positions in relation to governance are:

- Head of Paid Service (Chief Executive) who must ensure that the council is properly organised and staffed,
- Monitoring Officer (Lead for Law and Governance) who must ensure the lawfulness and fairness of decision making,
- Section 151 Officer/Chief Finance Officer (Director of Finance and Legal Services) who must ensure the lawfulness and financial prudence of decision making and the proper administration of the council's financial affairs,
- Head of Internal Audit (Head of Audit and Risk Management Services) who is responsible for delivering an annual opinion on



the effectiveness of the framework of governance, risk management and internal control,

- Statutory Scrutiny Officer (Democratic Services Manager), who promotes and provides support to the council's overview and scrutiny functions and gives advice to Members and Officers on these functions.

3.3 The Council's governance framework is detailed in a Code of Corporate Governance that is updated on an annual basis. The Code of Corporate Governance is based on the 7 principles detailed in the CIPFA/SOLACE guidance "Delivering good governance in Local Government":

- Behaving with integrity, demonstrating strong commitment to ethical values,
- Ensuring openness and comprehensive stakeholder engagement,
- Defining outcomes in terms of sustainable economic, social and environmental benefits,
- Determining the interventions necessary to optimise the achievement of the intended outcomes,
- Developing the entity's capacity, including the capability of its leadership and the individuals within it,
- Managing the risks and performance through robust internal controls and strong public financial management,
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

## [Code of Corporate Governance](#)

### 4. **Review of Effectiveness**

#### 4.1 **General Overview**

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

elements of the council's governance framework, how effectiveness is determined for these areas and what key outcomes have been delivered.

## 4.2 **Internal Audit and Fraud**

- 4.2.1 Audit and Risk Management Services is the only internal source of independent assurance on the adequacy and effectiveness of governance, risk management and control processes within the council.
- 4.2.2 The Head of Audit and Risk Management Services reports to the Director Finance and Legal Services (Section 151 Officer) who is a permanent member of Strategic Executive Board. He oversees the performance of the service on a day to day basis.
- 4.2.3 The work of internal audit is monitored by Audit and Standards Committee, who approve the annual audit plan and receive regular monitoring reports. Audit Services completed 93% of the 2022/23 audit plan.
- 4.2.4 Audit and Risk Management Services are required to comply with the Public Sector Internal Audit Standards (PSIAS) and one of its requirements is for an external quality assessment against the standards to be undertaken every five years. Audit and Risk Management Services had an external assessment in March 2020 and were found to meet the standards and also compared favourably with other public and private sector providers.
- 4.2.5 The Head of Audit and Risk Management Services is required by Public Sector Internal Audit Standards to deliver an annual report which contains an internal audit opinion. The internal audit opinion must conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 4.2.6 This opinion is based upon the work carried out by Audit and Risk Management Services during 2022/23 and any other significant assurance received by the Council. It must be acknowledged, however, that it is not possible to review all aspects of governance, risk management and control within a single year.

In giving the opinion it should be noted that assurance can never be absolute and the most that internal audit can provide is reasonable assurance that there are no major weaknesses in the council's

governance, risk management and control processes. In assessing the level of assurance, the following have been taken into account:

- All internal audit reviews undertaken including consultancy for the year ending 31st March 2023,
- Follow up reviews undertaken on High priority actions and audits that have been given a Minimal assurance rating,
- Continuing work being undertaken by Management to respond to actions arising from internal audit work,
- Whether any Critical or High priority actions have not been accepted by Management,
- Any other assurance opinion given by other providers that Audit Services have relied upon.

4.2.7 The Head of Audit and Risk Management Services opinion is as follows:

“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion as to the adequacy and effectiveness of Dudley MBC’s overall internal control environment and there has been no limitations to the scope of our activity or resource constraints imposed on Audit and Risk Management Services which have impacted on our ability to meet the full internal audit needs of the council. Taking into account what is detailed in paragraph 4.2.6, for the 12 months ended 31st March 2023, I am able to provide ‘Reasonable’ assurance on Dudley MBC’s framework of governance, risk management and internal control, which is required in order to achieve the council’s priorities. The main concerns which I am required to bring to your attention are:

- The Regulator of Social Housing has concluded that the Council has breached the Home Standard and as a consequence there was the potential for serious detriment to tenants. This followed a self-referral from the Council to the regulator after the identification of a failure to be able to evidence statutory health and safety requirements in some of its homes. The Council had found that gas, fire, electrical and asbestos safety checks may not have been completed for every property that needed one. Also, a high number of fire remedial actions in the communal areas of its blocks were overdue.
- An Ofsted inspection in October/November 2022 (report issued January 2023) concluded “there has been an overall decline in the quality of services for children in Dudley since the last inspection in

2018. Children in Dudley are not receiving consistently effective services to improve their lives. Senior leaders and elected members understand the main challenges they face to improve the experiences of their most vulnerable children, particularly in securing a stable and strong workforce. However, the response to these challenges is too slow. Political leaders do not give sufficient priority to the needs of vulnerable children, as frontline workforce capacity continues to be a huge factor preventing improvement”.

- Issues have been identified with the Council’s approach to managing programmes, projects and contracts.

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

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

4.2.10 The Annual Fraud Report details that during the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2022 the Corporate Fraud Manager completed 12 investigations of which 6 fraud/other inappropriate behaviour was established. There were also 22 cases in progress as at the 31<sup>st</sup> December 2022.

4.2.11 During the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022 the Housing Fraud Team completed investigations into 395 referrals of which 32 were found to involve fraud. The notional saving to the council was approximately £588,120.

### 4.3 **Risk Management**

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

- 4.3.2 Following approval of the Framework, briefings were given to Directorate Management Teams and risk identification workshops have been held.
- 4.3.3 The risk report that was presented to Strategic Executive Board in March 2023, had risks defined and rated in accordance with the Framework. This showed the following risk areas were rated as 'Very High' at the net/residual level, which is above the council's risk appetite:
- Recruitment and Retention of staff
  - Contract Management
  - Statutory building safety and compliance responsibilities
  - Budget Management
  - Programme Management
  - Regeneration Benefits

For each of these risks further controls have been identified, and once effectively implemented the risk rating will fall below risk appetite. Further information on each of these areas is included in Section 5 and 6.

- 4.3.4 Two risk management reports were presented to Strategic Executive Board and Audit and Standards Committee during 2022/23. For each of these meetings, Audit and Standards Committee selected a risk for discussion. This involved the officer responsible for the risk delivering a presentation on how the risk is being managed, which was then open to challenge by Members. During 2022/23 risks relating to Recruitment and Retention of staff and compliance with Contract Standing Orders/Procurement legislation were subject to Member challenge.
- 4.3.5 All Directors and Heads of Service who report directly to the Chief Executive have completed a Risk Assurance Protocol (RAP) for 2022/23. This provided management assurance that the Risk Management Framework is being adhered to, and risks are being identified and managed as required.

