

**Meeting of the Fit for the Future / Council Sustainability  
Select Committee**

**Wednesday, 27<sup>th</sup> November, 2024 at 6.00pm  
In Committee Room 2, The Council House, Priory Road,  
Dudley**

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

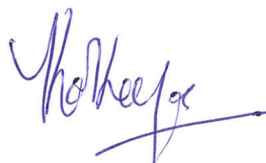
1. Apologies for absence
2. To report the appointment of any substitute members serving for this meeting of the Committee
3. To receive any declarations of interest under the Members' Code of Conduct
4. To confirm and sign the minutes of the meeting held on 26<sup>th</sup> September, 2024 as a correct record (Pages 4 – 19)
5. Fit for the Future / Council Sustainability Select Committee Progress Tracker and Future Business (Pages 20 – 22)
6. Public Forum
7. Progress update on Fit for the Future Programme and development of the Council Improvement Plan (Pages 23 – 147)
8. Organisational Redesign Update  
*(A presentation will be given at the meeting)*



9. Council Plan Progress Report (1<sup>st</sup> April, 2024 – September, 2024) (Pages 148 – 163)
10. To consider any questions from Members to the Chair where two clear days notice has been given to the Monitoring Officer (Council Procedure Rule 11.8)

### **Distribution:**

Councillor S Edwards (Chair)  
Councillor P Drake (Vice-Chair)  
Councillors S Ali, P Dobb, J Griffin, J Hill, S Mughal, T Russon, E Stafford, J Thorne and M Webb.



**Chief Executive**

**Dated: 19<sup>th</sup> November, 2024**

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## **Minutes of the Fit for the Future / Council Sustainability Select Committee**

**Thursday, 26<sup>th</sup> September, 2024 at 6.00 pm**  
**In Committee Room 3, The Council House, Priory Road, Dudley**

### **Present:**

Councillor S Edwards (Chair)  
Councillor P Drake (Vice-Chair)  
Councillors S Ali, P Dobb, J Griffin, J Hill, E Stafford, J Thorne and M Webb.

### **Officers:**

B Heran (Deputy Chief Executive), H Martin (Director of Regeneration and Enterprise) and K Taylor (Senior Democratic Services Officer).

### **Also in Attendance:**

Councillor S Keasey (Chair of Overview and Scrutiny Committee) via MS Teams

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#### **11 Apologies for Absence**

Apologies for absence from the meeting were submitted on behalf of Councillors S Mughal and T Russon.

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#### **12 Appointment of Substitute Members**

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

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#### **13 Declarations of Interest**



No member made a declaration of interest in accordance with the Members' Code of Conduct.

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14. **Minutes**

In referring to Minute No. 6 – Fit for the Future Programme Overview and Key Themes / Functional Reviews, paragraph i), Councillor P Drake requested that the minutes be amended to reflect comments made during the meeting in that the timeframe associated with the possibility of the Council facing bankruptcy should the necessary measures not be implemented by July 2025.

**Resolved**

That, subject to the above amendment, the minutes of the meeting held on 25<sup>th</sup> July, 2024 be approved as a correct record and signed.

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15. **Public Forum**

No issues were raised under this agenda item.

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16. **Fit for the Future Programme Update**

The Committee received a detailed presentation by the Deputy Chief Executive on an update on the Fit for the Future Programme and the achievements made to date. An overview of the activity undertaken during phases 1 and 2 of the programme was outlined and it was noted that phase three of the spending controls would review non pay spend to assure that the Council were making every effort to contain spending in areas to mitigate any impact to vulnerable people.

Reference was made to the implementation of the one-year Council Plan which was underpinned by corporate Key Performance Indicators and SMART objectives focused on achieving financial sustainability and improving governance. It was noted that the Corporate Management Team and Cabinet Policy Group monitored performance against Key Performance indicators on a monthly basis to help gain a common corporate understanding and drive performance forward supported by data quality. It was noted that a review of appraisals had been undertaken to refine the process which had been positively received by managers.

The Deputy Chief Executive then provided a summary of the pilot phase of Functional Reviews that were undertaken to identify efficiencies in areas including Borough Halls and Bistro, Customer Contact Centres, Leisure Centres, Parking Off Street, Environmental Health, Telecare and Communication and Public Affairs (CaPa). It was noted that the Brookes Bar and Bistro had now closed, and work progressed in identifying alternative providers at zero cost to the Council for both Stourbridge and Halesowen Town Halls.

Following the closure of the customer contact centre in Dudley and the move to redirect the service to local libraries, it was noted that training was being provided to Library staff who responded positively to the new way of working to improve the services for customers and viability of the service to create a stronger community asset.

The significant subsidy paid by the Council and financial loss against the Borough's three Leisure Centres namely, Crystal Leisure Centre (Stourbridge), Halesowen Leisure Centre and Duncan Edwards Leisure Centre (Dudley) was mentioned. It was reported that the tendering process had commenced in identifying alternative providers for the management of the Leisure Centres and that a good response had been received. This would enable the Council to continue providing a leisure provision on a cost-effective basis.

Members were advised that the pilot phase of functional reviews was anticipated to deliver £5.631m savings by 2026/27 onwards.

At this juncture, Members asked questions, made comments and responses were provided where necessary as follows:-

- a) In responding to a question raised by Councillor J Hill in relation to the proposed savings arising from the functional reviews, the Deputy Chief Executive confirmed that the savings identified were realistic and assessed using evidence-based data.
- b) Councillor J Griffin referred to the proposed introduction of Telecare Service charges to Council Tenants and sought clarification as to whether a reduced charge would be offered.

In responding, the Deputy Chief Executive confirmed that private sector tenants had historically paid for the service if needed. Whilst the Housing Revenue Account had subsidised the service for council tenants previously, a means tested review had been undertaken to assess those tenants that could afford to pay a proportion of the cost.

- c) In responding to a number of questions raised by the Chair in relation to Borough Halls and Brookes Bar and Bistro, the Deputy Chief Executive confirmed that the Borough Halls had accumulated a net loss of approximately £250k each year. It was noted that although the Bistro had now closed, the bar remained open during events/performances at Dudley Town Hall in order to create an overflow facility from the existing Tommy Mundon Bar. Alternative providers had been requested to submit expressions of interest for the lease of the Bistro, including the Tommy Mundon Bar, and Stourbridge and Halesowen Town Halls. The challenges in sustaining Borough Halls within the Dudley Borough, together with the geographical restrictions, was mentioned therefore it had been agreed that the Council would continue to subsidise Dudley Town Hall as it was considered that one Borough Hall in Dudley linked to the Bistro with the food and beverage offering would maximise on the investment that had already been undertaken.

The Director of Regeneration and Enterprise confirmed that 15 expressions of interest had been received to date from various of organisations. As part of the next stage of the process, officers would meet with all potential providers to answer any questions with remaining interested parties given the opportunity to submit their full business case by the end of November. It was anticipated that during December and January, the future of Stourbridge and Halesowen Town Halls would be considered by the Council. Reference was made to the ongoing investment programme for Dudley Town Hall including improved lighting and rigging. It was confirmed that performance relating to Dudley Town Hall would be closely monitored, with the hope that the success would reduce the subsidy required, however assurance was given that regular reporting would be undertaken and shared with Elected Members as appropriate. It was also confirmed that income generated from the Town Hall was achieved through general buyers (including birthday parties and meetings) and events income (an agreed proportion of the ticket profit from ticket sales by performers).

- d) With regard to the projected savings, the Chair sought clarification as to whether a subsidy would still be required in areas such as Halesowen Town Hall following the management transfer to an alternative provider.

In responding, the Deputy Chief Executive advised that ongoing subsidies would be considered as part of the evaluation process once business plans had been received. It was noted that the Council continued to subsidise Brierley Hill Civic Centre for several years following the transfer to the existing provider before it was self-financing, however the Council's current financial position would need to be considered whilst evaluating business plans. Members were also advised that the overall subsidy for Leisure Centres was just over £2.5m a year, with initial estimates suggesting that a saving of £1.164m would be achieved by transferring the management of the provisions.

- e) In responding to a question raised by Councillor J Hill in relation to the properties that were subject to the expressions of interest to alternative providers, the Deputy Chief Executive confirmed that the bid related to Halesowen Leisure Centre, Duncan Edwards Leisure Centre and The Dell Stadium with the option of Crystal Leisure Centre. Further consideration would be needed of the future management of the Crystal Leisure Centre taking into account the significant maintenance repairs that was required.
- f) In responding to comments made, Councillor J Thorne raised concerns of the potential loss of the Crystal Leisure Centre for the Stourbridge community and queried how the Council had allowed the facility to deteriorate to its current condition.

In responding, the Deputy Chief Executive reiterated that the expressions of interest to providers only included the Crystal Leisure Centre as an option. It was further reiterated that there was not a presumption that the Centre would close, and that the future of Crystal Leisure Centre would be a matter for Members to consider and approve.

- g) Following comments made, the Deputy Chief Executive agreed to amend the presentation slides to give further clarity on the functional review of Leisure Centres for publication on the Committee Management Information System.

In continuing the presentation, the Deputy Chief Executive presented an update on the progress against delivery of the Medium-Term Financial Strategy savings with 70% savings, totalling £9.46m, achieved to date and assurance of 82% forecast delivery of £15.5m. An overachievement of £810k was forecasted in one area with £2.1m of savings progressing. It was noted that £3.880m savings were at risk primarily due to adult social care continuing healthcare funding, the recovery of which was currently under review with key updates expected shortly. It was also confirmed that a six-monthly progress update on the Council's financial performance would be submitted to the next meeting of the Select Committee.

