Meeting of the Cabinet

Thursday 11th January, 2024 at 5.00pm
In Committee Room 2 at the Council House, Priory Road, Dudley, West Midlands, DY1 1HF

Agenda - Public Session

(Meeting open to the public and press)

1. Apologies for absence

2. To receive any declarations of interest under the Members' Code of Conduct

3. Medium Term Financial Strategy (Pages 4 - 46)

4. Grant Thornton Auditor's Annual Report (Pages 47 - 107)

5. To report on any issues arising from Overview and Scrutiny Committee and Select Committees.

6. To consider any questions from Members to the Leader where two clear days' notice has been given to the Monitoring Officer (Cabinet Procedure Rule 2.5)

Distribution:

Members of the Cabinet:
Councillor P Harley (Leader)
Councillor P Bradley (Deputy Leader)
Councillors P Atkins, I Bevan, R Buttery, S Clark, Dr R Clinton, D Corfield, M Rogers and L Taylor-Childs

Opposition Group Members nominated to attend meetings of the Cabinet:

All Shadow Cabinet Members are invited to attend Cabinet meetings (to speak but not vote)

Chief Executive
Dated: 3rd January, 2024

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Agenda Item No. 3

Meeting of the Cabinet – 11th January 2024

Joint Report of the Deputy Chief Executive and Director of Finance and Legal

Medium Term Financial Strategy

Purpose

1. To consider the latest General Fund revenue position for 2023/24 and provisional Medium Term Financial Strategy (MTFS) to 2026/27.

2. Cabinet is not being asked to make final decisions on the MTFS. The proposals in this report will be the subject of public consultation and will be considered by Overview and Scrutiny Committee before returning to Cabinet on 15th February and going to Full Council for final decisions on 4th March.

Recommendations

3. That Cabinet notes:

   a. The forecast General Fund revenue outturn position for 2023/24 and the effect on General Balances at 31st March 2024.
   b. The progress with delivery of savings as set out in Appendix B.
   c. The actions of the External Auditors outlined in paragraph 12.
   d. The various risks and issues which will need to be taken into account in finalising budget proposals for 2024/25 and the Medium Term Financial Strategy

4. That Cabinet considers the benefits and risks set out in paragraph 15 and decides whether to approve a specific override to the spending controls that it approved in October in order to allow the project to replace the Pens Meadow School to proceed.

5. That Cabinet approves the preliminary financial strategy outlined in this report as a basis for scrutiny and consultation.

Background

6. At 31st March 2022 our unringfenced revenue reserves as a proportion of net revenue spend were 19%. The average[1] for all Metropolitan Councils at the same date was 55%. Calculated on the same basis, our position at 31st March 2023 was still 19%. Comparisons with other councils are not yet available.

Forecast Revenue Outturn 2023/24

7. On 6th March Council set the 2023/24 budget. The budget was amended by Council on 10th July. The latest forecast performance against the amended budget is summarised below:

Directorate	Latest Budget £m	Outturn £m	Variance £m
Chief Executive	6.7	6.8	0.1
Adult Social Care	110.7	118.3	7.6
Children's Services	82.0	86.7	4.7
Health and Wellbeing	2.7	2.6	(0.1)
Finance and Legal Services	14.2	14.8	0.6
Digital, Commercial and Customer Services	16.6	16.6	0.0
Environment	48.7	49.9	1.2
Housing and Communities	2.5	2.3	(0.2)
Regeneration and Enterprise	14.4	16.4	2.0
Corporate, Treasury and Levies	13.9	7.0	(6.9)
Total Service Costs	**312.4**	**321.4**	**9.0**
Total Resources	(307.3)	(307.2)	0.1
Use of Balances	**5.1**	**14.2**	**9.1**

8. Appendix A gives further detail of forecast performance at service level. Appendix B summarises delivery on savings previously agreed. The significant reasons for budget variances are summarised as follows:

[1] The percentage quoted is based on the Median average of all Metropolitan Councils

- Vacancies net of pay award and agency costs (£4.2m).
- Additional net cost of Adults' and Children's care packages due to demand and price £12.3m.
- Adverse trading activity £2.7m.
- Utilities £1.6m.
- Home to School Transport £1.0m.
- Energy from Waste adverse variance £0.8m.
- Property £1.2m.
- Legal fees £0.4m.
- Release of contingency held mainly for revaluation of Business Rates adjustment released (£3.3m).
- One off income from Enterprise Zone / LEP and Black Country Consortium (£1.4m).
- Triennial pension overpayment recovery (£0.9m).
- Net favourable variance from capital slippage and higher interest rates (£2.0m)
- Other net adverse variances £0.9m.

9. The Cabinet should note that this is a significant adverse variance with severe implications for the ongoing Medium Term Financial Strategy. The immediate impact on the General Fund is outlined below.

	Budget £m	**Latest Position £m**
Forecast balance 31st March 2023	20.8	20.8
2022/23 outturn (as reported to July Cabinet)		1.0
General Fund Balance at 31st March 2023	**20.8**	**21.8**
Planned use of Reserves approved by Council March 2023	(4.2)	(4.2)
Planned use of Reserves approved by Council July 2023		(0.9)
Adverse Forecast 2023/24 outturn		(9.1)
Forecast General Fund Balance at 31st March 2024	**16.6**	**7.6**

Dedicated Schools Grant

10. The majority of Special Education Needs and Disability (SEND) services are met from the High Needs Block within the Dedicated Schools Grant (DSG). As previously reported, we (in common with many other councils) have been experiencing significant financial pressures from increasing demand for children that require additional educational support. Dudley is part of the 'Delivering Better Value in SEND programme' (DBV) that aims to support local authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable.

11. Notwithstanding the high-level recovery plan that has been agreed, there is a forecast cumulative deficit of £34.0m on the High Needs Block, resulting in an overall DSG deficit at 31st March 2024 of £30.7m. The Government has regulated temporarily to ensure that this pressure does not impact the General Fund and has confirmed that this statutory override will be extended to 31st March 2026. If the statutory override is not extended beyond that point, then this further compounds the risk that the Council's General Fund will be exhausted.

External Audit

12. The External Auditors (Grant Thornton) have issued their Auditor's Annual Report 2021/22 and 2022/23. They have commented on financial decision making at the corporate level and on the deteriorating financial position. They have identified significant weaknesses in Financial Sustainability, Governance and Economy, Efficiency and Effectiveness.

Spending controls

13. In view of the financial position presented to October Cabinet spending controls were approved to reduce the deficit in the current financial year and the ongoing impact on future years. Spending controls apply even where budget has previously been approved by Council. It was proposed that these controls be reviewed after each financial year end, but remain in place at least until the Council's unringfenced reserves return to a level of 20% of net revenue spend.

14. Although the forecast outlook for the current year remains grave, it has improved from the deficit of £15.2m that was forecast in October to the deficit of £14.2m that is being forecast now (see paragraph 7). This movement reflects a range of favourable and adverse factors, not all of which are directly linked to the spending controls. However, it should be noted that the first phase of implementation of the controls has focussed on staffing and agency and that this element of the forecast has improved by £1.5m.

15. The existing MTFS includes provision to service debt (net of capital receipts from release of development land) from building a new Pens Meadow School to replace the current split site. The forecast debt charges rise to around £1m per year from 2026/27 onwards. Letting the contract for the new build at this time would not meet the criteria in the spending controls and, as such, officers currently have no authority to proceed. However, this is a high-profile project that would significantly improve the facilities and locate them on a single site. It is proposed that Cabinet weigh these benefits against the financial position and risks set out in this report and decides whether to approve a specific override to the spending controls to permit this project to proceed.