#### 4.4 **Financial Management**

- 4.4.1 The Director of Finance and Legal is the officer designated under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the council's financial affairs. A review

against CIPFA's statement on the Role of the Chief Financial Officer has been undertaken, which found all key requirements are being met.

- 4.4.2 The Council's Scrutiny Committees have a role in scrutinising the council's Medium Term Financial Strategy. The Capital Monitoring Programme is reported to all Cabinet meetings and the revenue position was reported to Cabinet four times during the year.
- 4.4.3 Directors, Deputy Chief Executive and Chief Executive have delegated authority to manage their budgets. They are each supported in this by a dedicated Finance Manager and a team of qualified staff who work closely to understand the business but are professionally accountable to the Section 151 Officer. The council showed an adverse variance of £7.6m against the original budget for 2022/23 mainly due to the pay award, energy costs, social care placements and trading income shortfalls.

## **4.5 Performance Management**

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

## Borough Vision 2030

4.5.4 At the heart of the Council Plan on a page is our Borough Vision – Forging a Future for All, which is built around seven aspirations and was developed with key partners and stakeholders. The aspirations for the Dudley Borough Vision by 2030 are:

- An affordable and attractive place to live with a green network of high-quality parks, waterways and nature reserves that are valued by local people and visitors,
- A place where everybody has the education and skills they need, and where outstanding local schools, colleges, and universities secure excellent results for their learners,
- Renowned as home to a host of innovative and prosperous businesses, operating in high quality locations with space to grow, sustainable energy supplies and investing in their workforce,
- A place of healthy, resilient, safe communities where people have high aspirations and the ability to shape their own future,
- Full of vibrant towns and local centres offering a new mix of leisure, faith, cultural, residential, and shopping uses,
- Better connected with high quality and affordable transport, combining road, Metro, rail, and new cycling and walking infrastructure,
- A place to visit and enjoy that drives opportunity, contributing to its ambitious future while celebrating its Pioneering past.

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

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

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

leadership. Each Board is accountable for an associated area of expertise:

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

#### Directorate Planning

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

#### Future Council Programme

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

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

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

#### Performance Monitoring

4.5.11 Performance management and monitoring is key in ensuring the priorities in the Council and Directorate plans are delivered. Quarterly Corporate Performance Reports are developed and reported and reviewed by Strategic Executive Board, Informal Cabinet, the Deputy and Shadow Deputy Leader and Future Council Scrutiny Committee.



- 4.5.12 Progress against Directorate performance score cards are monitored at monthly directorate management team meetings and circulated to directorate scrutiny committees for information and consideration.
- 4.5.13 A Performance Management Framework has been developed that ensures a consistent approach to the way service performance and quality is managed, monitored, reviewed and reported at all levels in the Council.

#### 4.6 **Asset Management**

- 4.6.1 The council's Estate Strategy 2017 – 2022 sets out key objectives for its land and property estate. Proposed actions that materialise in the implementation of the Strategy are reflected in an action plan which is monitored by Corporate Landlord Services at regular estates meetings. For those proposed actions to progress into capital projects, their business cases must obtain approval at the council's Commercial Opportunities Group, Strategic Executive Board and Cabinet. Some projects that were identified in the strategy's work plan have been completed and some remain work in progress.
- 4.6.2 The Covid-19 pandemic changed the view on how council property is to be used in future, given the large number of staff who have successfully worked from home since that time. The new Estate Strategy 2023-2028 is currently work in progress and will take account of the learning and changes brought about by the pandemic, and some lessons that have been learned from the recent winter shut down of 2 main officer blocks, by ensuring a leaner estate is equipped to facilitate new workstyles. Various work is in progress to accommodate the Future Council.

#### 4.7 **People Management**

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

- 4.7.2 These reports are also provided to Directors on a monthly basis for consideration and discussion at directorate management team meetings. Human Resources Business Partners also discuss any key workforce issues at DMT's in Directorates offering advice to improve people processes and practices throughout the various service areas.
- 4.7.3 Sickness levels remain high for 2022-23 with the overall FTE days lost having increased by 1.96% when compared to last year. Short-term sickness has slightly decreased by 1.07% (from 16286 days lost to 16112); however, it is important to note that headcount has decreased by 2.05% in the same period, making short-term days lost per FTE effectively the same, with 4.06 days lost last year and 4.05 days lost this year. Conversely, long-term sickness has increased from 39623 to 40894 FTE days lost even with a decreasing headcount.
- Days lost per FTE is 14.33 – above the corporate target of 10.5 and is an increase compared to 13.94 in 2021-22.
  - Sickness for 'work-related stress' has increased by 37.6% since last year, 'non-work-related stress' has increased by 32.9% and 'post-op recovery' has increased by 48.3%.
  - Excluding absences for Covid-related reasons, sickness rates would be 7.7% higher in 2022-23 than in the previous year.
- 4.7.4 Turnover rate has continued to rise year-on-year from 9.30% last year to 12.44% this year (2022-23), with 420 new starters and 580 leavers. Children's Services have again seen the highest turnover with 104 leavers in 2022-23 (20.6% turnover rate).
- 4.7.5 A key aspect of the attendance management procedures is the completion of return-to-work interviews. The latest data available indicates that 94% of return-to-work interviews are being completed, which is the same completion rate of 94% from last year, both showing an improvement on the 91% in 2020-21.
- 4.7.6 The Council need to take note that although Return to work interviews and MARS are being completed, the data is showing that there is still a high turnover rate across the Council of employees leaving. This therefore indicates that further work needs to be done on engaging and retaining employees.
- 4.7.7 The Council has performed well in creating new apprenticeship starts, with a total of 873 starts since 2017. In 2022-2023 there has been a total of 112 starts; 98 apprentices are in directorates and 14 are in schools. During the past year, the Council have focused on investing in growing our own leaders. As a result, a total of 48 employees have

started Leadership and Management apprenticeships from levels 3-7. The Council have also onboarded its first cohort of Coaching apprentices to enable our employees across the organisation to embed a coaching culture and develop a high performing workforce. The Council will now seek to further align our apprenticeship offer with our Workforce Planning strategy.

4.7.8 The Council's People Strategy approved by Cabinet in June 2022, has five key priorities being:

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

4.7.9 Workforce planning activity has been completed within directorates across the council during March and April 2023. The outcomes of this will feed into organisational level plans to address common themes, alongside the plans in place for actions to be undertaken at directorate and service level.

4.7.10 An independent review of the Council's People Policies has been commissioned and is currently underway. The purpose of this review being to modernise our people policies.