Reference was made to the new operating model blueprint with work commencing on a 10-year vision for the Borough including engagement with Members, as community representatives, and community groups to inform priorities within communities with timescales to be confirmed. It was noted that a review would be undertaken on core functions which was anticipated to generate up to 15% cost savings. The work on developing Strategic Leadership and operational managers in order to address siloed working was also mentioned. A further update on the operating model would be presented at the next meeting of this Committee.

The Deputy Chief Executive advised Members of the outcomes of the progress review undertaken by the Local Government Association in July, 2024, following the Corporate Peer Review Challenge in September, 2023. It had been observed that the work undertaken suggested that a Section 114 notice was not inevitable for the Council should the necessary decisions that were needed were progressed. Particular recognition had been given to the decisions implemented in relation to parking, waste and the work planned on the new operating model.

Following a request by the Chair, the Deputy Chief Executive provided an explanation of the steps taken and implications in Local Authorities issuing a Section 114 notice.

Whilst the Peer Review acknowledged that improvement had been made, further work was required to help improve Member/Officer working relationships to ensure a common understanding of the key decisions and priorities. The need to increase pace and progress savings urgently between members and officers in order to address the significant financial challenge was also raised in terms of finding more front loading of savings, more transformational programmes to give additional financial sustainability and the implementation of the 10-year vision for the future.

It was reported that the findings of the Chartered Institute of Public Finance and Accountancy (CIPFA) financial resilience review and governance review had been received with recommendations made relating to stronger relationships and rigour in decision making; culture, process and scrutiny of savings; specific recommendations around adults, children's and public health which had been shared with Directors, improving financial management and the Council's approach to risk management.

Members were advised that Star Chambers had been commissioned in response to the findings to provide critical check and challenge from two experienced specialists, namely Kim Bromley Derry (Strategic Advisor to the Deputy Chief Executive) and Brendan Arnold (Programme Director of Financial Sustainability). Meetings had taken place with each Director to review their savings and transformation programmes. It was reported that to date 170 actions had been identified through Star Chambers and were now being progressed alongside active lines of enquiries about potential savings, improved Value for Money and management practice.

It was noted that further Star Chambers had been scheduled to ensure pace and completion of actions with all confirmed actions added to the MTFS budget setting process. The actions would also help inform the Council's single integrated Improvement Plan which was built on the national best value framework and external recommendations and would determine the phase two functional reviews. The Improvement Plan would be presented to the Committee at the next meeting.

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

- h) Councillor S Ali suggested that the information presented was a consequence of the Council's current financial position alongside the reduction of external funding by over £120 million and the continuing pressures of social services and children's services which were heavily underfunded. Reference was made to the functional reviews that had been undertaken and clarification was sought as to whether these reviews had been introduced as a response to the current financial challenges.

In responding, the Deputy Chief Executive confirmed that reviews would have previously been undertaken during Directorate restructures, however as the Council were looking at developing the fit for the future programme during last year, there was a specific focus in undertaking more functional reviews than previously.

In response, Councillor S Ali suggested that had functional reviews been embedded for some time, it may have mitigated the current position as issues in areas such as Leisure Centres would have been identified and highlighted, and actions put in place to prevent the overall Council's financial position and protection of services. It was suggested that functional reviews should be undertaken frequently moving forward.

- i) In responding to a question raised by Councillor S Ali as to the reasons for the decline of the Leisure Centres, the Deputy Chief Executive referred to the complex nature of the facilities which was not unique to Dudley. Contributing factors across Local Authority controlled Leisure Centres with financial loss in comparison to the private sector, predominately related to staff terms and conditions and commercial restrictions. It was reiterated that the Council was reviewing the future model of Leisure Centres with the aim in retaining facilities provided whilst considering both the financial and social value moving forward.
- j) In responding to a question raised by the Chair, the Deputy Chief Executive undertook to provide comparison data of the subsidy for the Duncan Edwards Leisure Centre against the former Dudley Leisure Centre.
- k) With regard to functional reviews, Councillor S Ali sought clarification on how the impact of the proposed measures were assessed and considered, such as car parking charges. Following a recent public meeting which he attended, traders and businesses had raised concerns that there had been no consultation and that a phased approach would have been appropriate in view of the current disruption and works being undertaken throughout Dudley town centre. A request had also been made during that meeting as to whether a six-month delay in introducing the charges could be given.

In responding, the Deputy Chief Executive confirmed that the removal of the two-hour free car parking and improved enforcement would be implemented from 1<sup>st</sup> October, 2024, however a public consultation would take place with regard to the proposed on street parking zones.

- l) Councillor S Ali emphasised the importance of consultation and taking on board feedback and suggested that the information presented had demonstrated a failure in the Council commercially and sought clarification as to whether the Council had the right expertise or skills to drive this area forward.

In responding, the Deputy Chief Executive acknowledged comments made and agreed that lessons should be learned from some of the ventures such as the management of Leisure Centres by Local Authorities and that alternative ways of delivery was needed given the Council's significant financial challenges.

- m) The Chair suggested that partnerships with the private sector in terms of commercial facilities should be considered and agreed before operation.
- n) It was suggested that a piece of work be undertaken in relation to commercialisation including benchmarking information against Local Authorities looking at what worked well and what was in place in terms of support and infrastructure to achieve success.
- o) Councillor S Ali referred to the issues raised in relation to Members/Officers working relationships and considered that further understanding and distinction of the specific issues identified was important. It was considered that in most cases, Member/Officer working relationships were positive.
- p) Following a request by Councillor S Ali, the Deputy Chief Executive confirmed that a summary of the 170 actions and recommendations made by the Local Government Association (LGA) Peer Review, Chartered Institute of Public Finance and Accountancy (CIPFA) and Star Chambers would be included within the Improvement Plan that would be submitted to a future meeting of this Committee.

- q) In responding to a number of questions raised by Councillor S Ali in relation to the two specialist advisors commissioned as part of the Star Chambers process, the Deputy Chief Executive confirmed that Kim Bromley Derry worked on average 2 days per week and Brendan Arnold on a full-time basis until the end of March, 2025 through a services contract. Further details including salaries would be circulated separately to the Committee for information.
- r) Councillor P Drake referred to the sudden nature of the decision to close Brookes Bar and Bistro and sought clarification of the decision-making process involved.

In responding, the Deputy Chief Executive confirmed that several options had been considered to make the provision viable however taking into consideration the Council's financial position, the decision to close and the lease offered to an alternative provider was made by the Cabinet.

- s) Reference was made to the introduction of car parking charges and Councillor P Drake raised concerns as to whether this would be counterproductive financially due to the likely impact to traders and businesses within Dudley Town Centre which had already experienced significant deterioration, empty shops and reduced footfall.

In responding, the Deputy Chief Executive referred to the complex issues faced nationally with regard to the decline of Town Centres, however it was anticipated that on street parking may increase traffic flow throughout the Town Centres and help improve footfall.

- t) A discussion was held with regard to Member/Officer working relationships in particular that engagement and responses from officers had declined over recent months; processes were being reviewed to improve engagement; the increased pressure faced by officers as a result of the financial challenges and proposed savings was acknowledged together with the comments made by Members. Assurance was given of the Council's commitment in working together with Members in providing services to the Borough and residents. It was also acknowledged that some reactive front-line services received a significant number of queries each day which impacted on response times.

- u) In responding to a question raised by Councillor J Hill, the Deputy Chief Executive undertook to provide further information on the current figures of the number of Full-Term Equivalent employees and the proportion of vacancies that had now been filled.

## **Resolved**

- (1) That the presentation on the Fit for the Future Programme Update be noted.
- (2) That the Deputy Chief Executive be requested to amend the presentation slides to give further clarity on the functional review of Leisure Centres for publication on the Committee Management Information System.
- (3) That the Improvement Plan be submitted to a future meeting of the Select Committee including a summary of the recommendations identified by the Chartered Institute of Public Finance and Accountancy and Star Chambers.
- (4) That an update on the Medium Term Financial Strategy – Savings Schedule, be included in the Fit for the Future Programme Update at the next meeting of the Select Committee.
- (5) That the Deputy Chief Executive be requested to provide:
  - a) comparison figures of the subsidy for the Duncan Edwards Leisure Centre against the former Dudley Leisure Centre to Members for information;
  - b) further information, including salaries, of the two Specialist Advisors (Star Chambers) to Members for information;
  - c) current figures of the number of full time equivalent employees and the proportion of vacancies that had now been filled.

(At this juncture, Councillor M Webb and the Deputy Chief Executive withdrew from the meeting)

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## 17. **Governance Workstream Deep Dive**

The Committee received a detailed presentation by the Director of Regeneration and Enterprise on an overview of the Governance Workstream, within the Fit for the Future programme, which was established to respond to significant criticism relating to the Council's Governance arrangements. It was emphasised that the objective and scope of the workstream was built on the assumption that both Officers and Members were collectively responsible for improving governance moving forward.

It was noted that phase 1 of the workstream had been completed with future phases focusing on transforming and embedding with significant activity, beyond improved process and procedure, needed to create a long-lasting change in culture and behaviour.

Reference was made to the number of several external reviews that had confirmed a pattern of issues that produced governance challenges in particular the Centre for Governance and Scrutiny which had been commissioned by the Council to help improve overall governance arrangements had identified that there was a lack of clarity on the roles and responsibilities of key individuals, and groups, within the Council and custom and practice in decision-making, and other formal processes, being at variance with the constitution. It was reported that a wider review of the Constitution had been delayed whilst other urgent recommendations that had been raised were addressed.