<u>Medium Term Financial Strategy (MTFS) to 2026/27</u>

16. In updating the Council's MTFS, Members will need to consider carefully:

    (a) the levels of Government support allocated to the Council;

    (b) proposals for additional spending, opportunities to free up resources (including savings), and Council Plan priorities;

    (c) the implications of spending levels in later years as part of the Council's medium term financial plan;

    (d) the views of consultees;

    (e) the external factors and risks inherent in the Strategy;

    (f) the impact on Council Tax payers;

(g) the potential impacts on people with protected characteristics as defined in the Equality Act 2010. Members will need to have due regard to the public sector equality duty under the Equality Act 2010. (Further details are set out in the Equality Impact section below).

Government Funding

17. The Chancellor delivered the Autumn Statement on 22nd November and the Provisional Local Government Finance Settlement was published on 18th December 2023. The settlement confirmed the following allocations of funding at the national level:

- Local Authorities will see an increase in baseline funding levels and compensation grants for locally retained business rates, to ensure that multipliers are in line with Consumer Price Index (CPI) of inflation.
- The Non-Domestic Rating Act has decoupled non-domestic rating multipliers. Previously the standard multiplier was derived by adding a supplement (1.3p in 2022/23) to the small multiplier. In future, the small and standard multipliers will be set independently of each other.
- At the Autumn statement, the Chancellor announced that for 2024/25 the small multiplier will be frozen at 49.9p for the fourth consecutive year, and that the standard multiplier will be uprated in line with September CPI from 51.2p to 54.6p.
- This decision increases the gap between the two multipliers and has consequences for the business rates retention system.
- An additional £692m nationally of Social Care grant for Adults and Children's Services.
- Maintaining existing Improved Better Care Fund allocations at 2023/24 levels.
- Increasing the Market Sustainability and Improvement Fund to £845m nationally and combining with Workforce Fund (£205m nationally in 2024/25) increasing the overall total value to £1,050m.
- A reduction of £406m nationally for the Services Grant.
- An additional £200m nationally of Discharge Funding for Adult Social Care.

18. Specific funding allocations for Dudley are reflected in the MTFS table under paragraph 33.

Council Tax

19. Accounting for Council Tax Collection Fund surpluses and deficits and associated grants is complex, particularly in terms of timing. Latest forecasts indicate a Council Tax surplus for 2023/24 of £1m, mainly as a result of a reduction in council tax reliefs.

20. Looking forward forecasts have been adjusted to reflect current numbers of households in receipt of discounts and exemptions. The assumptions for new house building and collection rates have been maintained. The position will continue to be monitored closely and any updated forecasts reported to Cabinet in February.

21. The Provisional Local Government Finance Settlement set referendum limits for 2024/25 of a basic increase of up to 2.99% and in addition an Adult Social Care Precept of up to 2%. It is anticipated the similar limits will be set for future years. Forecasts in this report are based on a 4.99% Council Tax increase in 2024/25 onwards.

Business Rates

22. Accounting for Business Rates Collection Fund surpluses and deficits and associated grants is complex, particularly in terms of timing. Latest forecasts indicate a Business Rates deficit for 2023/24 of £5.1m. This reflects the brought forward deficit position in relation to Covid19 Additional Relief Fund (CARF), partly offset by reduction in reliefs provided and release of funds from the appeals and bad debt provisions. There is also a transfer in from the S31 grant reserve of £5.7m.

23. A revaluation of all properties for business rates took effect from 1 April 2023. There is still some uncertainty concerning the impact of the 2023 revaluation on our Business Rate and grant income, in particular the impact of appeals under the “Check, Challenge, Appeal” process. We have made a provision and kept this under review in the light of actual appeals received together with external advice on potential future appeals and comparisons with other councils.

24. Future year forecasts reflect actual levels of empty property and other reliefs, numbers of properties in rating and the ongoing impact of our review of appeals set out above. We have also adjusted forecasts of Business Rates and Section 31 Grant income to reflect the Consumer Price Index. The final budget and MTFS will include adjustments between retained business rates, business rates grant and tariff to reflect the precise impact of revaluation and inflationary uplifts (the combined value of these three lines in paragraph 33 is a reasonable forecast at this stage).

Combined Authority

25. The West Midlands Combined Authority (CA) receives three elements of funding via the constituent authorities as follows:

- The Transport Levy to fund its transport functions, allocated by statute on a population basis.
- A contribution to reflect assumed real terms growth in the central share of business rates from 2016/17 onwards to fund its regeneration activities, under the terms of the Devolution Deal.
- A further contribution to fund its non-transport functions currently allocated by agreement partly on a population basis and partly by equal shares.

26. Forecasts in this report assume that the Transport Levy will be uplifted by 3% year on year.

Base Budget Forecasts

27. The Base Budget reflects the impact on spending of forecast inflation and other anticipated changes, before directorate additional spending or savings proposals are taken into account. Details are as follows:

	2024/25 £m	2025/26 £m	2026/27 £m
2023/24 base	311.5	311.5	311.5
Pay (note 1)	9.3	12.4	15.5
General price inflation (note 2)	-	1.8	3.6
Utilities inflation (note 3)	1.4	2.2	2.8
Income uplift (note 4)	(1.1)	(2.3)	(3.5)
Combined Authority (see paras 24-25)	0.4	1.1	1.6
Treasury (note 5)	1.3	2.7	2.0
NNDR revaluation changes (note 6)	(3.0)	(3.0)	(3.0)
Other adjustments (note 7)	(3.5)	(3.6)	(3.2)
Base Budget Forecast	**316.3**	**322.8**	**327.3**

Notes:

(1) This allows for an average pay increase of 6.2% in the current year, 4% increase for 2024/25 and a further 2% increase for 2025/26. Note that Central Government does not control Local Government pay directly.
(2) No general provision has been made for 2024/25, with any specific inflationary issues being reflected in additional spending in paragraph 26 below. From 2025/26 a 2% per annum increase has been applied to general non pay lines (excluding utilities and social care costs).
(3) This allows for

- An increase of 14% for electricity and 32% increase for gas for 2024/25.
- An increase of 10% for electricity and 20% increase for gas for 2025/26.
- An increase of 5% for electricity and 10% increase for gas for 2026/27.
- An increase of 6.7% for business rates for 2024/25 based on September 2023, with 2% annual increases thereafter.

(4) Assumes a general increase of 2% per year on fees and charges, with exceptions being reflected in savings in paragraph 29 below.
(5) Impact of Capital Programme, treasury management and investment income forecasts.
(6) Changes to Business rate tariff, due to revaluation.
(7) Fall-out of previous one-off items, adjustments to Medium Term Financial Strategy following July cabinet, removal of severance costs provision and other adjustments.

Additional Spending

28. The following table outlines proposed additional directorate spending arising from a combination of demographic, inflationary and other unavoidable service pressures as well as improvements to services to residents and growth in organisational capacity. Further detail is provided in Appendix C.

	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Chief Executive	0.1	0.1	0.1
Adult Social Care	12.6	20.4	28.4
Children’s Services	7.8	10.5	12.5
Finance and Legal Services	0.1	0.2	0.5
Digital, Commercial and Customer Services	1.4	1.4	1.6
Environment	1.9	2.0	2.1
Housing and Community	0.0	0.0	0.0
Regeneration and Enterprise	1.2	1.2	1.0
Total	**25.1**	**35.8**	**46.2**

Savings

29. In total the following saving (including proposed increases to service income) proposals have been identified. Details are set out in Appendix D.