## 4.8 **Information Governance**

4.8.1 During a period of organisational change the Senior Information Risk Owner, Data Protection Officer and Caldicott Guardian have overseen the operation of information governance processes and compliance with the UK General Data Protection Regulations and Data Protection Act 2018. To ensure relevant skills are up to date, specific training targeted at Data Protection Officers, Caldicott Guardians and Senior Information Risk Owners, has been undertaken. The Information Governance Board is undergoing reform in order to suitably reflect the evolving organisation.

4.8.2 During the year the Corporate Information Governance Team have collaborated with Legal and Procurement Services, assisting in the drafting and development of new corporate contract templates reflecting the current position of Data Protection Law in the UK. They have assisted in the development and review of 22 Data/Information

Sharing Agreements with partners, undertaken and assisted with 37 Data Protection Impact Assessments, published and reviewed 11 Privacy Notices, received 1169 Freedom of Information requests, 678 Subject Access Requests and 80 Environmental Information Regulation requests. There were 144 suspected data breaches assessed for severity, with 7 being reported to the Information Commissioner resulting in: 6 with “no further action outcomes” and 1 with investigation currently ongoing.

- 4.8.3 The council has met to a “satisfactory” standard the requirements of NHS England’s Digital Data Security and Protection Toolkit, which has to be completed by public bodies that operate an Adult Social Care or Health function, on an annual basis.

During 2022/2023 the council worked with the Cabinet Office in line with accepted Public Sector Network (PSN) compliance (assurance) requirements and standards. The council is fully compliant with the PSN requirements with valid certification until 14<sup>th</sup> June 2023 and compliant with the Payment Card Industry Data Security Standards (PCI-DSS) with existing certification valid until 24<sup>th</sup> August 2023.

- 4.8.4 Work continues to be undertaken to ensure that the council is in compliance with UK General Data Protection Regulations whilst processing personal and special category data. This includes mandatory training and annual refresher training for all staff. The content of this training has been recently updated and refreshed to ensure it remains accurate and reflects the current compliance requirements. Targeted data protection assurance audits have been carried out on specific council service areas utilising the Information Commissioner’s (ICO) accountability framework. Routine benchmarking with members of the West Midlands Information Governance Forum, including neighbouring Local Authorities, is undertaken ensuring consistency and quality of approach.

- 4.8.5 A robust Information Governance framework is in place for the Council’s CCTV operation, with Data Protection Impact Assessments being required for the siting of all CCTV cameras that operate within Council buildings and across the Borough. The control room and CCTV operation complies with both Information Governance and Biometric & Surveillance Commissioner standards. The operation of the CCTV control room and CCTV Camera Strategy is overseen by the CCTV Strategic Board. Partnership working arrangements are in place supported by formal Information Sharing Agreement with West

Midlands Police (WMP), that take into consideration guidance prepared by the National Police Chiefs' Council (NPCC), The Public CCTV Managers Association (PCMA), the Biometrics & Surveillance Camera Commissioner (BSCC) and the Local Government Association (LGA).

- 4.8.6 As part of striving for ongoing improvement, work is underway, with the support of external consultants, to develop a 2024-2030 Safety, Security and Protection Strategy that will include a complete review of the Council's existing CCTV Camera Strategy.

## **4.9 Digital and Technology Management**

- 4.9.1 In 2021-22 the Council set up a governance structure for Digital and Technology. The governance arrangements include a Digital Board that reports through SEB to Cabinet. The primary purpose of the Board is to advise on and monitor the progress the Council is making on its digital transformation journey and delivery of the "Future Digital" ambitions in the 2022-25 Dudley Council Plan. SEB agreed the terms of reference in October 2021 and the Board has met regularly since then. The governance arrangements also include a Councillor Digital Forum and a Digital and Technology Working Group. Both have been meeting regularly.
- 4.9.2 The restructure of Digital and Technology services was completed in May 2022. We adjusted the structure throughout the year as we identified improvements and there are a few teething issues still to resolve.
- 4.9.3 In September 2021 we agreed a roadmap of all digital and technology projects with directorates and SEB agreed the prioritisation criteria. The roadmap is a living document which the team worked against in 2021-22. The nature of the projects in the roadmap has changed as the team have started being involved in wider transformational projects. In February 2023 we identified and agreed with the Digital Board the 8 transformation programmes we will focus on.
- 4.9.4 In 2022 we introduced the Technical Design Authority (TDA). This is a governance gateway for design activities that provides assurance that both business and technical decisions align, and that the technical solution meets our purpose. Projects are required to receive TDA approval before awarding the supplier contract, ensuring successful outcomes that align with our goals.

4.9.5 In 2022 we also introduced the Digital Change Assessment Board which reviews projects and agrees the delivery approach including assigning a project team where a project requires it.

#### **4.10 Values and Behaviours/Codes of Conduct**

4.10.1 To support the council's vision, the following values have been determined to guide the standard of behaviour expected from Members and Officers:

- Accountability,
- Determination,
- Empowerment and Respect,
- Excellence,
- Simplicity,
- Working Together.

4.10.2 The values and behaviours remain a strong guiding framework for everything that the council does and strives to do. The values continue to underpin Leadership Forum and drives how engagement takes place with staff. The Values have been embedded into the council's mandatory induction process and induction materials and the Values are embedded into the new People Strategy and other strategic work such as Future Council.

4.10.3 The Code of Conduct for Employees is publicised widely and is promoted through Corporate Induction, as part of the mandatory training and policy acceptance. Compliance with the Code is an individual, line manager and corporate accountability. Each employee is required to formally accept the Code. Where there are breaches of the Code these are dealt with by advice, performance improvement or development or ultimately for more severe breaches use of the council's disciplinary policy.

4.10.4 Leadership accountabilities which set out the standards of behaviour expected of employees in leadership roles and strengthen accountability have been identified and promoted at Leadership Forum. Leadership accountabilities have been embedded into council induction and within new job descriptions. Work is ongoing to embed leadership accountabilities into the new manager induction, the review of council job descriptions and competencies framework. In addition, a

new leadership development programme will be launched in 2022 and improvements will also be introduced to the My annual review process.

#### **4.11 Communication**

4.11.1 The council's main way of communicating with staff is through the "Connect" intranet site. Internal audit reports and external reviews have identified issues with "Connect" particularly the locating of information and accuracy of content. "Connect" has been reviewed with the introduction of an Our Council hub and a Workforce hub to ensure information can be easily located. Through collaboration between CAPA, People Division and the Chief Executive's office, these hubs will be supplemented with regular checking to ensure information is up to date.