The Director of Regeneration and Enterprise then provided an overview of the actions undertaken summarising the output and next steps. It was noted that regular meetings would be undertaken with all Group Leaders to provide updates on the workstream and to ask for their support to encourage Members attendance at training. Alternative and flexible ways in delivering training to Members would be explored and Members were encouraged to provide their feedback and suggestions on how to improve sessions in order to shape the programme moving forward.

It was further noted that the work in enhancing the Member Training and Development Programme was progressing with 92% new sessions offered during this year with support provided by the Local Government Association. It was recognised that further work was needed in particular in supporting new Members once elected.

Reference was made to the recent Member Survey with a 31% response rate which although positive was not considered representative of all Members. Structural changes to meetings had been made including a review of capacity in Democratic Services to help support the governance work.

At this juncture, the Director of Regeneration and Enterprise asked a number of questions to the Committee on various subject matters and Members made comments, as follows:

**(1) Good Governance statement from the Centre for Governance and Scrutiny website – Do Members agree with the articulation of better governance and scrutiny? What change is required at Dudley to meet this articulation of good governance?**

- (Officer perspective) – Although happy with the definition did not consider that this was currently fully reflective in Dudley. Feedback received from both Members and Officers highlighted a lack in the level of understanding of the roles of officers, pressures experienced by Members and what decisions/work could and could not be undertaken. There appeared to be a breakdown in communication which in turn diminished the level of trust between Members and Officers. Should open conversations be undertaken in responding to Members requests as to what was achievable these areas should improve and build Member/Officer working relationships.
- It was important to understand what work could and could not be achieved and that there was some misconception that Members were trying to ‘trip up officers’, therefore it was essential that these barriers were broken down to help improve relationships.
- Although the training sessions provided to Members were welcomed, the challenges in attending sessions during the day due to work commitments was mentioned, therefore more flexibility was needed. Non-attendance due to other commitments presented a picture that Members were not interested in the sessions which was incorrect.
- It was suggested that online one-to-one ‘tutoring’ or the opportunity to book an appointment with an officer to ask questions could be explored to maximise technology facilities.

- A better understanding of the hierarchy of the Council was suggested to create a good relationship between Members and Officers. It was also essential that Members had access to the information required to help inform decision-making processes.
- Some new Members commented positively on the responses to questions that they had raised through the Councillor Contact application.
- The possibility of the contact details of the appropriate Director / Cabinet Member associated to calls raised through Councillor Contact was suggested, however, it was acknowledged that this could create further delays by having to redirect queries to the appropriate officer.
- Direct telephone numbers to officers were preferred, however it was noted that all employees telephone numbers and email addresses were available in the Outlook Address Directory. It was also emphasised that requests should initially be directed through Councillor Contact
- It was confirmed that all employees utilised Microsoft Teams for their telephone contact however it was up to each individual whether to communicate directly via the Chat facility.
- A demonstration and tour of the Councillor Connect would be useful during New Member Induction.
- The possibility of shortening 10-day response times with Councillor Connect or an automatic follow-up message set-up to avoid the need for Members to send a separate follow-up email was also suggested.

**(2) Formal Governance Changes that have been implemented including Corporate Management Team, Cabinet Strategy Group and Cabinet Policy Group – Have you seen or felt changes because of these new ways of working? How can we maximise the benefits?**

- It was considered that new Councillors would be unaware of previous processes so would be unable to comment on changes that had been made.

- A Member was aware of the different ways of working however it was difficult to respond as individual members would be unaware of the programme of business and discussions held at each Group.

**(3) Member Survey Outcomes – How can officers better support Members to make difficult decisions, to achieve financial sustainability?**

- It was reiterated that Elected Members should have access to and receive updated and relevant information.
- Members were aware that information could be gathered from public reports however it would be beneficial if Members were aware of the impacts of decisions whether taken or not and the background in undertaking decisions.

**(4) Member/Officer Working Relationships - How can we work together so more Members feel more positive about the work Officers do at the Council?**

- It was emphasised that open and transparent communication was essential in order to break down barriers.
- It was suggested that some frustration could be due to the lack of responses where Members raise an issue or query. Face to face communication and meetings with Members were preferred in order to discuss and understand perspectives and resolve issues.

In concluding, the Director of Regeneration and Enterprise provided a summary of the next steps and welcomed the comments made by Members in response to the questions raised which would be reported to the Governance Workstream Group and incorporated into an action plan. Members were encouraged to provide any further feedback to the Director of Regeneration and Enterprise where possible.

**Resolved**

- (1) That the presentation on the Governance Workstream Deep Dive be noted.
- (2) The Director of Regeneration and Enterprise agreed to refer suggestions made by Members to the relevant Officers for consideration.

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18 **Questions Under Council Procedure Rule 11.8**

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

The meeting ended at 8.05pm

CHAIR

**Progress Tracker – Fit for the Future / Council Sustainability Select Committee 2024/25**

Subject (Date of Meeting)	Recommendation/action	Responsible Officer/Area	Status/Notes
Fit for the Future Programme Update (26 <sup>th</sup> September, 2024)	Minute No. 16 (2) – That the Deputy Chief Executive be requested to amend the presentation slides to give further clarity on the functional review of Leisure Centres for publication on the Committee Management Information System.	B Heran/ H Martin / N McGurk / L Fulci	<b>Presentation updated and published on CMIS.</b>
	Minute No. 16 (3) - That the Improvement Plan be submitted to a future meeting of the Select Committee including a summary of all recommendations identified by the Chartered Institute of Public Finance and Accountancy and Star Chambers.	B Heran	<b>Improvement Plan to be submitted to January, 2025 meeting. A progress update will be provided at the next meeting in November, 2024.</b>
	Minute No. 16 (4) - That an update on the Medium-Term Financial Strategy – Savings Schedule be including in the Fit for the Future Programme Update at the next meeting.	R Cooper	<b>Agreed.</b>



	<p>Minute No. 16 (5) - That the Deputy Chief Executive be requested to provide:</p> <p>a) comparison figures of the subsidy for the Duncan Edwards Leisure Centre against the former Dudley Leisure Centre to Members for information;</p> <p>b) further information, including salaries, of the two Specialist Advisors (Star Chambers) to Members for information;</p> <p>c) current figures of the number of full time equivalent employees and the proportion of vacancies that had now been filled.</p>	<p>Helen M / N McGurk / L Fulci</p> <p>B Heran</p> <p>J Branch / B Arnold</p>	<p><b>Outstanding</b></p> <p><b>Response circulated to Members on 8<sup>th</sup> November, 2024</b></p> <p><b>Information is being collated and would be shared with Members once completed.</b></p>
<p>Governance Workstream Deep Dive (26<sup>th</sup> September, 2024)</p>	<p>Minute No. 17 (2) - That the Director of Regeneration and Enterprise be requested to refer suggestions made by Members to the relevant Officers for consideration.</p>	<p>H Martin</p>	<p><b>Noted. A response relating to improvements to Councillor Contact was circulated to Members on 18<sup>th</sup> October, 2024.</b></p>

**Future Business – Fit for the Future / Council Sustainability Select Committee 2024/25**

<b><u>Date of Meeting</u></b>	<b><u>Work Programme</u></b>
<p>20<sup>th</sup> January, 2025</p> <p>(*22<sup>nd</sup> January 2025 meeting has been cancelled)</p>	<ul style="list-style-type: none"> <li>• Medium-Term Financial Strategy 2025-2027</li> </ul> <p>There will be a detailed scrutiny of the Council’s Revenue Budget and Medium-Term Financial Strategy over three evening sessions starting at 5.30pm on 20<sup>th</sup>, 22<sup>nd</sup> and 23<sup>rd</sup> January in the Council Chamber.</p> <p>All Members are entitled to attend all sessions, however the sessions relevant to this Committee will be held on <b>Monday 20<sup>th</sup> January, 2025</b> on the following areas:</p> <p><b>5.30pm - Chief Executive’s and Finance and Legal Directorates (including Council Tax Reduction Scheme)</b></p> <p>Chair of this session: Councillor S Edwards: Vice-Chair Councillor P Drake  Presenting Cabinet Member(s): Councillors P Harley, P Bradley and S Clark  Members of Fit for the Future/Council Sustainability Select Committee to attend</p> <p><b>6.30pm - Digital, Customer and Commercial Services Directorate</b></p> <p>Chair of this session: Councillor S Edwards: Vice-Chair Councillor P Drake  Presenting Cabinet Member: Councillor P Atkins  Members of Fit for the Future/Council Sustainability Select Committee to attend</p>
<p>17<sup>th</sup> March, 2025</p>	<ul style="list-style-type: none"> <li>• Fit for the Future Programme/Dudley Improvement Plan Update</li> <li>• Annual Report 2024/25 and potential items of business for 2025/26</li> </ul>

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**Meeting of the Fit for the Future / Council Sustainability Select Committee – 27<sup>th</sup> November, 2024**

**Report of the Interim Chief Executive**

**Progress update on Fit for the Future Programme and development of the Council Improvement Plan**

**Purpose of report**

1. To provide a high-level update on the Fit for the Future Programme set up in November 2023.

To present 2 external reports commissioned by the Council – the Local Government Association (LGA) Corporate Peer Review update report and Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management and Governance Review.

To summarise the work to develop the Council Improvement Plan (based on the 6 best value themes as set out in statutory guidance) underpinned by revised governance for the Council and revised governance arrangements.