	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Chief Executives	0.3	0.5	0.5
Adult Social Care	1.6	3.1	3.1
Children’s Services	0.6	2.2	2.2
Finance and Legal Services	0.0	0.1	0.1
Health and Wellbeing	0.4	0.4	0.4
Digital, Commercial and Customer Services	0.4	0.9	0.9
Environment	3.2	3.4	3.4
Housing and Community	0.0	0.0	0.0
Regeneration and Enterprise	1.2	1.6	2.4
Total	**7.7**	**12.2**	**13.0**

Public Health

30. The 2023 Autumn Statement announced indicative Public Health allocations for 2024/25 which for Dudley is £23m representing an increase of 1.32%.

31. In 2023/24 there is a forecast surplus £0.6m on the Public Health Grant due largely to a contingency when negotiating new contracts with health partners. This surplus will be added to the ringfenced Public Health Reserve. Programmes of work are planned, in line with council priorities, to ensure that the best use is made of these reserves.

32. The overall forecast position for the Public Health Grant funded budget can be summarised as follows:

	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Base budget forecast	23.0	23.3	23.6
One-off spending plans	0.9	0.1	0.1
GF switch family safeguarding	0.8	0.2	0.0
Total spend	**24.7**	**23.6**	**23.7**
Forecast grant	23.0	23.3	23.6
Deficit	**(1.7)**	**(0.3)**	**(0.1)**
Reserve brought forward	2.2	0.5	0.2
Reserve carried forward	0.5	0.2	0.1

Medium Term Financial Strategy

33. The MTFS reflecting the revised spending proposals set out above, and forecasts of likely resource availability can be summarised as follows.

	2024/25 £m	2025/26 £m	2026/27 £m
Base Budget Forecast – see para 27	316.3	322.8	327.3
Additional spending – see para 28	25.1	35.8	46.2
Savings – see para 29	(7.7)	(12.2)	(13.0)
Total Service Spend	**333.7**	**346.4**	**360.5**
Council Tax	155.6	164.5	173.8
Collection Fund Surplus/(Deficit) – Council Tax	1.0	-	-
Retained Business Rates	89.2	91.1	92.9
Business Rate Grant	34.6	35.2	35.9
Collection Fund Surplus/(Deficit) – Business Rates	(5.1)	-	-
S31 Grant Reserve	5.7	-	-
Tariff & Cap	(6.3)	(6.5)	(6.6)
Tariff – One Off Adjustment	(1.1)	-	-
New Homes Bonus	0.1	0.1	0.1
Improved Better Care Fund (IBCF)	16.6	16.8	17.0
Social Care Grant	32.9	33.3	33.6
Services Grant	0.4	0.4	0.4
Total Resources	**323.6**	**334.9**	**347.1**
Deficit funded from General Fund	**10.1**	**11.5**	**13.4**
General Fund (surplus)/deficit b/f	(7.6)	2.5	14.0
General Fund deficit c/f	**2.5**	**14.0**	**27.4**

34. The table above assumes that Council Tax increases by 4.99% in 2024/25. Based on proposed referendum limits, this would not require a referendum in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992. It is also assumed that Council Tax will continue to increase by 4.99% per year from 2025/26 onwards.

35. Based on the forecasts, additional spending and savings proposals set out above, we are forecasting significant deficits in all years. We are also currently forecasting a deficit position on the General Fund at the end of 2024/25. If this position does not improve, then it will be necessary to transfer funds from earmarked reserves to the General Fund so as to set a lawful budget for next financial year. From 2025/6 onwards, the outlook is unsustainable unless we identify additional income and/or savings going significantly beyond the proposals already built into this report.

36. It should be noted that the savings proposals in paragraph 29 and Appendix D are those that are quantifiable and deliverable at this time. The Council now has the urgent task of reviewing its Total Operating Model including:

- Review of leisure centres including the option to outsource.
- Review of the ongoing viability of halls and associated catering facilities, including options to operate on a concession basis.
- Review of the scope of the library service.
- A strategic review of parking, including on-street and off-street charging options.
- A review of waste and recycling, taking account of recent government guidelines on food waste.
- A review of all other service areas considering options to cease, reduce, outsource, merge or otherwise transform those services so as to be as cost-effective as possible.
- A consequent review of the overall structure of the Council.

37. No assumptions can be made about the financial impact of the reviews set out above. Given the urgency of the situation, officers will continue to liaise with officials at Department for Levelling Up, Housing and Communities (DLUHC) about the potential for Exceptional Financial Support in the event that savings delivered from the Total Operating Model are insufficient in timing or value.

Consultation

38. Thousands of people have taken part in the budget consultation over the past few years. Last year there were more than 1,500 valid responses received after an extensive promotion period through the media, social media and through the e-bulletin. This year, the Council

will continue to consult far and wide using the extensive reach it has through a range of communications channels as well as working with partner organisations and community groups to encourage more people to have their say. The results will be reported back to Cabinet in the spring.

39. Detailed consultation will also be undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. Further information is set out in the Equality Impact section below.

40. A consultation document will be distributed to representatives of Non-Domestic Ratepayers setting out the provisional budget proposals in this report. Consultees will be offered the opportunity for a meeting to be held if there is sufficient interest. Further detailed information (as required in pursuance of the statutory duty to consult) will be distributed in February for comment before the Council Tax setting meeting.

41. The draft Budget will be presented to Overview and Scrutiny Management Committee in January. In framing their responses, the Committee will be asked to consider both the spending, service delivery and funding implications (including the impact on Council Tax) of any observations they may wish to make.

Finance

42. In the Section 25 report to Council on 6th March, the Director of Finance and Legal stated: “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.”

43. The Council’s finances have further deteriorated since the statement set out above. The Council is now at a point where any further deterioration runs the risk of triggering a formal report under Section 114 of the Local Government Finance Act 1988. In view of this risk, the Director of Finance and Legal is liaising with officials at DLUHC to explore the potential for Exceptional Financial Support.

Law

44. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

45. The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.

46. The Localism Act 2011 introduced a new chapter into the Local Government Finance Act 1992 making provision for Council Tax referendums to be held if an authority increases its Council Tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

47. The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 are designed to enable a local authority to compensate employees whose employment terminates on grounds of redundancy or in the interests of the efficient exercise of the authority’s functions. Any local arrangements in place must also be compliant with the Employment Rights Act 1996 and the Equality Act 2010.

Risk Management

48. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which are subject to continuous review:

    i. that pay inflation does not vary materially from current forecasts;

    ii. that the 2024/25 finance settlement and any specific grant income is in line with forecasts (noting in particular that there is uncertainty around the assumed allocation of additional Autumn Statement funding to Dudley);

iii. that the underlying impact of any local government funding reforms (if they occur during the life of this MTFS) is neutral;

iv. that underlying net income from Business Rates rises in line with forecast CPI, and that income and expenditure in respect of the EZ is in line with current forecasts;

v. that the impact of appeals against Business Rates is contained within the provisions assumed in this report;

vi. that the cost of Council Tax Reduction awarded will not substantially exceed forecasts, and the underlying tax base will continue to grow as anticipated;

vii. that cash limited non-pay budgets will be managed so as to absorb any price inflation not specifically provided for in 2024/25 and any inflationary pressures in 2025/26 and 2026/27 will be no more than the amount provided for;

viii. that income and expenditure relating to treasury management activity are in line with forecasts;

ix. that government policy on maximum underlying Council Tax increases without the need for a referendum will be in line with the levels announced at the Autumn Statement;

x. that the Adult Social Care market is able to absorb National Living Wage pressures within the proposed provision;

xi. that employer contributions to the Local Government Pension Scheme (LGPS) from 2026/27 onwards are in line with contributions in the current triennial review period;

xii. that any impact of social care reforms at the end of the MTFS period can be met within the available funding;

xiii. that there will be no material losses to the Council as a result of loans, guarantees and/or grant clawback;

xiv. that spending pressures in relation to Special Education Needs and Disability can be contained within the Dedicated Schools Grant;

xv. that there will be no call on the Council to underwrite the commitments of the West Midlands Combined Authority beyond the contributions outlined in this report;

xvi. that the savings proposals set out in Appendix D will be delivered as planned;

xvii. that there will be no other unplanned expenditure (including any resulting from demographic, legislative or case law pressures) or shortfalls in income, which cannot be met from reserves.