4.11.2 Besides "Connect", the Council has a number of other ways of communicating with its employees:

- "Rewind" which is an e-bulletin catch-up of all key news and information, continues to be issued to all employees at the end of each week,
- "Managing Matters", aimed at line managers across the authority, continues to be sent out monthly to update managers and communicate to the workforce,
- "Engage" is produced quarterly providing the workforce with news, views, key messages and what's on,
- The Chief Executive's "vlog" has been replaced by a "Corporate Update" section on Connect to highlight corporate news and developments,
- "SEB in focus" a new communication tool has been introduced following the Employee Survey. The tool looks back on key decisions made in the previous month, and the direction set by SEB while looking forward at items that will be considered over the next month.

4.11.3 In addition to these online methods, the authority also provides key information for managers of frontline staff to print and share, whilst face to face briefings are also facilitated through Leadership Forum (for managers) and Express Briefings (for all staff).

4.11.4 In terms of communicating with Borough residents:

- The council publishes a quarterly resident magazine which is distributed to 125,000 properties (over 90% of Borough

households) with latest news and information from the authority. This magazine is also published online and supports the continued growth of digital and social channels,

- Social media channels such as Facebook, Twitter, LinkedIn, Instagram, Flickr and YouTube are well established with thousands of interactions with Borough residents every day. Facebook and Twitter reach around 120,000 people a week.
- The Gov delivery e-bulletin continues to grow rapidly as a vital tool in sharing news information on council services to Borough residents. Recipients can tailor their experience to receive information on specific subjects. Open rates are above the 40 percent national industry average.
- Analytical reports are available on Connect.

4.11.5 Targeted engagement with tenants and residents is undertaken by housing services through a range of groups and methods. Dudley Federation of Tenants and Residents Associations (DFTRA) is the umbrella group for TRAs across the borough and offers an important link to our communities. Meanwhile Dudley's Housing Board provides a community-based scrutiny function of the housing service, to help to ensure that services meet residents' needs and are of the highest standard.

4.11.6 Dudley's Customer Involvement and Empowerment Strategy is currently under review, and officers are working closely with DFTRA and Housing Board Members to co-produce a new strategy that supports the commitments set out in the Charter for Social Housing Residents and delivers the expectations within the Regulator of Social Housing's Tenant Involvement and Empowerment Standard.

## **4.12 Customer Feedback**

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



through learning outcomes gathered within each service area. Officers and Members receive data that helps them to assess performance and understand input.

4.12.2 The council has a Resident Action Group, focussing on customer feedback, to:

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

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

Ongoing communication takes place to include key stakeholders in relevant initiatives and developments the group are delivering.

4.12.3 During 2022/23 the council received 24 statutory complaints of which 13% were upheld. The council received 1524 corporate complaints of which 36% were upheld or partially upheld. The council also received 950 compliments during 2022/23.

In 2022 DC+ reviewed and automated performance reporting for DC+ and for complaints. As of September 2022, DC+ use Power BI to report. DC+ automated the complaints reporting using power query to create a direct database connection to the complaints management system (M3). This improves the accuracy by reducing human error and allows for real time statistics to be available with one refresh click.

4.12.4 The Local Government and Social Care Ombudsman's annual review letter for 2022-23 notes that they have changed their investigation processes, contributing to an increase in the average uphold rate across all complaints. As detailed above there were 1524 corporate complaints of these there were 27 DMBC cases subject to a detailed investigation by the Ombudsman between 1 April 2022 and 31 March 2023. The outcome of these detailed investigations was that 21 were

upheld and 6 were not upheld. The number of upheld complaints decided by the Ombudsman for Dudley represented 78% of the detailed investigations undertaken. Similar Local Authorities had an average of 77% of their detailed investigations upheld. In 100% of cases the Ombudsman was satisfied the authority had successfully implemented their recommendations (compared to an average of 99% in similar authorities).

It was reported for all of the upheld cases the Ombudsman found that DMBC had not provided a satisfactory remedy before the complaint reached them (compared to an average of 10% in similar authorities).

4.12.5 Within Housing and Community Services all existing customer groups are being reviewed to identify any gaps or duplication, and the Customer Involvement Team will be working with all groups to review their terms of reference. A new overarching Customer Board is being set up, which will have representation from each of the Customer Groups along with the Cabinet Member for Housing and Director of Housing and Communities, to oversee and drive forward the aims and commitments set out within the new Customer Involvement and Empowerment Strategy.

4.12.6 During 2023/24 the housing service will be completing a self-assessment against each of the Regulatory Standards as well as the Housing Ombudsman Complaint Handling Code and will also be asking our involved residents to undertake similar assessments to compare views.

4.12.7 An independent external customer satisfaction survey has been commissioned to provide a baseline of performance against the new Tenant Satisfaction Measures.

### **4.13 Equalities Framework**

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

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

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

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

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

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

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

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

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

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

## **4.14 Modern Slavery**

4.14.1 Dudley MBC's Modern Slavery and Human Trafficking Statement has been updated and signed by the Leader of the Council, Leader of the Labour Group and the Chief Executive and is prominently displayed on

the council's website. In addition, it has been added to the Government Modern Slavery Registry.

- 4.14.2 Concerns in respect of modern slavery should result in a referral into the relevant MASH (Multi-Agency Safeguarding Hub). Internally work continues to take place in respect of internal pathways for potential victims of various types of exploitation.
- 4.14.3 A robust communications plan is in place for the Safe and Sound Partnership – (Dudley's Community Safety Partnership - CSP) with messaging in respect of Modern Slavery going out throughout the year, this includes additional messages at key points in the year, for example National Anti-Slavery Day. This ensures that members of the community are aware of these issues and where to report concerns / signpost victims, thus offering reassurance to the wider community and offering support to those who may need it. Information can be found on the Safe and Sound CSP website where we have a Help Hub for all services and public to access.
- Safe and Sound modern slavery posters and leaflets have now been translated into our 6 main community languages (Arabic, Mandarin, Punjabi, Polish, Romanian and Urdu). Once the artwork is complete electronic copies will be available via the website.
- 4.14.4 The Modern Slavery and Educational Resources pages on the Safe and Sound Partnership website are updated to ensure information, links (including to relevant e-learning) and resources are up to date and relevant.
- 4.14.5 Dudley Safeguarding People Partnership continue to host two multiagency eLearning courses in respect of Modern Slavery and Human Trafficking (MSHT). and conversations are taking place with West Midlands Anti-Slavery Network in respect of scheduling some 'face to face' / virtual awareness sessions. This training will ensure that professionals across the Borough are aware of the different forms of exploitation and where to report concerns / signpost and support victims.
- 4.14.6 Updated National Referral Mechanism training is also being explored for identified staff in Childrens and Adults Services, while Home Office NRM training is available to access via the safe and sound website.
- 4.14.7 A Chair has been identified for the Modern Slavery subgroup of safe and sound, Dudley's Community Safety Partnership, and work will now

take place to progress this group in line with national, regional and local work plans and Guidance.

4.14.8 Modern Slavery is a standing agenda item at the Rogue Landlords Operational group and where appropriate multi-agency meetings are coordinated to ensure a robust response to any concerns or cases.