To recognise the need for increased capacity and skills to help navigate the turnaround of Council performance across a range of key areas.

**Recommendations**

2. It is recommended that the Committee notes:
  - The findings set out in the LGA Corporate Peer Review Progress Feedback Report – Appendix 1
  - The overall findings set out in the CIPFA Financial Management and Governance Review – Appendix 2
  - The progress made since the inception of the Fit for the Future Programme was set up.
  - That the development of the Council Improvement Plan (based on the 6 best value themes as set out in statutory guidance) underpinned by revised governance arrangements will be submitted to Cabinet in January 2025 for endorsement.

- That performance updates on key priorities with Red, Amber and Green (RAG) ratings will be presented to Cabinet on a monthly basis.

## **Background**

3. The Council took part in an LGA Corporate Peer Review in September 2023. Several recommendations were made to the Council under the themes of Finance, Governance, Capacity, Culture and Vision. The process includes a progress review within 12 months which took place in July 2024 and their follow up report is attached as Appendix 1.
4. In April 2024 the Council commissioned CIPFA to undertake a Review to better understand the key issues and opportunities to improve its overall financial resilience, wider governance and opportunities to transform based on best practice. Their report is attached as Appendix 2.
5. The Council established the Fit for the Future Programme in November 2023 supported by the LGA Improvement & Assurance Board and internal governance arrangements. The Fit for the Future programme incorporated the recommendations coming out of the Peer Review, with its focus being to deliver a balanced budget for 2024/25. This was achieved.

## **Key Findings – LGA and CIPFA reviews**

6. Both reviews highlighted similar issues around financial resilience, need to increase pace, improve governance arrangements, and put in place a transformation programme. These are high level assessments formed after significant fieldwork and have implications for the future management and direction of the Council. Accordingly, the recommendations coming out of both reports are accepted by the Council and will be considered addressed/incorporated into the Council Improvement Plan which is now in preparation

## **Governance arrangements**

7. The Council would like to place on record its thanks to the LGA Improvement and Assurance Board (IAB) for their support and guidance over the last 12 months. Building upon the important contribution from the IAB, the Council is now putting in place its own internal *Improvement Board* to oversee the delivery of the Improvement Plan with the next 6 months focussed on turnaround of the financial position and governance to enable a clear path to transform key functions and develop a future vision for the Council which is co-designed with our communities and partners. The Improvement Board will be chaired by Kim Bromley-Derry and membership will be the DMBC Group Leaders, their deputies and

senior officers supported by external subject matter experts as required. The IAB had provided key support to enable the Council to mobilise the key elements to set up our improvement journey and the Council now moves into a phase of wider transformation the revised arrangements being put in place will focus more specifically on the longer-term sustainability of the Council.

### **Key deliverables since inception of Fit for the Future Programme**

8. One of the key changes to be put in place as part of the work of the Improvement Board will be to present monthly performance reporting to the Cabinet.
9. The following summarises some notable milestones over the last 12 months.

#### **October 2023**

- Council wide spending controls introduced which contributed to management of the financial position in 2023/24.

#### **February 2024**

- Cabinet approved the suspension of the 3-year Council Plan to focus on urgent issues over next 12 months.
- Council Programme Team established, supported by improved arrangements for the operation of CPMO
- New employee value proposition research and analysis - feedback about culture and well-being leading to new workstream on People and Culture being stood up.

#### **March 2024**

- Cabinet approval of the 'Fit for Purpose' Programme and associated governance arrangements
- Refresh of corporate governance including refocused Corporate Management Team, new Cabinet Strategy and Policy groups with new terms of reference and closer joint working arrangement with Group Leaders.
- Medium-Term Financial Strategy – 2024-2027 approved and approval of the focus on 'big 5' priorities: Libraries, Leisure, Parking, Waste and Recycling, Borough Halls and associated catering.
- One year Council Plan adopted focussing on 2 key themes – (a) improving our organisation and (b) serving our borough - underpinned by a set of key performance indicators to support a common corporate understanding, driving performance management, improved Member understanding and underpinning data quality.

- Launch of myDudley conversations – improved performance appraisal with golden thread to new Council Plan - 86% of respondents gave the new ways of working 3 stars or above.

### **April 2024**

- Introduction of garden waste subscriptions service. On 30<sup>th</sup> September 2024, 72,885 (out of a total of 133,428) households subscribed delivering £2.6M income against a forecast of £1.31M.
- LGA Adult Social Care Use of Resources completed and action plan in development (this will form part of monthly performance reporting going forward).

### **May 2024**

- Phase 1 of refreshed Member training programme delivered, supported by LGA. Member survey shows Councillors report they understand the current financial challenge (average of 8/10) and 91% of respondents report they will be willing to take difficult decisions.
- Scrutiny Programme refreshed and aligned to Council Plan.
- New streamlined People Policies launched
- Additional capacity in Democratic Services created through review of democratic services.

### **June 2024**

- The functional reviews have identified a suite of savings opportunities that will be fed into the process for balancing the 2025/26 Budget which has now commenced. Colleague survey identifies that 87% of colleagues know about the change programme, 80% say they have a role to play to help bring about change.
- Material measurable improvements in colleague learning engagement and outcomes from new system.

### **July 2024**

- Chief Executive announces retirement
- Initiated delivery new operating model and work on implementation of phase 1 (core functions) underway

### **August 2024**

- Review of senior management organisational structure commenced to conclude by end of March 2025 to align with new operating model. This will provide the appropriate strategic capacity and grip required to deliver the ambitious improvement programme. In the interim key internal and external specialist resources will focus to drive changes at pace.

- Appointment of specialist support – Kim Bromley Derry – providing strategic advice and guidance, Brendan Arnold – Programme Director – Financial Sustainability and Transformation.
- New parking strategy with updated fees and charges agreed from 1<sup>st</sup> October 2024.
- Cabinet approved redirection of centralised in-person customer services to local customer access points (by January) enabling better use of libraries, closure of Brookes Bar & Bistro (complete), and Public Health grant switches to support pressures in adult and children’s social care.
- Insight survey about Member perceptions inform culture change plan supported by LGA.

### **September 2024**

- Phase 2 of refreshed Member training programme delivered, supported by LGA with 92% of sessions changed
  - Star chamber sessions involving all Directors and Heads of Service commenced with a deep dive into all functional areas in readiness for the setting of the medium-term financial strategy 2025–2028 and to input into the Council Improvement Plan
  - Revised approach for revision and updating of the MTFs and Budget setting programme.
  - Interim Chief Executive appointment confirmed by Council
  - Work commenced to develop The Council Improvement Plan for DMBC incorporating all key recommendations from external bodies, our workforce and partners to be presented to Cabinet in January 2025
  - Member and Officer culture change workshops underway, supported by LGA – improving Officer/Member relationships and understanding.
  - Waste and Recycling Strategy on target for Council in December.
  - Director for Finance and Legal/s151 retired and interim arrangements to be confirmed by Council on 21<sup>st</sup> October 2024
  - External monitoring officer capacity sourced to assist with governance review and to address key actions from external reports.
10. The work started as part of the Fit for the Future Programme put in place a longer-term programme for transformation.
  11. It will be a live document updated to take account of progress and other changes required. A monthly update summary will be presented to Cabinet to show progress against key actions.

12. In summary the Improvement Plan will seek to address and evidence: -
- Implementation of all actions from the LGA, CIPFA and our external auditors.
  - The on-going financial sustainability of the Council with a clearer focus on key priorities.
  - Sustainable improvements in governance, leadership, and culture in the authority
  - Improved effectiveness of audit and scrutiny
  - Development of 10-year vision for the Borough developed with our partners and communities underpinned by a new 3-year corporate plan.
  - Improve consultation with residents and partners
  - Transformation projects which maximise use of technology and digital to secure continuous improvement in all services

13. Measures of success will be developed to enable effective tracking of progress and will ensure: -

- The Council has a stable and effective senior leadership team, its structure fits within a bigger corporate plan and is designed to enable it to meet its wider objectives.
- The council is able demonstrate it has a clear focus on its residents and customers and is responsive to their needs and demands.
- The council has reviewed its Audit and Scrutiny arrangements and functions in place for council decisions, and members and officers demonstrate they understand and respect their roles in council business.
- The council has developed and can demonstrate an organisational culture, at all levels, where staff are enabled and empowered to constructively challenge and improve ways of working.
- The council can demonstrate it is developing and deepening relationships with external partners across the region and sector.
- Decisions made by the council are done so via well understood and transparent channels and supported by evidence.
- The Council can demonstrate it is focused on continuously improving in all areas and has robust processes in place to collect and analyse data on its delivery, and to manage its performance effectively.
- The Council can demonstrate it is financially resilient and makes investment decisions in the context of a longer-term financial plan.
- The Council has considered properly and decided as to whether to move to a four yearly electoral cycle.

14. Work is also being done to ensure the correct processes, governance and behaviours will be in place to ensure these changes stick. Most importantly how these changes will improve outcomes for our residents.

## **Finance**

15. As part of the Improvement Plan the Council will update its approach to forming and implementing proposals to deal with its financial challenges and is stepping forward with confidence with the aim of balancing the Council Budget for 2025/26. In doing so the Council confronts a very significant financial challenge as it needs to surmount a budget shortfall in 2025/26 in the region of £30m with additional budget pressures in the future.
16. To overcome this challenge, the Council is:
  - Developing a detailed plan to ensure that Members are provided with the outcomes from detailed work led by the Corporate Management Team.
  - Preparing to consult the Borough on the Budget journey.
  - Scheduling Budget Scrutiny sessions that will take place in January 2025.
17. The Council is planning to develop responses at pace that will deal with the recommendations in the finance area brought forward from the LGA and CIPFA reports which are contained in the Appendices to this report.