49. The assumptions set out above are subject to uncertainty. In the event that outcomes are more negative than the assumptions in this report then, given the already adverse outlook, there is an increasing likelihood that this would trigger a report under Section 114 of the Local Government Finance Act 1988.

50. 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. At the last review point, this risk was allocated the maximum rating of 25 (Extreme).

Equality Impact

51. Section 149 of the Equality Act 2010 - the general public sector equality duty - requires public authorities, including the Council, to have due regard to the need to:
- eliminate discrimination, harassment and victimisation and other conduct that is prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who don't;
- foster good relations between people who share a protected characteristic and those who don't.

52. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

53. The legislation states that "the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities." In practice, this means that reasonable adjustments should be made for disabled people so that they can access a service or fulfil employment duties, or perhaps a choice of an additional service for disabled people is offered as an alternative to a mainstream service.

54. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
    - tackle prejudice, and
    - promote understanding.

55. Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

56. The duty covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

57. An initial assessment of the budget proposals has been made. Where proposals are likely to have a significant equality impact, they will undergo an equality impact assessment informed by consultation with the protected groups who may be adversely affected. The results of this process and any steps which emerge that might help to mitigate any potential impact of the budget proposals on the protected groups will be reported to Members so that they can pay due regard to the Public Sector Equality Duty in making decisions on the budget. In

making decisions on budget proposals, Members will need to weigh the Public Sector Equality Duty against the forecast financial position, risks and uncertainties set out in this report.

58. With regard to Children and Young People, a substantial element of the proposed budget for the Children's Services Directorate will be spent on maintaining and improving services for children and young people. The expenditure of other Directorates' budgets will also have a significant impact on this group.

Human Resources / Organisational Development

59. The spending controls include controls over recruitment.

Commercial / Procurement

60. The spending controls include controls over the letting of contracts.

Environment / Climate Change

61. There are no direct climate issues arising from this report.

Council Priorities and Projects

62. The aspirations of the Council Plan can only be delivered if the Council is financially sustainable.

Balvinder Heran

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Balvinder Heran
Deputy Chief Executive

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Iain Newman
Director of Finance and Legal Services

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List of Background Papers

Appendix A

General Fund Revenue Forecast Outturn 2023/24

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Chief Executive	**6,675**	**6,786**	**111**	
People and Inclusion	3,040	2,943	(97)	Staff car park permits (£55k), other net savings (£42k)
Communications and Public Affairs	1,000	1,096	96	Shortfall on Musicom £70k and Street vendors £16k, other £10k pressures
Chief Executives Office	2,635	2,747	112	Salary costs £162k and non pay pressures £50k offset by reduction in spend on strategic contingency (£100k)
Adult Social Care	**110,723**	**118,317**	**7,594**	
Dudley Disability Service	53,522	58,612	5,090	Bedbased pressure £1,841k arising from 7 long term placements £640k and £1,201k of short term placements, Community Services pressure of £3,622k arising from 177 extra clients and +£48 pw increase in costs, backdated Business Rates at Ladies walk £219k. Offset by net staff savings (£592k).
Assessment and Independence	42,834	44,396	1,562	Additional 295 clients £2,380k, salary pressures £19k, £156k other pressures. Offset by; additional grants & joint funding (£993k).

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Access & Prevention, adults commissioning, Performance & complaints	9,906	9,651	(255)	Shortfall on Telecare income and additional staffing £84k, offset by net staffing savings within division (£239k), (£100k) Public Health switch for carers.
Adult Safeguarding & Principal Social Worker	1,828	1,644	(184)	Net salary savings (£184k)
Integrated Commissioning	4,285	4,285	0	
Other ASC	(8,194)	(8,224)	(30)	Net Salary savings (£30k)
Adult Mental Health	6,542	7,953	1,411	Supported living £685k, Residential care £494k, other care costs £233k, £170k Woodside pressure off set by net salary savings (£171k)
Children's Services	**81,958**	**86,657**	**4,699**	
Adolescent Safeguarding	4,465	4,328	(137)	Net salary savings (£137k)
Family Safeguarding	5,955	5,807	(148)	Net salary savings (£148k)
Through Care	41,593	45,781	4,188	External Residential Placements £3,927k, Fostering £224k, Legal fees £160k, Transport £77k, offset by other net savings (£200k).
Front Door and Partnerships	2,669	2,763	94	Agency costs £94k

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Safeguarding Practice & QA	3,345	3,331	(14)	Net salary savings £14k
Other Children's Services	2,310	2,401	91	Agency and temporary staff £191k, use of reserve (£100k)
Family Solutions	8,165	7,384	(781)	Use of grants to fund staffing activity (£361k), use of reserve (£150k), Public Health grant reserve support (£270k)
Lead for Education Outcomes	8,927	10,110	1,183	Home to School Transport £1,000k, School Improvement Officers £80k, other net pressures £103k
Children's Disability Service and SEN Team	4,529	4,752	223	Direct payments £88k, other net pressures £135k
Health and Wellbeing	**2,641**	**2,611**	**(30)**	
Communities and Healthy Places	403	403	0	
Environmental Health and Trading Standards	3,196	3,174	(22)	Legal fees £53k, other net pressures £55k, offset by (£130k) switch from public health grant to trading standards.
H&W other	-958	-966	(8)	Other net savings (£8k)
Finance and Legal Services	**14,183**	**14,776**	**593**	

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Law and Governance	5,015	5,663	648	Elections £220k, members allowances £83k, net cost of locums within legal £300k, other net pressures £45k
Financial Services	6,733	6,778	45	Legal fees £45k
Revenues and Benefits	1,808	1,712	(96)	Discretionary council tax discount £81k and other net pressures £78k, offset by release of reserves (£255k)
Audit and Risk Management	427	394	(33)	Net staff savings (£33k)
Data Protection and Information Governance	200	229	29	Software licence £14k and salary costs £15k
Digital, Commercial and Customer Services	**16,623**	**16,623**	**0**	
Commercial	210	223	13	Leisure service concession costs £30k, DCCS contribution towards Improvement Plan £40k offset by DgfL contribution (£38k) and other savings (£19k)
Procurement	617	550	(67)	Vacancies (£67k)
Libraries	4,257	4,266	9	Legal fees.
Digital Customer Services	4,034	3,805	(229)	Net staff saving (£278k), utility pressures £31k, other savings (£12k), My Dudley marketing £10k and proposed reserve for My Dudley £20k.