4.14.9 The number of people referred into the National Referral Mechanism by Dudley MBC as a first responder organisation was 69 for the year ending 31<sup>st</sup> December 2022.

#### **4.15 Environmental**

4.15.1 Full Council at its meeting of the 23<sup>rd</sup> July 2020 declared a Climate Emergency. It was agreed at this meeting that a cross-party Climate Change Working Group would be established to lead on the development and implementation of a Carbon Reduction Plan for Dudley. This Group would decide what activities are in scope which will then inform the setting of a realistic carbon reduction target.

4.15.2 Ongoing governance arrangements include a Steering Group that will provide leadership for the programme and three thematic groups: Buildings and Energy, Transport and Environment. The groups have been tasked with looking at what is possible and to formulate action plans around identified topics, together with carbon reduction and offsetting solutions.

4.15.3 The programme consists of two phases: Phase 1 the council will look at itself and determine what direct action it can take and Phase 2 the work will be expanded to encompass our communities and other key stakeholders.

4.15.4 The council has a target of reducing carbon emissions by 90% by 2030 and it has been estimated to achieve this target 21,815 tonnes of carbon will need to be removed. The final 10% to achieve carbon neutrality, which will be the most challenging, has a target date of 2041.

#### **4.16 Overview and Scrutiny and Select Committees**

4.16.1 The Overview and Scrutiny Committee, together with Select Committees, approve and monitor their Annual Scrutiny Programmes. The work of the Committees is co-ordinated and overseen by the

Overview and Scrutiny Committee. Committees have considerable flexibility to amend the Annual Scrutiny Programme to reflect developments during the year.

- 4.16.2 The Overview and Scrutiny Committee and Select Committees report annually to the full Council with details of Scrutiny activities and the annual work programme. Minutes of Committees are submitted to full Council to increase transparency. The Overview and Scrutiny Annual Report for 2022/23 was reported to full Council in April 2023 and made available on the council's website. This set out the key issues considered and the outcomes of scrutiny work during the municipal year.
- 4.16.3 The Council's Overview and Scrutiny arrangements are kept under ongoing review as part of the annual review of the council's constitution. A Scrutiny Committee development session is being undertaken with the Local Government Association in May 2023 and the outcomes will be reflected in the 2023/24 municipal year.

[Link to Annual Scrutiny Reports](#)

#### **4.17 Audit and Standards Committee**

- 4.17.1 Audit and Standards Committee are responsible for approving the annual review of the Code of Corporate Governance and approving the Annual Governance Statement prior to its signing by the Chief Executive and Leader of the council.
- 4.17.2 The Committee's terms of reference have been updated to reflect good practice issued by CIPFA and there are regular assessments undertaken and discussed with the Committee to ensure that it is working effectively.
- 4.17.3 New committee members are requested to complete a skills assessment to identify any training needs.
- 4.17.4 Audit and Standards Committee produced an annual report for the municipal year detailing the work that they have completed, and the outcomes achieved; this is to be presented to full Council in July 2023.

[Link to Annual Report](#)

## **5. Update on previous issues raised**

### **5.1 Children's Services**

- 5.1.1 Senior leadership arrangements in Children's Services were revised in autumn 2020 and a permanent Director of Children's Services was appointed and took up post in February 2021. An experienced Service Director for Social Care was appointed in November 2022. This senior permanent team provides clarity and certainty to the workforce in responding to the improvement challenges.
- 5.1.2 Children's Social Care Services had been in Department of Education (DfE) support and supervision since the Ofsted inspection in October 2018. In November 2020 Ofsted reported on a further focus visit that "There are serious weaknesses in many service areas in Dudley. This is because of long-standing instability in the senior leadership team that has led to delays in addressing strategic and practice deficits." The improvement work was overseen by a DfE appointed improvement advisor who chaired the Improvement Board that met six times a year. In addition, the DfE carried out formal reviews of improvement work on a six-monthly basis.
- 5.1.3 Ofsted carried out an Inspection of Local Authority Children's Services (ILACS) in October/November 2022. The service was rated as Requires Improvement to be Good. The report noted that there was further progress to be made but reported: 'Since the appointment of a permanent director of children's services in early 2021, there has been greater focus on the areas for improvement, particularly in relation to the timeliness and quality of decision-making and strategy meetings in the multi-agency safeguarding hub (MASH), the response to children who experience extra-familial abuse or who go missing and securing permanence for children in care.'
- 5.1.4 The DfE carried out a formal review meeting in January 2023 and noted that significant progress had been made. The Care Minister, Claire Coutinho MP formally ended DfE Support and Supervision on 29<sup>th</sup> March 2023 stating: 'My officials tell me that Dudley have demonstrated strong engagement with adviser and sector led improvement support over the past 4 years and that this has had a positive impact on practice and leadership. The Ofsted report notes that under the current leadership, there has been a greater focus on improvement and during the review meeting you shared your plans to accelerate progress further in order to achieve a good outcome at your next inspection.'



5.1.5 Children's Services are implementing the nationally recognised Family Safeguarding model of child protection during 2023, alongside a directorate restructure and leadership training programme in order to build on and accelerate progress made to date.

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

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

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

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

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

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

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

5.2.4 DMBC and the CCG developed an Accelerated Progress Plan to set out the actions to be taken to improve outcomes in the 6 areas identified. This was submitted to the DfE by the deadline of 29/4/2022 and has been approved. A formal review took place on 29<sup>th</sup> November 2022 and the DfE and NHS England noted progress had been made. A further review is scheduled for June 2023

5.2.5 The SEND oversight group continues to meet to oversee progress and includes DfE and NHS England representation.

5.2.6 Funding of children and young people with High Needs is provided by the Dedicated Schools Grant (DSG) which is a ring-fenced revenue grant allocated to local authorities. For 2021/22 the provisional High Needs block allocation was £39.9m and there was a deficit of £17.2m. This includes a brought forward deficit from 2020/21 of £11.151m. A detailed recovery plan includes a number of efficiencies that coincide with the SEND Improvement Programme and this work is overseen by the Budget Working Group and Schools Forum.

5.2.7 DMBC has participated in a DfE Delivering Better Value in SEND programme, working with CIPFA and Newton Europe to review data around SEND. This included a review of the recovery plan which has been updated. A submission to the DfE for a grant of £1m to support

the plan has been successful which will be subject to quarterly DfE review of progress.