## **Law**

18. The Council's duty under the Local Government Act 1999 to secure best value in the delivery of all its services and functions is effectively a duty to seek continuous improvement and to invite scrutiny of the council's performance in delivering for the communities of the Borough. The reviews that have taken place inform and support this process.
19. There are no direct legal implications arising from the content of this report; changes made to council services or the workforce as part of the implementing the recommendations, these will be subject to separate decisions and consultation as required.

## **Risk Management**

20. The main risks relate to the large-scale nature of this change and how that will impact business-as-usual activities. The Improvement Plan will set out how impact on Council business will be minimised and how quick wins can be achieved.
21. The other key risks are that the improvement plan fails to deliver the financial and other benefits may not be realised.
22. By introducing a clear benefits/mapping process from the outset signed off by the s151 officer we can more easily report on whether the efficiencies/savings are on target or whether different action needs to be taken.

## **Equality Impact**

23. There are no special considerations to be made about equality and diversity in noting and receiving this report. Relevant changes will be assessed for impact through normal processes.

## **Human Resources/Organisational Development**

24. This report in-itself contains no direct implications for individual staff. However, if implemented, the subsequent delivery programme will have a substantial impact for employees in the way they work.

## **Commercial/Procurement**

25. The changes recommended in the report align with the LGA corporate peer challenge and CIPFA findings that the organisation needs to have more robust procurement and contract management and embed commerciality across the organisation. The report does not address how this will be achieved. This will be developed as part of the development of the Council Improvement Plan.

## **Environment/Climate Change**

26. The Council will continue to support and contribute to the Council's commitment to become a carbon net zero authority by 2030, as part of its climate emergency declaration.

## **Council Plan**

27. The council improvement plan will directly support the Dudley Council Plan 2024-25, specifically: delivering for our customers, residents and communities and Supporting businesses and the local economy.



**Balvinder Heran**  
**Interim Chief Executive**

Report Author: Balvinder Heran

Telephone: 01384 815330

Email: [balvinder.heran@dudley.gov.uk](mailto:balvinder.heran@dudley.gov.uk)

### **List of appendices:**

- Appendix 1 – LGA Peer Progress Review Feedback Report
- Appendix 2 – CIPFA reports

# LGA Corporate Peer Challenge – Progress Review

Dudley Metropolitan Borough Council

9<sup>th</sup> July 2024

Feedback



**Corporate Peer Challenge**



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## 1. Introduction

Dudley Metropolitan Borough Council (DMBC) undertook a LGA Corporate Peer Challenge (CPC) during September 2023 and published the full report and developed an action plan.

The Progress Review is an integral part of the CPC process. Taking place approximately ten months after the CPC, it is designed to provide space for the Council's senior leadership to:

- Receive feedback from peers on the early progress made by the Council against the CPC recommendations and the council's RAG rated CPC Action Plan.
- Consider peer's reflections on any new opportunities or challenges that may have arisen since the peer team were on-site including any further support needs
- Discuss any early impact or learning from the progress made to date

The LGA would like to thank DMBC for their commitment to sector led improvement. This Progress Review was the next step in an ongoing, open and close relationship that the Council has with LGA sector support.

## 2. Summary of the approach

The Progress Review took place onsite on 9<sup>th</sup> July 2024.

The Progress Review focussed on each of the recommendations from the CPC, under the following themed headings:

- Finance
- Governance
- Capacity
- Culture
- Vision

For this Progress Review, the following members of the original CPC team were

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18 Smith Square, London, SW1P 3HZ [www.local.gov.uk](http://www.local.gov.uk) Telephone 020 7664 3000 Email [info@local.gov.uk](mailto:info@local.gov.uk)  
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involved:

- Jacqui Gedman – former CEX of Kirklees Council
- Cllr Rob Waltham - Leader of North Lincolnshire Council and LGA regional Conservative Member Peer
- Paul Clarke – Director of Resources, LB Islington (also member of the Council’s voluntary Improvement and Assurance Board)
- Anthea Lowe - Director: Policy & Governance and Monitoring Officer, Telford and Wrekin Council
- James Millington, Peer Challenge Manager, Local Government Association

### 3. Progress Review - Feedback

Of the CPC’s 21 recommendations, the Council’s RAG rated Action Plan reported that 13 are rated as green and on track and 8 are rated as being progressed. However, the peer team found that progress against the recommendations has been extremely limited in most areas and in its RAG rating the Council has overstated its progress. There remains a significant amount of critical work which is outstanding and now needs to be progressed as a matter of urgency to avoid the Council being financially unsustainable.

DMBC’s significant issues in relation to finance, governance and culture remain and, in many cases, have become more serious. The peer team considers that leadership was, and remains the biggest barrier in addressing these. Clarity of senior officer leadership is required to face the biggest challenge the Council has ever faced – and this needs to be recognised and responded to quickly – as it is evident through the lack of pace and vision since the CPC that leadership has not consistently been in place. The peer team found that deep-seated cultural shifts are needed rather than just revised leadership/management arrangements. In particular, if the Council is to not run out of time to respond to the financial challenge in the short term it needs strong, consistent and visible leadership over the remainder of 2024/25 and beyond.

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18 Smith Square, London, SW1P 3HZ [www.local.gov.uk](http://www.local.gov.uk) Telephone 020 7664 3000 Email [info@local.gov.uk](mailto:info@local.gov.uk)  
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Everyone in the Council acknowledges that the pace of change is not fast enough, although there are differing reasons given for this. Staff the peer team spoke to are a great asset to DMBC and are keen to play their part and deliver the changes needed but they do require further clarity on the future. The peer team believe that political and managerial leadership is central to this and that DMBC needs to be clear on what it will do, with officers setting out proposals for Members so that timely decisions can be made and implemented. Governance plays a crucial role in this, and this is not just a review of the Council's Constitution. Effective governance at DMBC is still lacking and urgent attention is needed so that decisions can be taken in a well informed and timely way and implemented without delay.

The peer team did feel that DMBC has wide agreement on the financial challenge but that the acknowledgement of this challenge is happening alongside an absence of an agreed vision for the future. This means there is potentially lots of work where the organisation is not coordinated or is unclear. DMBC needs clarity on what kind of organisation it will be, and can afford to be in the future. The Council's Target Operating Model (TOM), which is to be agreed, is part of this but political priorities and managing the financial challenge will need to be more central to this as well. This visioning work is critical to the future direction of the Council.

The culture of DMBC requires sustained attention. The Member/Member relationships have matured and are clearly in a much better position during the Progress Review and the team saw a shared determination to tackle the financial challenge. However there are some significant issues with Member/officer relationships where these relationships are strained and frustrations arise. There are plans in place to address this as a key plank of the governance work.

The peer team do not assess that a s114 notice for the Council is inevitable as there are plenty of opportunities remaining for DMBC to mitigate against this. However, this requires the Council to act quickly and upon the advice provided to it from other sources, such as CIPFA and particularly from the voluntary Improvement and


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Assurance Board (IAB) which has had the ability to add real value to the Council but until now its support has been largely ignored by DMBC. This Progress Review together with the emerging CIPFA findings and the feedback from the IAB provide a powerful and agreed picture of what needs to happen. The Council still has the ability to avoid a s114 notice, but not if it continues as it is currently.

The peer team's themed feedback is outlined in detail as below.

## **FINANCE**

- **Recommendation 1:** Urgently prioritise the development of a financial strategy, and any engagement with DLUHC, for the long-term sustainability of the council.
- **Recommendation 2:** Engage across the organisation as 'One Dudley', at all levels, to address the financial sustainability of DMBC.
- **Recommendation 3:** Consider external strategic support to turn around the short-term and medium-term financial position, leveraging experience of organisations in financial distress and other support including through the LGA.
- **Recommendation 4:** Reconsider the alignment of the Council Plan to the Medium Term Financial Strategy in the current financial climate.
- **Recommendation 5:** Internal Audit recommendations need to be addressed as a priority. The council should increase the importance of the delivery of recommendations, ensuring assurance levels are increased.
- **Recommendation 6:** Completion and adoption of the Economic and Regeneration Strategy. The pipeline/programme should be prioritised, the agreed top priority projects/themes to form the work plan (1 to 3 or 5 years rolling programme) and costed for delivery before approval is sought to progress.
- **Recommendation 7:** Finalise the Estates Strategy with a delivery plan and timescales.
- **Recommendation 8:** Clearly differentiate between investment and commercialisation.

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The 2023 CPC made it clear that “*DMBC is facing a serious financial challenge and above all else it now needs to take urgent action to address its financial sustainability*”. Recommendations made by the peer team within the finance theme were intended to provide a focus for the Council in meeting this challenge. During the Progress Review the peer team noted that the financial challenge appears to have had a galvanising effect for most of the organisation, with officers and Members understanding that there is a financial challenge being faced by the Council. However, it remains unclear to many about how DMBC is coordinating the solutions to this challenge and what is being achieved in terms of outcomes.

Through the Progress Review the peer team found that the pace at which the Council has acted to address its significant financial challenge is not sufficient and it is not taking the urgent and coordinated action required. This was universally acknowledged by the Members and officers the peer team spoke to. Concerningly, the peer team found a void in the leadership and lack of direction for increasing this pace. The current lack of pace is a very real concern to the future financial sustainability of the Council beyond 2025.