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Technology Systems and Services	7,604	7,830	226	Net staffing savings (£89k), dilapidation one off pressure £24k, one off pressure on premises costs £26k, recurrent pressure due to under recovery of income from Print Unit £265k.
DCCS other	(99)	(51)	48	Shortfall of traded service income £73k offset by other favourable variances (£25k).
Environment	**48,731**	**49,906**	**1,175**	
Waste & Transport Operations	10,984	12,129	1,145	Staffing £507k (of which pay award £225k, agency / sickness cover £1,682k, offset by vacancies (£1,400k)). Favourable Income (£106k); (of which Dry recycling plastics (£66k), vehicle sales (£40k)). Transport; Contracted out work £350k, increased costs of capital £150k, spot hire £115k, vehicles repairs £21k, bags and boxes £40k, barrier works £29k other net pressures of £203k which is mainly vehicle rechargeables, termination costs and security offset by fuel savings (164k).
Energy, Sustainability and Climate Change	6,739	7,715	976	Staff saving (£62k), Energy from Waste £808k (of which PPA income shortfall £652k, Commercial waste income (£87k), EfW R&M cost £1,435k, Increased fire suppression cost £91k, other operational costs £23k, release of disputed dilapidation provision (£243k), avoided landfill

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
				costs (£320k), reduced payments to contractor due to lower income (£242k), reduced insurance premiums (£221k), release PPA reserve (£280k)). Household Waste Recycling Centre contract uplift inflation £150k, Pop up £80k.
Neighbourhood Services	11,950	10,946	(1,004)	Net staffing savings (£1,912k), shortfall in pay and display income £164k, Street fines £621k, season tickets £46k, street scene income £43k, staff and council funded passes £117k, equipment £91k, other (£74k), part release of Ash die back reserve (£100k).
Transport & Highways Services	19,058	19,116	58	Net staff savings (£654k), offset by utilities £413k, under utilisation of in house staff £361k, potholes £188k, release of signs reserve (£250k).
Housing and Communities	**2,507**	**2,351**	**(156)**	
Maintenance	(80)	20	100	Under recovery of staff time £29k and high incidence of sickness resulting in under recovery 71k
Community Safety	1,276	1,108	(168)	Maximising use of grants (£168k).
Housing Strategy	814	745	(69)	Staffing savings net of pay award (£111k), Other net pressures including Tenants Perception Survey £42k.
Housing Options	290	290	0	

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Housing Assets & Development	207	188	(19)	Net staffing savings (£19k).
Regeneration and Enterprise	**14,418**	**16,421**	**2,003**	
Culture, Leisure & Bereavement Services	236	1,592	1,356	Bereavement £424k (of which utilities £130k, shortfall of income £255k, other £39k). Halls, Himley, Market & Museums £273k (of which net staffing costs (£2k), Utilities 67k, shortfall of income £218k, other (£10k)). Leisure Centres £523k (of which £348k net staff costs, utilities £352k, other supplies & services £79k, increased income (£256k)). Executive Support £136k (of which net cost of interims £160k, less other s&s savings (£24k)).
Planning	1,920	2,261	341	Net staff savings (£198k) offset by income shortfall £350k, consultants and other pressures £189k
Economic Growth & Skills	2,346	893	(1,453)	One-off windfall re Black Country Legacy funds (£555k), maximising Adult and Community Learning external funding (£200k), Other favourable variance being mainly Enterprise Zone budget (£198k), review of earmarked reserves (£500k).

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Corporate Landlord Services	7,499	9,208	1,709	Catering Commercial £674k (of which Staffing £161k, external income £775k, provisions (£252k), other (£10k)). Catering & Cleaning Other £240k (of which Staffing (378k), internal income £559k, external income £337k, catering provisions (£209k) other (£69k)). Property £795k (of which Staffing (£104k), utilities £308k, Admin buildings including churn costs £130k, Construction and Design fees shortfall £163k, other internal income £79k, voids and NNDR £134k, Facility management £30k, CCTV £40k, external income £15k).
Projects and Placemaking	901	951	50	Other net pressures £50k due to shortfall of income.
Regeneration Projects	1,516	1,516	0	
Corporate & Treasury	**13,918**	**6,992**	**(6,926)**	
Treasury	19,860	17,982	(1,878)	Lower borrowing costs and MRP compared to MTFS due to slippage and lower interest rates (£1,490k) offset by higher HRA balances on usable reserves and high interest rates £829k. Higher interest rates on interest paid on trust balances £56k. Higher interest rates and

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
				payments compared to budget (£1,365k) Reduction in income from fleet re internal borrowing and increased interest paid to Paragon for internal balances £92k.
Levies	15,020	14,369	(651)	Reduced share of Transport Levy (£51k), Surplus due to latest profile re EZ modelling of the black Country (£600k)
Corporate	(20,962)	(25,359)	(4,397)	BR revaluation contingency released (£3,013k), Pensions GF Over Recovery (£942k), other pension savings (£77k) general contingency released (£334k), other (£31k),
Total Service Costs	**312,377**	**321,440**	**9,063**	
Total Funding	(307,271)	(307,192)	79	Less S31 grant than budgeted £79k
Use of Balances	**5,106**	**14,248**	**9,142**	

Appendix B

Delivery of Savings in current MTFS

The extent of progress is reflected within the Forecast General Fund Outturn (Appendix A) and any ongoing deficits are built into the Additional Spending Pressures for the future Medium Term Financial Strategy (Appendix C).

2022/23 Savings		2022/23 £'000	Feb 23 Cabinet	Latest Update 2023
Adults	Review and update the charging policy for transport	60	In progress	Delivered
Chief Executive	Income from Boundary signs	40	In progress	Delivered
Regen & Enterprise	Halls - net increase in income from ticket sales, bar, and food because of increased number of shows following additional capital investment per recent Business Case	100	In progress	In progress
Regen & Enterprise	Bring bars back in-house for Stourbridge Town Hall & Cornbow Hall	10	In progress	In progress
	Total	**210**		

2023/24 Savings		2023/24 £'000	Latest update
Adults	Income generation through fairer cost policy change, financial reviews and implementing charge on first day of confirmation permanent stay in a care home	30	Delivered
Adults	Increase in joint funding agreements	600	In progress
Adults	Transformation of service structures	370	In progress
Adults	Application of eligible grant funding to support services	50	In progress
Adults	Deploy pre-payment cards and apply new approaches to the financial oversight of Direct Payments	100	Delivered

2023/24 Savings		2023/24 £'000	Latest update
Adults	Review, assessment, and appropriate financial packages of care	230	In progress
Adults	New bed based banding framework	120	Delivered
Adults	Increase charges to Private residents for Telecare services	130	In progress
Adults	Introduce charges to Council tenants for Telecare services	130	In progress
Adults	Reduce the Creative Support contract by 50% when current extension ends	160	Delivered
	Total	**1,920**	
Children's	Efficiency savings - review of expenditure budgets for low/medium risk areas inclusive of car mileage (post lockdown), supplies and services, premises, and a review of terminated pension agreements. Staffing savings arising from vacancy review	350	Delivered
Children's	Youth Justice Service - reorganisation following changes to service delivery	90	Delivered
Children's	Redirection of grant funding via partnership delivery to support Early Help	40	Delivered
Children's	Cessation of voluntary sector contract	30	Delivered
Children's	Education Business Partnership - vacancy review	30	Delivered
Children's	Families Come First - prior year growth funding released now service embedded	110	Delivered
Children's	Efficiency as a result of implementing market forces and avoiding excessive use of agency staff	100	Delivered
	Total	**750**	
CEX	Vacancy management in HR&OD	60	Delivered
CEX	Remove vacant Corporate PMO & Performance Support Assistant post	30	Delivered
	Total	**90**	
DCCS	Removal of ADSL on completion of Fibre Optic installations	10	Delivered
DCCS	Not recruiting a role on digital and a role in technology	70	Delivered
DCCS	Reduction in printing costs	30	In progress