### **5.3 Financial Sustainability**

5.3.1 The Medium-Term Financial Strategy approved by Council on 6th March 2023 forecast the General Fund reserve to fall during 2023/4, but to rise in subsequent years reaching £25.1m by 31<sup>st</sup> March 2026. The Director of Finance and Legal, in making his report to the Council Tax setting meeting under Section 25 of the Local Government Act 2003 concluded as follows:

“In my professional opinion:

- The estimates made for the purposes of the calculation of the Council’s budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust.
- The financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate to enable the setting of a lawful budget for 2023/24.
- Although adequate to set a lawful budget for 2023/24, reserves are low by comparison with other councils. The rate of Council Tax (and as a result the level of spending) is also low compared to other councils. Forecasts already build in the maximum increase in Council Tax without a referendum for 2023/24. There are significant risks to the forecast and Members should note that, if these risks materialise, there could be a need to reduce spending plans and/or raise additional income in order to avoid imprudent reductions to the level of reserves. This would be challenging in view of the context set out above.”

5.3.2 There has been a significant deterioration in the financial position during the current year. The latest forecast is for a deficit of £15.4m on the Council’s General Fund. The Section 151 Officer has highlighted the risk that he may need to issue a report under Section 114 of the Local Government Finance Act 1988 within the next one to two years. Cabinet on 25<sup>th</sup> October 2023 introduced spending controls in order to reduce this in year deficit as far as possible. It is likely that these controls will have to remain in place until summer 2025 at the earliest.

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

5.4.1 In 2017 Dudley Clinical Commissioning Group (CCG) and the Council launched a procurement exercise to appoint an integrated care provider. Both the CCG and the Council identified the public health services they wished to put into the Integrated Care Partnership (ICP) model and commission from the appointed provider (Dudley Integrated Health and Care NHS Trust (DICH). However, the Integrated Care Board at its meeting on the 24th November 2022 advised that the original form of the ICP contract could no longer be awarded and that the procurement cease due to:

- the inability of the Integrated Care Board (ICB) to award a contract with the terms and conditions as originally envisaged being a significantly materiality change preventing the procurement concluding as originally intended,
- the ICB being open to a potential legal challenge if the procurement was to proceed.

In view of this decision the Council has given consideration to the actions needed in relation to the potential re-procurement of services that would have been part of this procurement – substance misuse, sexual health, adult wellness services and children’s services.

It was agreed by the Director of Public Health and Programme Sponsor, that this represented the department with the opportunity to go to market with the intention of procuring all services historically in scope of transfer. Following internal department discussions with specialist commissioning managers and consultation with Procurement support agreement was given to go to market through open competitive procedures for the following:

- Sexual Health Services
- Integrated Substance Misuse services
- Integrated Health Improvement Services
- Children and Young People Services for 0-19 year olds (25 years for SEND).

5.4.2 To increase service synergies, efficiencies, quality and effectiveness Public Health reviewed which services could be tendered together. Public Health proposes to recontract from the 1st November 2023, using LOTs with an estimated annual value of £13m per annum.

In terms of children's and young people's services contract, the Integrated Care Board (ICB) is considering whether it participates in the re-procurement with the Council and includes those ICB commissioned services, to ensure that integrated provision can be secured.

To ensure continuation of services post March 2023, whilst Public Health services are being procured, incumbent providers have been approached to accommodate a new 7 months +up to 5-month extension, with 1 month notice to extend, contract term effective from 1st April 2023. The 2022/23 terms and conditions and financial envelopes will apply.

Public Health and Procurement have given due consideration to the risk and issues pertaining to procurement of the listed services. The process proposed is largely considered to be medium risk due to scope and total value of all contracts; however, the level of risk will vary between the different procurement workstreams.

## **5.5 Infrastructure Developments**

- 5.5.1 The unprecedented level of investment and regeneration activity continued in 2022-23 as the council continued to roll out a £1 billion regeneration programme which will be the biggest investment ever made in the Borough. The projects onsite and in delivery cover key areas of connectivity/infrastructure, visitor economy, town centres, and skills:

### Connectivity/Infrastructure

- 5.5.2 Metro, a total of £449 million will be invested by West Midlands Combined Authority (WMCA) in the Wednesbury to Brierley Hill Metro which will extend the West Midlands Metro from Wednesbury through the heart of Dudley town centre to Brierley Hill. This is due to open to passengers in 2025. Due to funding pressures arising from reduced farebox income, staffing costs and inflation the decision was taken by WMCA board in July 2022 to pause the section from Flood Street Dudley to Brierley Hill while alternative funding was identified. In the last budget a further £60m was identified (subject to business case approval) and work continues on a long-term programme approach to delivering schemes and allocating funding to complete the scheme.
- 5.5.3 Dudley Transport Interchange will be a world-class multi-modal facility tying together the new West Midlands Metro extension project and

potentially the bus rapid transit SPRINT. This is now due for delivery in 2024 (delayed due to the need for a Compulsory Purchase Order).

- 5.5.4 Metro and Interchange investments will be complemented further with a substantial package of public realm and environmental improvement works focussing on improving the pedestrian connectivity between Dudley Castle, the University Park at Castle Hill and the town centre to create an integrated town centre.

### Visitor Economy

- 5.5.5 The Castle Hill Vision and Dudley Castle Zoological Gardens (Phase 2) is a planned £13 million programme of development including restoration of Dudley Castle and Zoo along with the development and upgrade of visitor and education facilities. The council recognises that preservation of this heritage asset is key to improving the tourism sector for Dudley and it is working jointly with Historic England to deliver the necessary improvements and investment.
- 5.5.6 The Black Country Living Museum “Forging Ahead” Programme is the single largest capital development project in the Museum’s history. Forging Ahead is a scheme that will take the Living Museum’s story into the 1940s, 50s and 60s and deliver a new visitor welcome area, dedicated learning centre and industrial quarter. £24 million has been secured to develop the proposal.
- 5.5.7 New Dudley Leisure Centre is part of a wider package of £31.3m investment which includes refurbishment of Halesowen Leisure Centre and improvements to Crystal Leisure Centre. Investment was timed to take advantage of links to Birmingham Commonwealth Games in summer 2022. Discussions continue with potential investors to deliver a leisure quarter around the new Duncan Edwards Leisure Centre and to achieve the aspiration for an ice rink which will create footfall in the town and provide a home for an ice hockey team. Black Country UNESCO Global Geopark – the council are in the final stages of recruiting a permanent Black Country UNESCO Global Geopark team. Talks are ongoing with WMCA and Midland Metro to promote Geopark opportunities. Dudley hosted the UK Geopark conference in June 2022.

### Town Centres

- 5.5.8 The Portersfield scheme is a town centre regeneration scheme, located just off Dudley high street. The scheme has already seen the

demolition of Cavendish House. The Portersfield site is adjacent to the new Midland Metro route and planned transport interchange and suitably developed has potential to create a new vibrant quarter in Dudley Town Centre. Development Consultants undertook soft market testing which has indicated that to ensure minimum public sector subsidy a predominately residential scheme is the most viable. Public consultation on a development brief will commence in June 2023 and based on the responses a final brief will be produced with a view to seeking a development partner in Autumn 2023. Discussions continue with the other substantive landowner around a potential collaboration agreement with the aim to avoid the need for a CPO. The Wellington Road former leisure site has been under an exclusivity agreement and works have progressed to the point where a planning application could be submitted by the potential developer and the site will shortly be marketed for disposal.