Following the CPC a voluntary IAB was established at the request of the Leader. This Board was quickly put in place with the support of the LGA, bringing experienced political and officer peers together to provide check and challenge to the Council. The IAB has so far met with the Council 8 times but despite the consistent expert guidance, support and advice provided by the Board progress made by DMBC in meeting its challenges has been severely limited. Although highly regarded, the peer team has seen that advice from the IAB has not been acted upon and support from the Board members has not been accepted. The peer team recommend that DMBC reflects on how it can make better use of the Board’s expertise. There is currently a lack of clarity around the future of the IAB and its membership beyond July and this needs to be resolved quickly, with the peer team’s view being that the Board needs to continue.

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The peer team note that the Council did agree a lawful budget for 2024/25 but the Council's financial position remains critical. This is predicated on the Council addressing its financial challenges which include delivering £15.5M of savings in 2024/25. This is significant for the Council given that in previous years the savings programme has been much lower, and delivery weak (for example in 2021/22 DMBC agreed £5.4M and delivered 79 per cent; and for 2022/23 planned to deliver £1.9M and delivered 46 per cent). At month two of 2024/25 the Council has a saving delivery of £8.9M (58%) and forecast year end delivery of £12.1M. The General Fund reserves position remains critical at £8.8M. To safeguard its position the Council needs to ensure that it focuses above all else on delivering its efficiency programme, and review the approach of using earmarked reserves to support the budget, which needs to be addressed.

The peer team's assessment is that the Council currently still has the ability to address its financial issues and avoid issuing a s114 notice. However, it needs to urgently pick up the pace this year and implement plans, and the outcomes from the functional reviews it has been discussing. Elected Members are standing ready to take tough decisions and options need to be presented without delay. There remain many opportunities for the Council to address its financial challenges, which will inevitably involve political choices around service delivery. These are within its control and although new to DMBC are in line with many of the ways other councils have addressed their challenges in the past. DMBC should use the learning from the implementation of the green waste charging scheme to give it confidence to make the decisions needed. There are significant income generation and savings schemes which the Council is considering including the off-street and on-street parking charges. The peer team encourage the Council to now make the required decisions and implement at pace as currently this is not indicating the urgency of the situation being faced by DMBC.

DMBC's commercial activity is still not contributing to meeting its financial challenges. There remains outstanding work regarding the Council's planned 'Functional



Reviews' of the Borough Halls, Brooks Bistro and Leisure provision. The peer team recommend that DMBC reflect on the scale and focus given to these Reviews relative to the financial challenge it has as the Borough Halls and Brooks Bistro combined are only potentially delivering a combined £83K savings in 24/25, and Environmental Health savings of £100K.

Engagement by the Council with Government on financial support has been uncoordinated. For example, the Council's discussions around Exceptional Financial Support (EFS) was not coordinated and agreed across the managerial and political leadership of DMBC, meaning that conversations with Government have been inconsistent, and prone to last minute change. However, CIPFA was commissioned by the Council to undertake a FM Review and a review of Financial Resilience in order to keep Government apprised of the position and to "*provide recommendations to avoid the need for EFS*". Although CIPFA has not produced a written report at the time of the Progress Review it is understood that the findings of this will be stark about the ways in which DMBC is approaching its challenges and the lack of delivery and robust leadership required.

Since the CPC the Council has reviewed the delivery of some of its key strategies. This includes: the Council Plan being suspended in February 2024, with a new Plan approved by Council in April; the Economic Regeneration Strategy approved in March 2024 - however, the pipeline projects are yet to be assessed against the Action Plan in the Strategy to prioritise activity; and the estate rationalisation work, which is also ongoing. Work has been taken forward on estates through the change programme but much of this work remains in the early stages. The Council needs a continued focus on this as part of the contributions its estate makes to the financial programme, internal operations, and the delivery of its priorities. These strategies are important to deliver on and DMBC will need to focus on delivering this within the reality of its financial context.

The peer team fundamentally believe that DMBC's biggest challenge is that it is now

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running out of time to address its challenges due to the lack of focus from the Council's leadership. Elected members have been urging pace, and there has been some progress made but this is far too limited. Unless the Council now delivers some of its emerging plans then it will be financially unsustainable. However, the peer team believe there are enough opportunities for efficiencies to prevent DMBC being in a position where it needs to issue a s114 notice, because there are so many ways to make the required savings. The Council has spent a lot of time making plans and now needs to urgently deliver change to deliver the financial savings required.

## **GOVERNANCE**

- **Recommendation 9:** Improve the internal control and assurance environment.
- **Recommendation 10:** Develop a 'golden thread' throughout the council to ensure the vision contained in the council Plan is reflected in service strategies and team plans.
- **Recommendation 11:** Review the function and purpose of Informal Cabinet and the Strategic Executive Board.
- **Recommendation 12:** Roll-out training and support around the roles and responsibilities for both Members and officers.
- **Recommendation 13:** Keep the scrutiny function under review, including the work programme, and ensure there are adequate resources in place so that it is fit for purpose.

The peer team remains significantly concerned about the governance arrangements at DMBC and how decisions are made. The peer team heard a great deal about the Council's plans to review some of the processes and procedures relating to governance such as the review of the Constitution. However, the peer team are concerned that the Council approach to governance is limited to this and it is not focused on other issues including: the importance of transparent decision making; probity; the role of the statutory officers; and the Council implementing objectives

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which are clear and make sense to everybody. If DMBC is to be effective this is important and it needs strong governance in place to support good decision making. The peer team note the review work in process from both CIPFA and the Centre for Governance and Scrutiny (CfGS) in regards to the Constitution and internal controls but do not believe that the scale of the other aspects of good governance have been understood consistently across the Council.

A live example of the importance of good governance is where Members should all be seen to only take decisions which have followed due process, are transparent and are without a registered person conflict. At all levels across the organisation the governance needs to stand the test of the most senior governance officers. For instance, as part of the Council's sustainability model DMBC has a number of assets to sell, and transparency on decision making here is to protect everyone concerned. However, the peer team do not believe the officer controls – particularly the 'golden triangle' of the CEX, s151 officer and Monitoring Officer (MO) - is working effectively. There are meetings in place but the level of oversight they have collectively is not adequate. For example, it is important that the MO and the Finance function is provided with an opportunity to provide advice which is taken into account as part of the decision-making process. The peer team heard evidence that this is not happening consistently. In addition, DMBC's Chief Auditor needs to be involved in discussions which present a risk to the Council and this is not consistently happening either. The CEX, MO, s151, and the Chief Auditor should operate as the gate keepers to ensure DMBC is 'kept safe'. This requires urgent and considerable strengthening and without this the Council, and its Members, are at risk of making decisions which are undermining its ability to deliver the outcomes it is anticipating and at worst has the potential of being unlawful and unsustainable.

In 2023 the peer team found that the Council's response to addressing Internal Audit recommendations was severely inadequate. This position has deteriorated since the CPC and DMBC's Audit and Standards Committee meeting on 8th July 2024 noted there was 'limited' assurance in the Council's framework of governance,

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management and internal controls, meaning there are significant weaknesses in the Council's management systems and how they are applied. The peer team highlight this as evidence that DMBC is now less likely to deliver its objectives and could now find itself in difficulties across many areas of Council business very quickly.

The Council has replaced its Informal Cabinet with Cabinet Strategy Group. The Strategic Executive Board has also now been replaced by Corporate Management Team. Both have new terms of reference. It is yet to be seen if this has helped to sufficiently clarify the roles of the forums, so DMBC will need to keep this under review.

DMBC has developed a Member Development Plan and this includes support to existing Members, as well as those 21 new Councillors who were elected in May 2024. This Plan includes support to all Members and a commitment to bring together a Member Development Group so that Councillors can lead the identification and delivery of support. Political groups have all welcomed this. This includes support from the LGA where Member/officer relationship sessions are being planned for the Autumn. This is positive but DMBC will need to ensure that momentum on Member development is maintained and that all Members, from the Leader to backbenchers are engaged in the development offer, as well as support for officers and effective joint working.

Since 2023 the Council's Scrutiny function has been reviewed but although the number of committees was recommended to reduce to 3/4, this has remained at 7 for 2024/25. Following the election in May 2024 the Committees are now chaired by opposition group Members. There has been some development support for Members of the committees in their roles but this will need to be kept under review - this is an important function for the Council as effective scrutiny provides critical challenge. Scrutiny should be provided with an opportunity to engage in pre-decision scrutiny, making recommendations to Cabinet, with Cabinet considering those recommendations before making decisions. In the current economic and political

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climate within DMBC, this provides a real opportunity for collaboration across the political spectrum and provides some assurance around the effectiveness of its plans to tackle the financial challenge. The peer team recognise that it is early in the committee cycle for 2024/25 and recommend that the work programmes and resourcing is sufficient for the need, and that this is kept under review.

## **CAPACITY**

- **Recommendation 14:** Review the organisational structure and consider how to better utilise the resources DMBC already has to deliver the golden thread.
- **Recommendation 15:** Transform to release savings and invest in key services.
- **Recommendation 16:** Continue to develop an approach around the development of corporate health performance indicators, building on the approach to HR monitoring, to include other internal measures.

DMBC has developed a TOM which is to be agreed by Cabinet on 15<sup>th</sup> July. The Council needs to consider what kind of organisation it will be in the future and the TOM is a step forward towards this in the context of the financial position. However, the TOM has only recently been developed and is yet to be agreed so the peer team are not able to comment on how this will better allow the Council to use its resources more effectively and its relationship with the key performance measures through the 'golden thread'. Given the extreme pressures the Council is facing, this work should have been commenced earlier to deliver the benefits within 2024/25.