2023/24 Savings		2023/24 £'000	Latest update
DCCS	Reduction in print and mailing costs	30	In progress
DCCS	Virtualisation and consolidation of servers	30	Delayed
DCCS	Advancing to E5 Technology provides the most advanced functionality of Microsoft Office applications and additional security, giving an opportunity to rationalise other applications that are no longer required	100	In progress
	Total	**270**	
F&L	Reduced costs of self-insurance	100	Delivered
F&L	Vacancy management in Revenues and Benefits	80	Delivered
F&L	Adjust Members' Allowance budget to reflect entitlement to no more than one responsibility allowance	50	Delivered
	Total	**230**	
H&W	Continued work on Public Health Grant funded substance misuse preventative measures, to reduce use of rehabilitation beds.	100	Delivered
	Total	**100**	
H&C	Staff costs to be met from Homelessness grants.	40	Delivered
H&C	Reduce abortive fees for Disabled Facilities Grants	10	Delivered
H&C	Reduce costs incidental to Disabled Facilities Grants	20	Delivered
	Total	**70**	
ENV	Review Depot security	40	Unachieved
ENV	Parking - Review of charges (free hours remain)	140	Unachieved
ENV	Utilise Symology as the IT system for Street Lighting and end the contract with Mayrise as from 31st March 23	10	Delivered
ENV	Review of current free surface car parks	40	Reversed July 2023
ENV	Street Lighting Energy- Invest to save proposal, LED lighting across the Borough	140	In progress
ENV	Efficiencies for MOT's	50	In progress

2023/24 Savings		2023/24 £'000	Latest update
ENV	Stores review	170	Delivered
ENV	Fleet review	150	In progress
ENV	Energy For Waste arrangements	2,000	In progress
ENV	Review of parking enforcement	100	Unachieved
ENV	Reducing Market Saturday Rounds from 2 to 1	10	Delivered
ENV	Savings from not deploying waste to HWRC	200	Delivered
ENV	Trade Waste - Round Optimisation	50	Delivered
ENV	Review of Green Care working practices.	80	Delivered
ENV	Savings from Directorate Restructure phase 1	30	Delivered
ENV	Depot review - Blowers Green	10	Delivered
ENV	Street Lighting efficiency review	70	Delivered
ENV	Changes to standby/call out arrangements for winter gritting	20	Delivered
ENV	Review of HWRC operating hours	210	Reversed July 2023
	Total	**3,520**	
R&E	Review and reduction in cleaning consultancy services	20	In progress
R&E	Dell Stadium - to implement price changes from September 2022	30	Delivered
R&E	Saving of annual subscription to the Black Country Consortium as a result of the winding up of the BCLEP/BCC	50	Delivered
R&E	Leisure Centres - savings	560	Delivered
R&E	Himley - net increase in car park income and secondary spend due to increased visits as a result of the installation of Play Area.	70	Unachieved
R&E	Halls - net increase in income from ticket sales, bar and food as a result of increased number of shows following additional capital investment of £550k	50	Unachieved
R&E	Estate rationalisation - Regent House Dudley	100	Delivered

2023/24 Savings		2023/24 £'000	Latest update
	Total	**880**	

	Grand Total	**7,830**	

Where savings have been partly implemented or delayed, the financial impact is reflected in the 2023/24 outturn forecast in Appendix A or is being met from directorate earmarked reserves.

Appendix C

Additional Spending

Adult Social Care	Category	2024/25 £'000	2025/26 £'000	2026/27 £'000
Additional placements in excess of budget forecast for people within Assessment and Independence	UN	1,660	1,660	1,660
Additional placements in excess of budget forecast for people within Dudley Disability Service	UN	1,250	1,250	1,250
Additional placements in excess of budget forecast for people within Mental Health Service	UN	450	450	450
Sustainable rates for residential and nursing care for older people	UN	2,870	5,750	8,630
Inflation uplifts across all care packages	UN	6,340	11,270	16,420
Total		**12,570**	**20,380**	**28,410**

Children's Services	Category	2024/25 £'000	2025/26 £'000	2026/27 £'000
External Residential Placements for children in care - increase in number of placements	UN	1,320	1,320	1,320
Supported Accommodation - increase in placement numbers	UN	560	560	560
Increase in placement costs across Residential, Supported Living, Foster care	UN	4,160	6,440	7,920
Increase in Direct Payments for Children with disabilities to meet inflationary pressures and align with Adult Social Care rates	UN	280	340	410
Additional costs of home to school transport for children with special educational needs and disabilities	UN	1,300	1,680	2,080
Increase in savings rates for children in care to be in line with national rates	UN	180	180	180
Total		**7,800**	**10,520**	**12,470**

Chief Executive	Category	2024/25 £’000	2025/26 £’000	2026/27 £’000
Budget Pressures arising from loss of income from HR and Payroll Traded services linked to academisation	UN	140	140	140
Total		**140**	**140**	**140**

Finance and Legal Services	Category	2024/25 £’000	2025/26 £’000	2026/27 £’000
Increased cost of Section 13A Council Tax relief due to increased numbers of care leavers living in the Borough.	UN	110	110	110
Universal Credit migration impact on Housing Benefit recovery and subsidy.	UN	-	80	330
Increased non-pay costs for Electoral Registration as a result of high inflation and additional demands owing to new legislation.	UN	40	40	40
Total		**150**	**230**	**480**

Digital, Commercial and Customer Services	Category	2024/25 £’000	2025/26 £’000	2026/27 £’000
Loss of income because of schools academisation and failure to buy back core services.	UN	70	180	315
Adjustment of print budget income	UN	425	425	425
Cloud hosting application 1 (e.g. business world/business world replacement)	UN	250	130	130
RPI increase on contracts: Agresso (Unit 4), BACS Subs (Bottomline), Axway Automation (Axway), LiquidLogic Integration	UN	20	20	20
Fund permanent security contractor for DC+ walk in centre (currently Dudley Council Plus, 259 Castle St).	UN	50	50	50

Digital, Commercial and Customer Services	Category	2024/25 £’000	2025/26 £’000	2026/27 £’000
Fees for online payments	UN	20	20	20
Implement Civica ICON payment Webpaystaff	UN	60	10	10
Procure up to 70 more Microsoft E5 licences	UN	20	20	20
Library further inflation uplift	UN	170	250	330
Migration of Umbraco to hosting in cloud.	OR	70	30	30
Upgrade or replacement of Council contract management system.	OR	60	30	30
Microsoft E5 licensing model to enable additional benefits of using the enhanced security, telephony, business intelligence, and data management.	OR	130	150	150
Royal Mail price increase	UN	10	20	20
Total		**1,355**	**1,335**	**1,550**

Environment	Category	2024/25 £’000	2025/26 £’000	2026/27 £’000
Car Park Income - External Season Tickets	UN	90	90	90
Car Park Income - Pay and Display	UN	140	140	140
New Roads and Street Works Act - Sampling Legislation Change	UN	30	30	30
Concessionary contract for kerbside collection of mattresses', carpets, Underlay and bed-bases.	UN	250	250	250
Household Waste Recycling Centre & Green Waste Disposal Inflation	UN	190	220	280
Energy from Waste (EfW) Life Cycle review	UN	690	690	690
EFW contract inflation	UN	90	160	210
Weed Control Measures	EM	25	25	25