- 5.5.9 Brierley Hill Future High Streets Fund and Heritage Action Zone fund are concurrent programmes currently on site that will bring empty properties back into use for retail or housing. The plan is to make the gateway entrances more attractive and to improve the public realm including the provision of pedestrian links between the Metro/the High Street and Merry Hill.
- 5.5.10 Levelling Up Fund bids were developed for Dudley North, Stourbridge (Lye) and Halesowen MP constituency areas. The bids which focused on town centre regeneration, culture (heritage) and transport were unsuccessful due to the volume of submissions and the changes to the assessment process. There is a Round 3 expected but currently it has not been confirmed if this is a competitive or allocative process. Early indications are that 2 of our 4 bids were shortlisted so may considered for allocation.

### Skills

- 5.5.11 Very Light Rail National Innovation Centre - this £28m project will provide a unique research facility for the development of Very Light Railway (VLR) technologies and projects. The project brings back into use a redundant stretch of railway to support the Innovation Centre and will develop and test the VLR prototype vehicle. The test track and the innovation centre are now complete and are occupied by Black Country Innovative Manufacturing Organisation.
- 5.5.12 Black Country and Marches Institute of Technology is a £26 million purpose designed facility, bringing together further and higher

education providers with employers. The facility opened to students in September 2021.

- 5.5.13 A bid has been submitted by Star Academies and Eton college for a new educational facility in Dudley. The preferred location is in Dudley Town centre. The outcome of the bid will not be known until June 2023, but work has commenced on achieving vacant possession in readiness.
- 5.5.14 The majority of the regeneration projects are delivered (and therefore managed) externally with their own governance arrangements. However, some funding streams require the council to underwrite grant allocations so there is a need to monitor and evaluate delivery of these external bids. Key aspects of governance over the regeneration programme are as follows:
- 5.5.15 Council Regeneration Team, working in partnership with internal and external partners, has been set up to co-ordinate the regeneration programme from the council's perspective.
- 5.5.16 A Major Capital Investment Projects Board has been established, chaired by the council's Chief Executive. The Board considers all bids and emerging projects, identifies synergies and added value and approves progression. The Board also receives by exception, reporting on the risks and key milestones of major strategic projects. Project Boards and Steering groups feed into this Board. A review of this governance is underway.
- 5.5.17 The Towns Fund Board for Dudley has been operational since early 2020. Boards have also been established for Brierley Hill, and Halesowen. It is expected that a board will be established for Stourbridge/Lye that mirror the operation of these Boards.
- 5.5.18 Regeneration and Enterprise Strategy Group meets monthly to receive reports from lead officers and steering groups. A monthly status update updates are provided to the Corporate Portfolio Management Officer team for onward reporting by exception.
- 5.5.19 Regular meetings are held between the Director of Regeneration and Enterprise and WMCA Director of Housing and Regeneration on projects and funding and also with Homes England and BEIS.



5.5.20 This huge regeneration programme creates enormous opportunities and could provide many potential benefits. Failure to seize the opportunities or to exploit the benefits that are envisaged would negatively impact on the council's vision for 2030. To exploit the benefits requires a strategic approach, good co-ordination and sufficient and appropriate resources. Part of the approach to mitigate this is the development of the Economic Regeneration Strategy. This strategy will set out the key challenges faced, the themes and objectives to address these challenges; and develop an action plan to prioritise the pipeline of projects and identify the resource and skills requirements.

However, a number of key challenges remain which affect the regeneration programme including:

- Funding – European Union funding has been phased out and in its place the UK Shared Prosperity Fund is being implemented. Full details are still being worked through. Year 1 allocation was retrospectively applied to ongoing activity as it was not received until February 2023 and had to be spent by the end of March 2023. Work is underway on the spend programme for the current year.
- The funds are less than previous grant allocations and therefore, there remains a risk of insufficient funding streams. Also recent government funding bids have been competitive in nature, significantly oversubscribed and the allocation/assessment process has changed part way through the process. This has led to a failure to successfully bid for funds.
- It is imperative any funds allocated as a result of the devolution deal to the WMCA are considered on a programme basis to allow longer term planning and indicative in principle allocations that give the comfort to proceed at risk to develop up projects.
- Ambitious regeneration plans drive long term change and add value to the local economy but, at the same time, carry financial, commercial, planning, procurement and other compliance risk that will need to be carefully managed,
- The level of information and breadth of detail required to submit and be successful in bidding is onerous and resource intensive. The council are required to demonstrate stakeholder engagement and have to explain the economic costs of the bid

and the economic benefits arising as well as the theory of change – the issue you are trying to resolve/level up and how that project will achieve it.

- Built environment, property/legal, bidding and procurement specialists are required and some of these skills are in very short supply and therefore could impact upon regeneration activity and responsiveness.

## **5.6 Digital platform**

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

### Procurement

5.6.2 We carried out an extensive procurement process in 2022/23 which resulted in a contract award to Granicus UK. The contract is worth £1.5m over 7 years (5+2). The cost includes set-up cost and ongoing licence and support cost. We future proofed the contract by agreeing and including in it pricing for modules that we may want to procure at a later date. Prior to signing we organised a session for Councillors to review the platform.

5.6.3 The platform will engage and connect residents to the content and services they need from Dudley Council. The agreed external facing branding is: MYDudley: Improving Access to Council Services.

5.6.4 The key features of delivery are customer portal, customer service hub, Councillor portal, staff portal and gov delivery pro.

5.6.5 The platform will continue to be developed and enhanced throughout the contract as we develop new services and change existing services. Nevertheless, a key milestone is November 2023 when we plan to go live effectively switching over from the current Dynamics platform.

### Governance

5.6.6 To ensure the level and breadth of engagement and buy-in is council wide, a new governance structure is being established.

- 5.6.7 This platform will create enormous opportunities and requires a strategic approach to exploit benefits, including good co-ordination and appropriate resources.
- 5.6.8 A digital platform steering group with broad membership representative of council services has been running since July 2022 and includes stakeholders from across the organisation and will now oversee the delivery of the outcomes. There are 3 core workstreams digital architecture, form and workflow and customer experience.
- 5.6.9 This model will ensure clear objectives, collective internal decision making, business process agreement and technical agreement.
- 5.6.10 The digital platform steering group will report into the Digital Board (reports through SEB to Cabinet) which has been established and meeting since October 2021.