As described previously the 'functional reviews' and the relationship to the savings produced are extremely patchy in scale and impact. The Council needs to be mindful of the efficiency requirements now needed and the critical importance of this delivery. There are choices to be made in service delivery and potential resourcing decisions but it is likely that disinvestment will be the key focus in the short term. DMBC should prioritise the transformation in areas which will have the biggest impact and produce the savings it urgently requires. This requires swift implementation.

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## **CULTURE**

- **Recommendation 17:** Focus on getting the basics right – refreshing the organisational values provides a good time to do this and reset the expectations.

In 2023 the peer team referenced the relationship challenges between officers and Members, with morale within DMBC feeling low as a result. In 2023 the team found that discussion on the Council’s culture with the heads of service was characterised by comments including “*toxic, oppressive and depressing*” – and this time colleagues were “*frustrated*” but optimistic about their role in the future of the Council. The peer team felt there was an effective and dedicated heads of service cohort and this is an important layer for the organisation in addressing the challenges it is facing. During the Progress Review staff reported feeling frustrated, as they understand that change now needs to happen and that they are supportive of this, but feel there is a lack of vision shared with them on what this change will be and how this will be achieved. It is important for DMBC to address this and to not lose the support and good will of its staff, as the workforce are playing a fundamentally important role. Staff the peer team spoke to are up for the change and want to be central to meeting the challenges faced by the Council.

The Council’s external auditors remain increasingly concerned about DMBC’s financial situation as well as the strained relationships between officers/Members at the top of the organisation. As above, the peer team have highlighted their concerns around the finances, and agree that Member/officer relationships require further attention and the Council needs to commit to focusing on this, supported by the work planned around the protocol and the sessions on Member and officer working which will be critical to this.

During the Progress Review the peer team heard about an improvement in Member/Member relationships. Having a shared focus on addressing the challenges facing the Council appears to have helped with this. There was evidence of a good

cross-party approach which has matured and is good to see in the current context of the challenges. This is in the context of there currently being no scheduled elections until 2026 as there is some concern that, once the election cycle recommences, the ability to progress cross-party discussions may become limited. This improvement is positive and Members will need to ensure that they provide sufficient support and challenge to one another as part of the future of the Council and the decision making process. For instance, to deliver more challenging budget savings, leading Members will need to maintain effective working relationships, and work with all Members of the Council, to ensure everyone understands and supports the drivers behind decisions. Equally, Members also need to be 'critical friends', able to express their opinions as proposals come forward, and to ensure that all issues are considered as part of effective decision making. Both aspects are important and the Council now needs to work at pace with all Members to collectively agree and deliver the changes required.

## **VISION**

- **Recommendation 18:** Development of delivery plans for Dudley Borough's Vision, Forging a Future for All.
- **Recommendation 19:** Develop a place marketing approach for the visitor economy.
- **Recommendation 20:** Consider the value in undertaking a regular Residents' Survey.
- **Recommendation 21:** Development of the approach to the council's corporate performance to 'tell the story'.

Addressing the recommendations within this theme require further attention by the Council. The peers note that some consideration has been undertaken but they remain largely incomplete and in similarity with recommendations in the other themes, attention to them has not been paid with sufficient pace and no tangible outcomes.

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DMBC is drafting a new Operating Model Vision, and has developed a Performance Management Framework for the Strategic Partnership Boards with measures identified for regular reporting. This will need to be kept under close review to ensure it is fit for purpose in the context of the Council's challenges and the impacts this has on delivering the Borough vision. DMBC will need to be specific about its limitations and balance between its internal focus and external role to ensure that it does not over stretch itself.

The Council has undertaken some work on developing a place marketing approach for the visitor economy. DMBC has used UKSPF funding in the development of a Culture Strategy – commissioning an external provider to undertake this work on behalf of the Borough. This is still at the early stages with the Strategy and Action Plan to be discussed by Cabinet in August.

No decision had been made by the Council on undertaking a regular Residents' Survey. This is being considered alongside options including a resident participation group, 'pulse' surveys and focus groups, and options to expand the budget consultation process.

The engagement process for the TOM is reviewing the approach of the Council to corporate performance and the role of the corporate performance management. This is at an early stage and sessions now commenced with Senior Change Leaders and staff.

## 4. Final thoughts and next steps

The LGA would like to thank DMBC for undertaking an LGA CPC Progress Review. We appreciate that senior managerial and political leadership will want to reflect on these findings and suggestions in order to determine how the organisation wishes to take things forward.


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Under the umbrella of LGA sector-led improvement, there is an on-going offer of support to councils. The LGA is well placed to provide additional support, advice and guidance on a number of the areas identified for development and improvement and we would be happy to discuss this.

Helen Murray (Principal Adviser) is the main point of contact between the authority and the Local Government Association (LGA) and their e-mail address is [helen.murray@local.gov.uk](mailto:helen.murray@local.gov.uk).

# Dudley Metropolitan Borough Council

## Overall summary of review findings – Governance and Finance

July 2024

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

## *Executive Summary*

### *Our review*

The purpose of our review was to assess the financial resilience of Dudley Metropolitan Borough Council (the council) in the light of the risk identified earlier this year by the external auditor of a potential future need to issue a Section 114 notice. We also examined governance and financial management issues at the council.

The review examines the arrangements for financial decision-making and management to determine whether the council is taking all reasonable steps to address potential threats to its financial sustainability. This includes identifying what more needs to be done in developing a sustainable Medium Term Financial Strategy (MTFS).

The review focused on activity supported by the General Fund. We did not examine in detail HRA or DSG financial resilience or management although we feel there is a need to review the HRA position due to concerns identified during our review as a further piece of work.

This summary of findings sets out the key issues that need to be tackled by the Council to bring about improvement and concludes with a number of recommendations. It is set out in three parts: Governance, Financial Resilience and Financial Management. A more detailed report has been produced covering financial management and the assessment against the CIPFA Financial Management model. The key messages form that are included in this report and the accompanying slides. The report from the Centre for Governance and Scrutiny (CfGS) which reviewed the Constitution is included as an appendix to this report.

### *Governance*

***We have overriding and fundamental concerns in this area*** Urgent action is needed to address these.

Delivering financial sustainability and strong financial management requires sound wider governance and leadership within a Council. In this section we summarise those aspects of the governance we found at Dudley which were in particular impacting on delivery of financial resilience.

#### ***Broken relationships at senior officer and political levels***

We found evidence of broken relationships across the senior management of the Council which fundamentally undermine the Council's operational effectiveness and ability to affect change. We were concerned to find that based on our interviews there was a general perception from a number of interviewees that the "Golden Triangle" of the Chief Executive, Section 151 and the Monitoring Officer was not working effectively, and that the working relationship between officers and members was blurred. During our review, the Chief Executive announced his retirement and is due to leave the Council on 30 September. This was confirmed in meetings with key members of the Improvement Board and from a Peer Review report conducted a year earlier by the LGA.

This has led to a lack of trust and confidence across the Council. These broken relationships at senior level have repercussions lower down and a lack of confidence and trust extends to several managers we interviewed. There is a fear of speaking truth to power due to the

potential implications for individuals and a lack of challenge to what people consider to be inappropriate behaviour by some officers and members.

Several officers told us they thought there were two different factions within the Council fighting it out with a view that there was a lack of leadership from the Chief Executive and a lack of clear direction and priorities . This has made it extremely difficult to establish clear priorities or develop clear expectations of what was expected.

***Decision making is not transparent or joined up, or always focused on financial resilience.***

We found the findings of the recent peer review on silo working had not yet been adequately addressed. One senior officer told us the response of the Council to this finding helped to illustrate it with disagreement between senior staff on the approach to resolving it or even how progress should be reported on it to the improvement panel compounding the issue.

Overall, while Member and Officer understanding is clearer on the requirement to focus on financial resilience, actual decision making still does not always reflect this objective. Difficult decisions have been reversed or ‘the can has been kicked down the road.’

***Significant concerns on the lack of challenge, compliance with processes and requirements and understanding.***

We found numerous examples of governance requirements not being well understood or being undermined at Officer and Member level. This included allegations that members were seeking to cut corners and get round proper due diligence protocols. It also included insufficient challenge by monitoring officer staff and on occasion insufficient support by senior managers to officer-led processes which presents a real concern. This has resulted in a number of matters being raised that need to be concluded with a definitive outcome to allow the council to make progress in addressing the significant challenges it faces.

***A lack of focus and a divergence and movement on too many fronts***

The Council is faced with the need for change on many fronts as it frames its response to the key challenges of avoiding a Section 114 and the improvements suggested by the peer review. It is commendable that the Council has acted to address improvement, but progress is slow and impacts not yet obvious. It has launched several initiatives and reviews.

However, moving on so many fronts without unity of purpose across the Council has the risk of creating duplication, drift and delays which jeopardises the Council’s position. The Council needs to consider how it prioritises its initiatives. Any change management process requires consensus and strong leadership which appears to be lacking. It will not be possible to move to a new target operating model without a council-wide agreed sense of purpose and support.

These findings are reinforced in the recent work undertaken by the Centre for Governance and Scrutiny (CfGS) and the detailed report is included in Appendix 1. Governance issues are also referred to in the Grant Thornton External Audit report and the last Peer Review.