Environment	**Category**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Staffing resources to enhance grounds maintenance and Street Cleansing	EM	168	168	168
Clean Teams for rapid response to environmental concerns.	EM	127	127	127
Waste Disposal	EM	60	120	120
Total		**1,860**	**2,020**	**2,130**

Regeneration and Enterprise	**Category**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Re-basing income - Bereavement Services	UN	300	300	300
Re-basing income - Non-schools catering - Brookes Bistro	UN	200	-	-
Re-basing income - Non-schools catering - Leisure Centre cafes	UN	250	250	250
Re-basing income - Non-schools catering - Town Hall Bars	UN	150	150	150
Voids Management Budget for Corporate Landlord Services	UN	120	120	120
Dudley Market - re-base income plus maintenance budget	UN	40	20	0
Burial land requirements – debt charges relating prudential borrowing of £3.9m in relation to the cost of land purchase and subsequent works required	UN	80	150	150
Dudley Canal Maintenance Agreement with Dudley Canal Trust	UN	10	10	10
Additional budget required - more deployable CCTV cameras	EM	0	30	30
Dudley Local Plan	UN	10	130	0
Impact of National Living Wage on outsourced Cleaning Contract for Admin Buildings	UN	20	40	40
Total		**1,180**	**1,200**	**1,050**

Key

UN – Unavoidable cost pressures
EM – Elected Member priority
OR – Officer recommendation

Appendix D

Proposed Savings

Adult Social Care	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Relocation of service at Woodside to Community Centre	10	10	10
Eligible grant funding to support services	100	100	100
Income generation through fairer cost policy change, financial reviews and implementing charge on first day of confirmation permanent stay in a care home	40	70	70
Increase in joint funding agreements	440	1,100	1,100
Transformation of service structures	200	280	280
Application of eligible grant funding to support services	20	20	20
Deploy pre-payment cards and apply new approaches to the financial oversight of Direct Payments	110	110	110
Review, assessment and appropriate financial packages of care	140	230	230
Efficiencies arising from the procurement of residential and nursing care for older people	130	230	230
Re-provision of the Unicorn Day Centre to alternative Council Day Opportunities	460	930	930
Total	**1,650**	**3,080**	**3,080**

Children's Services	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Family Safeguarding	540	2,000	2,000
Review of Sycamore site	0	30	30
Additional income target from traded services	0	150	150
Total	**540**	**2,180**	**2,180**

Chief Executive	2024/25 £'000	2025/26 £'000	2026/27 £'000
Remove Strategic Contingency Fund	200	200	200
Vacancy management in HR&OD	30	70	70
Vacancy management and reduced hours / posts in Communication and Public Affairs team (including Graphic Design and Forging the Future support)	-	160	160
Switch funding of Forging the Future post	30	30	30
Reduce frequency of Your Borough Your Home Magazine	40	40	40
Total	**300**	**500**	**500**

Health and Wellbeing	2024/25 £'000	2025/26 £'000	2026/27 £'000
Existing staff to be funded from the Public Health Grant	130	130	130
Remove discretionary grant funding per ward distributed via Community Forums	240	240	240
Total	**370**	**370**	**370**

Finance and Legal	2024/25 £'000	2025/26 £'000	2026/27 £'000
Vacancy management in Revenues and Benefits	40	130	130
Total	**40**	**130**	**130**

Digital, Commercial and Customer Services	2024/25 £’000	2025/26 £’000	2026/27 £’000
Net saving from mobile phone contract	110	160	160
Reduction in printing costs	10	20	20
Reduction in print and mailing costs	120	180	180
Virtualisation and consolidation of servers	10	20	20
Northgate cloud migration savings	60	60	60
Reduction in c.4 customer service advisors in DC+. Increase customer self serve	120	470	470
Total Savings	**430**	**910**	**910**

Environment	2024/25 £’000	2025/26 £’000	2026/27 £’000
Charging for Green Waste collections	1,310	1,360	1,340
Reduction of opening hours of the Household Waste Recycling Centre Facility	30	30	30
Redesign of weed control services with a newly created street scene team.	60	75	75
Redesign of street cleansing and grounds maintenance with a newly created street scene team.	510	510	510
Redesign of clean teams with a newly created street scene team.	380	380	380
Street Cleansing – reduction in funding or replacing litter bins and general maintenance work.	200	200	200
Green Care – reduction in funding for In Bloom floral displays.	100	100	100
Street Lighting energy- upgrade to LED lighting across the Borough (invest to save).	160	310	310
Review of car parks maintenance.	30	30	30

Environment	2024/25 £'000	2025/26 £'000	2026/27 £'000
Closing Narrow Boat Way facility and move to Lister Road – (lease expires March 2024) and efficiencies for MOT's	40	40	40
The closure of the inhouse stores and the procurement of a parts contract.	40	40	40
Fleet Review	40	40	40
Review of parking enforcement	100	100	100
Growth in Commercial Waste Business Unit	170	170	170
Total	**3,170**	**3,385**	**3,365**

Regeneration and Enterprise	2024/25 £'000	2025/26 £'000	2026/27 £'000
Rationalisation of office buildings.	0	0	810
Himley - net increase in car park income and secondary spend due to increased visits because of the proposed installation of Play Area.	0	20	20
Review of School Catering	900	1000	1000
Alternative provision of food and beverage at leisure centres	180	200	200
Deferral of Metro complementary measures work. Until Sept 2025	100	400	400
Total Savings	**1,180**	**1,620**	**2,430**

Agenda Item No. 4

Meeting of the Cabinet – 11th January, 2024

Report of the Director of Finance and Legal

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.

Recommendations

2. It is recommended that Cabinet considers the Auditor's Annual Report and supports management actions 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 Audit and Standards Committee 18th 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

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List of Background Documents
Appendix 1 – Grant Thornton Draft Annual Auditor's Report

Appendix 1

Grant Thornton

Auditor's Annual Report on Dudley Metropolitan Borough Council

2021/22 and 2022/23

November 2023

Final

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Ac 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.

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 is 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. Oftsed 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 Childrens 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 to 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 Childrens 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
Statutory recommendations 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	We did not issue.	We did not issue.
Public Interest Report 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.	We did not issue.	We did not issue.
Application to the Court 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.	We did not apply.	We did not apply.
Advisory notice 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: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • 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 • is about to enter an item of account, the entry of which is unlawful.	We did not issue.	We did not issue.
Judicial review 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.	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 is 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

Key Recommendation 4	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.
Audit year	2021/22 and 2022/23
Why/impact	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: • 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 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.
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.

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 to 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 6th 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
Budget gap	**(12)**	**(11.2)**	**(8.4)**
Savings	7.8	11.9	16.3
Use of reserves	4.2	(0.6)	(7.9)

Table 2: Medium-Term Financial Plan
Source: March 6th 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
New budget gap	**(15.4)**	**(15)**	**(12.2)**
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 6th 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: 6th 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 budget 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 it 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.

Governance

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.