## **5.7 Equality, Diversity and Inclusion**

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

## **5.8 Recruitment and Retention**

- 5.8.1 The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise, together with emerging recruitment and retention challenges facing employers resulting from impact of the covid pandemic, has been identified as a significant issue due to its risk rating. This is currently being addressed in a number of ways including;

- Growing our talent pool through the use of apprenticeships
- Procuring Interim consultants where appropriate to ensure the council has the skills and capacity needed to support the delivery of key services.
- The introduction of new workstyles and promotion of agile/flexible working to ensure we attract the best talent for roles that can work remotely.
- Developing career pathways in a range of professional areas across the council to support employees to develop their careers over time and to retain talent, particularly in hard to fill roles.

- Utilising market forces supplements to attract candidates to roles that are very hard to recruit to and to retain internal talent for these roles.
- Workforce planning at directorate level on an annual basis to enable the identification of the roles that are difficult to recruit to and plans put in place to address/mitigate impact.
- Regular Horizon scanning to anticipate changes and trends to professional areas across the council together with keeping up to date on national trends for hard to recruit professions.
- Utilising search support for roles which in professional areas that are experiencing labour market difficulties to target passive candidates.

5.8.2 The Council's People Plan sets the direction for Dudley council to become an employer of choice and will provide a "shop window" to current and prospective employees. It also identifies the range of activities we have committed to that will improve the employee experience.

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

## **5.9 Governance – Programmes, Projects and Contract Management**

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

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

- Project budgets not managed in accordance with Financial Regulations.
  - Poor records management.
  - Legal advice not obtained where appropriate.
- 5.9.2 The Deputy Chief Executive is to produce action plans to address the above issues which will be agreed with Audit and Standards Committee, and they will be responsible for monitoring progress.
- 5.9.3 The Council has recently established a Corporate Portfolio Management Office (CPMO), with an aim to provide guidance, oversight and assurance on the delivery of programmes, projects and corporate initiatives.
- 5.9.4 The CPMO has developed a project management framework and is working with officers to embed project infrastructure into the Council's culture. There will be further development of a 'programme management' framework to complement the project management framework, as well as a suite of guidance and tools for managing change and delivering transformational activities.
- 5.9.5 The CPMO will also provide assurance of effective project management to decision makers, to support the Council in addressing the concerns noted above in regard to programmes and projects. (see 5.9.1)
- 5.9.6 The CPMO has further defined ownership and accountability as part of the project management framework and included signposting to relevant Council departments and their policies and protocols etc. (e.g. Finance, Procurement, EDI, Information Governance, Risk etc.) to ensure adherence to regulatory and statutory obligations as part of the guidance on each stage of the PM lifecycle. The CPMO has collaborated with support services as part of developing the framework to ensure a 'one council' approach.
- 5.9.7 The CPMO has developed the Dudley Project Portal (project management system run on Verto365) will also support many aspects of the framework – particularly around roles and responsibilities, approvals audit trails and records management. Some final updates are being made to the system following the recent pilot and it will be going live in May and rolled out on a directorate-by-directorate basis.
- 5.9.8 The CPMO aims to provide the infrastructure to support officers in managing their projects, as well as defining the project requirements and expectations. Finance, funding and cost considerations have been incorporated within key mandatory PM documentation, as well as the controlled management of it within the Dudley Project Portal.

5.9.9 Project thresholds (major project, directorate led project, operational initiative) have been defined, each with determined governance pathways for decisions and approvals that are aligned with the Council's current decision-making arrangements.

## **5.10 Housing Compliance**

5.10.1 Following a review of housing compliance data the Council has identified issues with data quality. It is likely that the issues identified date back over a number of years and, in view of the findings, the Council has launched a recovery programme and made a self-referral to the Regulator of Social Housing in relation to housing compliance.

The costs associated with the recovery programme were not included within the MTFs approved by Council in March 2023 as the issues and associated costs had not been identified at the time. Housing Revenue Account budgets are therefore under review to reprofile planned investment to accommodate the recovery costs within the HRA budget.

## **6. New and Emerging Significant Issues**

6.1 The viability of residential and nursing care homes for older people has become a growing concern in 23-24. A number of private and independent sector homes closed in 22-23 and further closures are likely in 23-24 due to income not keeping pace with inflation. The Council has not kept pace with increases in care fees in Sandwell and Wolverhampton and further consideration about the need for short term financial investment and a new model of care bandings will be revisited by Cabinet.

6.2 Paragraph 5.3.2 highlights a worsening of the Council's financial position. A Peer Review conducted in September has highlighted that the Council's number one priority should be to address its financial sustainability. It also highlights issues with member to officer and member to member behaviour as well as making other recommendations about the governance of the Council. The Grant Thornton Annual Auditor's Report has identified significant weaknesses in Financial Sustainability, Governance and Economy, Efficiency and Effectiveness. The Council has created an externally-chaired Improvement and Assurance Board to oversee the response

to the adverse findings of the Peer Review and the Annual Auditor's Report.

## **7 Action Plan**

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

## **8. Conclusion**

8.1 The council is very aware of the issues raised in Section 5 and Section 6 and will ensure progress is made during 2023/24. With the exception of these issues, the council's governance framework remains "fit for purpose".

**P Harley**  
**Leader of the council**

**K O'Keefe**  
**Chief Executive**

## **Appendix A**

### **Dudley Council Governance Structure**

#### **Full Council**

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

#### **Cabinet**

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

#### **Overview and Scrutiny**

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

#### **Statutory and Regulatory Committees**

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

- Appointments Committee - Recommending to the full Council the appointment of a Chief Executive and deciding upon the appointment of Directors.



- Audit and Standards Committee and Standards Sub-Committee - The overview of internal and external audit, risk management, fraud and functions relating to local government standards.
- Children’s Corporate Parenting Board - Its role is to secure cross departmental involvement and commitment throughout the council to deliver better outcomes for children in care. The Board is responsible for the implementation of the Corporate Parenting Strategy and subsequent Delivery Plan, which will ensure the most effective means of achieving sustained service improvements.
- Planning Committee - Functions relating to town and country planning and development control, including tree preservation functions.
- Dudley Health and Wellbeing Board - This Board has been formed to recognise that the council has a key role to encourage coherent commissioning strategies across the NHS, social care, public health and other partners. The Board deals with the responsibilities of the Local Authority and the GP Consortia for the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment. It is also involved in developing a Joint Health and Wellbeing Strategy.
- Ernest Stevens Trusts Management Committee - To undertake the council’s functions as a Trustee in relation to matters concerning the Ernest Stevens Trusts and all Trust land in the Borough.
- Licensing and Safety Committee and Licensing Sub-Committees (x4) - Licensing functions (apart from hackney carriage and private hire licensing), health and safety functions, other than those exercised by the council as employer.
- Taxis Committee - Functions relating to hackney carriage and private hire licensing.