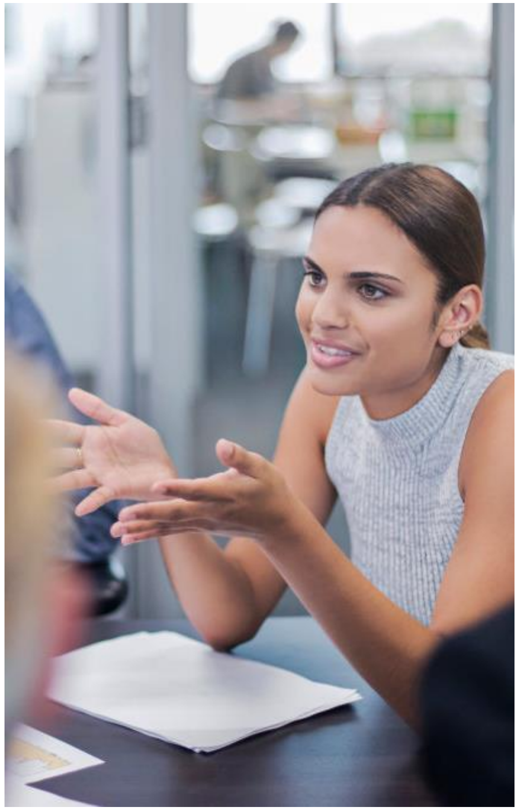
Conclusion

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

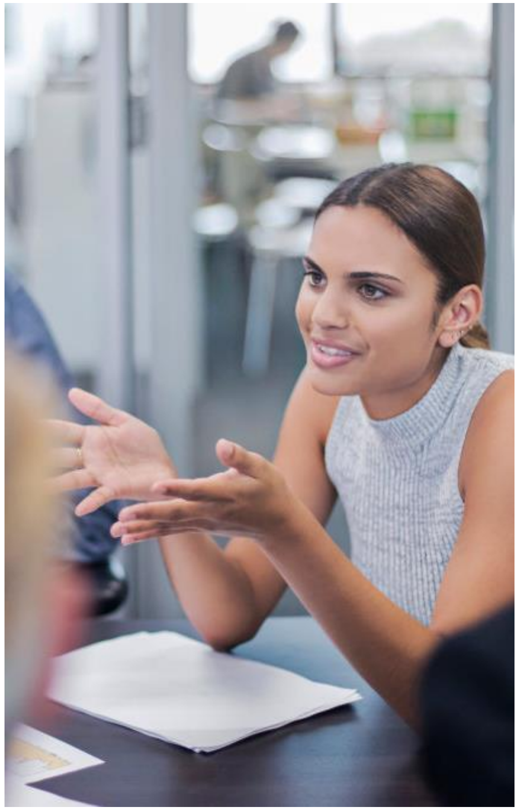
Recommendation 5	The Council should consider making the Monitoring Officer role a directorship.
Audit year	2021/22 and 2022/23
Why/impact	As documented in our 2020/21 report, the Monitoring Officer role sits at the third layer in the Council's management structure. We voiced concern that this positioning 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

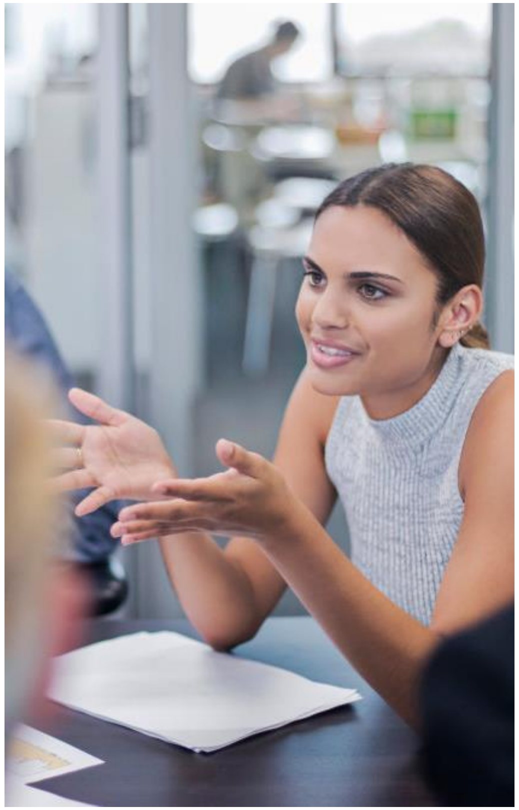


Recommendation 6	The Council should revisit its strategic goals to ensure there is alignment between financial, operational and political agendas. There should be a clear link and corporate ownership of the medium-term financial plan and savings commitments. There should also be clear links to the objectives 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



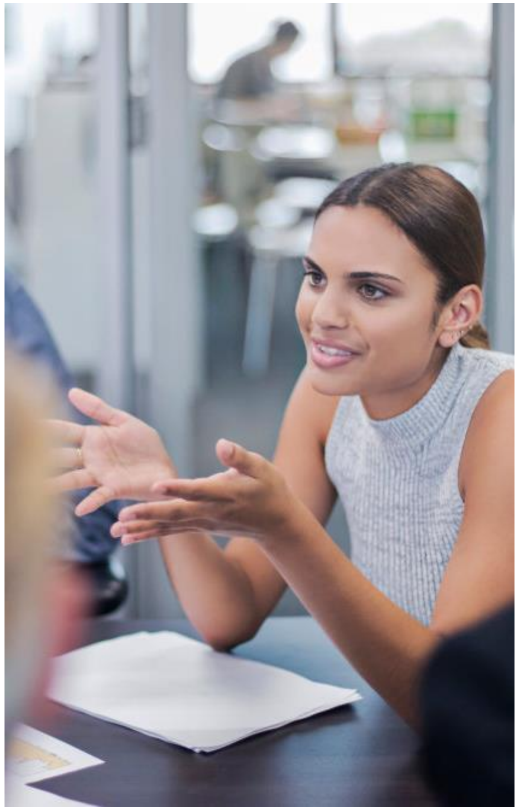
Recommendation 7	The Council should revisit its risk framework to determine whether changes in its processes would allow it to identify and respond to risk in a more timely manner.
Audit year	2021/22, 2022/23
Why/impact	The Council has risk management processes in place. However, there is evidence that 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 (WFV) 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 Childrens 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 is 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%.

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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

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- 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.

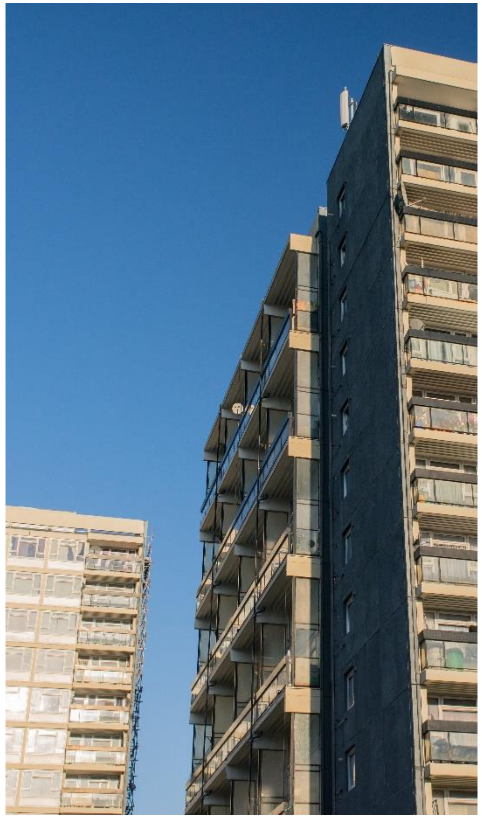
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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	Each quarter we report on the following KPIs to monitor progress against this recommendation: • % 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 • % 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 • % of contracts that include social value 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. 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.	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: • 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. • To change behaviour and address the root cause of waivers, we started the training programme and have trained 186 people to date. • 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 • 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 • 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. • We have developed a new pipeline to better plan procurement activity in advance mitigating waivers that will help mitigate the requirement for waivers. • The procurement team captures approved waivers on a spreadsheet.	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