## ***Financial Resilience***

***In our view the Council as of June 2024 is not currently in a section 114 situation but unless there is a change in the way it operates at a senior level, we can see a situation where there is every likely hood of it becoming in a section 114 situation in the near term. Urgent action is needed to address this.***

### ***On the current financial position and the MTFs***

#### ***The Council needs to take urgent action to develop and deliver it savings plans through a Council wide approach***

The Council has made progress in improving financial resilience since the external auditors expressed their concerns, including the implementation of spending controls in October 2023. However, to achieve a balanced budget for 2023-24 the Council had to further deplete its reserves from £21.8m at the start of 2023-24 to £8.8m at the start of 2024-25.

More effort is still required to ensure the savings included in the 2024-25 budget can be delivered and to ensure that a balanced MTFs covering the three year period to 31 March 2027 can be developed. It is vital that the Council develops its detailed 2025-26 budget plans including detailed savings plans, as a matter of urgency. It is important that the MTFs and savings plans are linked to Council strategies, are owned across the Council as 'One Council' and are considered in terms of their impact on the Council as a whole, rather than being considered individually.

Medium-term financial projections are developing but more work is needed to build confidence in the process, including the basis for the forecast exhaustion of general reserves, and financial management understanding across the council, particularly in Children's and Adults Services, where there are persistent significant overspends and smaller savings targets (relative to budget size).

Dudley Council needs to ensure its leadership team deliver on the common narrative and joint commitment to delivering the balanced 2024/25 budget, and its underpinning savings, and to developing detailed savings plans for future years to replenish the council's reserves and avoid the future requirement to issue a Section 114 notice.

These plans will need to strike the right balance between prudence and willingness to exploit opportunities and accept some considered risk. They will also require the need for some difficult decision making and then sticking to these decisions. Maintaining financial resilience thereafter will require determining the right operating model going forward and assessing what a 'right sized' council looks like.

While there have been some improvements in relation to Officer and Political leadership engagement on financial matters, including increased budget summits during the development of the MTFs, more work is required to ensure that there is a common and consistent understanding of where the organisation is headed and what the priorities are if it is to avoid a section 114 position.

The Council has a record of making 'U-turns' in relation to decisions, and this has been the case with previously agreed savings proposals, for example the reversal of £2.3m of savings for the period 2023-24 to 2025-26 in relation to libraries, household waste recycling centre operating hours, surface car parks and overnight car parking charges that were reversed in the 2023-24 'mini budget' agreed by Cabinet in July 2023. There are also opportunities for

significant savings in areas commonly implemented by other councils, such as moving to less frequent waste collections, which have still not been implemented in Dudley.

There is more work to do to ensure the Council has the people, process and systems capacity and capability to deliver sustained savings. Work is required to increase the capability and accountability of budget holders but also to ensure the Finance team focus on providing timely support, insight and challenge to those budget holders.

The concerning lack of strategic and consistent leadership and direction reduces the council's ability to make progress towards financial sustainability. The council has still got work to do to move beyond siloed and short-term decision making, and to ensure it has the commitment across the council to make some difficult decisions in key service areas including Adults, Children's and Environmental services to balance future budgets. The key findings for these service areas are set out further below in this summary.

### ***On delivering savings, challenging budget growth and assuring efficiency***

#### ***The Council needs to ensure clarity and clear oversight to ensure savings are realistic and deliverable and make significant improvements in contracting and commissioning arrangements***

Several interviewees told us they thought Dudley had previously had a culture of optimism bias both in identifying and quantifying savings and in monitoring their delivery.

We found a lack of clarity across the Council on who is actually responsible for driving forward the identification and delivery of savings proposals. The Council has not put in place arrangements such as star chambers to obtain corporate oversight of savings. It has largely achieved a balanced budget in 2023-24 through a spending freeze.

We found that a more formal system for monitoring savings had recently been introduced which included a RAG rating for individual savings but we found low visibility of monitoring and an overall lack of corporate ownership of the programme as a whole.

RAG rating was a contribution to the need for better corporate understanding of the challenges and quality of delivery but there was now a need to achieve better consistency across the Council in those ratings. Several officers we spoke to accept the need for more corporate challenge over delivery of savings in their patch. But there was also recognition that this needed to be supported by a stronger political strategy to take the difficult decisions which have previously been avoided or the need for validation and delivery. This is a significant concern.

Successfully delivering planned and budgeted savings is one element of the financial control required to live within a budget. But almost as important is to anticipate and accurately model growth and any in year demands to ensure budgets are appropriately set at the start of the year together with managing any additional growth in service demand pressures.

We found that arrangements to submit budget growth to scrutiny and challenge have been weak. There is a lack of clarity about the governance processes. The new arrangements for the monitoring and presenting information at CMT should help to provide greater corporate ownership and clarity of this process.

We found scope to improve the due diligence over inclusion of large individual contributions in the savings programme. We heard the arguments put to us for why the more than £ 5 million

additional income arising from contributions from the ICS was included in the Adult Social Care Budget. But we believe a figure this large should have been included only after subject to more internal peer scrutiny combined with greater levels of assurance from the ICS.

Several officers we interviewed accepted that contract management within Dudley was poor. There were few officers dedicated exclusively to the task with most of the monitoring of contract performance performed as part of relevant officers' secondary duties. There are specific concerns in the Housing Service where investigations are ongoing in relation to historic and recent expenditure with contractors. Commissioning and procurement lacks oversight and rigour. We found there are no targets or monitoring in relation to on or off contract spend. Procurement cannot access the financial information to make this determination and told us Finance were unwilling to provide it.

## ***Financial resilience in services under particular pressure***

### ***Practices and policies in high spend areas need reviewing to ensure all savings opportunities are fully explored***

CIPFA examined in more detail plans to achieve medium term financial sustainability within the services that faced particular budgetary pressures in Dudley during 2023-24. CIPFA were supported by their expert on social care issues in making their assessment of financial sustainability in Dudley's Adult Social Care (ASC) and Children's Services. Adult Social Care has recently been subject to a finance review by *Partners in Care and Health* (LGA and Directors of Adult social services) but there was lack of clarity on how that review was going to inform key changes within ASC and a view that more needs to be done to challenge some of the bigger spending areas.

### ***Adult Social Care***

Adult Social Care and Children's Services Directorate staff generally regarded their finance support well, although there was a minority view that at the middle level they were over stretched and occasionally errors could creep in. The finance review concluded there was evidence of positive working between the Service team and Finance.

We found that the Director of Adult Social Care had accepted all the proposals of the finance review for improvement in financial reporting in his area. This included incorporating activity data into financial reporting, ensuring every growth and savings proposal had a written robust business case with milestones, increasing the transparency in use of one-off income streams or savings proposals and strengthening the peer challenge process to review growth and savings proposals.

We found the service were fully aware that its actions can, and will, have an impact on the corporate health of the council in that 40% of the council budget is in adult social care provisions. The service reports that all non-statutory offers have been removed including meals services etc. but this was not obviously apparent what changes had been made that contributed to the requirement to deliver savings.

Whilst there is a relatively recently written Dudley Market Sustainability Plan (MSP) (March 2023), the finance review noted it was not clear how the service changes described in this are factored into financial planning for the service and the MTFP.

Relative to the average for other councils, the service does not have a history of high savings targets and or delivery up to 2023/24. For 2024/25 the savings target is comparable to national figures (at around 5%). We echo the findings of the finance review that the service may want

to review savings proposed and ensure robust business cases are developed at the outset (including key milestones) and a strong tracking mechanism is in place. We are concerned at the low level of savings planned for 2025/26 (£1.2m) and absence of any savings in the MTFP for 2026/27 given the Councils financial position.

There has been a new chair of the external safeguarding board appointed for external scrutiny which seems to be a positive development. It may be timely to use her arrival to consider a review of thresholds to see why Dudley has the second highest adult safeguarding referrals in the West Midlands after Stoke-on-Trent.

We found staff are clear about the priorities, and it is evident that time is being given to preparing for the future CQC Inspection in terms of meeting regulatory requirements regarding assessments, annual reviews deprivation of liberty and safeguards, alongside generally good performance.

The finance review noted that Dudley's spend on younger adults was more than average. The Council accept that market shaping and therefore efficiency might be better, The Director accepts that the data suggests that Dudley has been following old fashioned approaches to supporting younger adults. The Council is now using the **Better Lives** tool to review aspects of its approach. But staff do not agree that they can see the opportunities to cut spending for younger people in the way described. They feel that they have a low base and therefore not a lot of opportunity for efficiency in terms of the market. If this is the case, then an increased focus on reducing demand by planning for maximum client independence is required as there were services and practices observed as part of our review that other councils had challenged and reformed.

Market management for younger adults with disability could be informed by an even more rigorous 'single plan' approach for younger adults from the age of 14 years to maximise independence. Planning for specialist PA support availability is important.

The Council may wish to review its workforce development strategy and explore whether there are opportunities to share training and recruitment strategies, either in an integrated way with NHS or with Black Country Partners. HR staff are seemingly offering a more traditional and reactive mode and business partnering is not developed. This comment may align with the LGA, Adult Social care use of resources review which suggested that actions were transactional rather than transformational.

Whilst improvement planning for adults with disabilities is evident in Dudley, the disability area in adults social care probably needs a high level of focus on cost avoidance/ savings due to its rising cost. It needs to be structurally linked to planning the mitigations for the overspends on the High Needs block, and there is a need to benchmark and strengthen the new commissioning strategies and therefore the market management.

On Transport for adults with disability the council is Care Act complaint, in that if there is a need it will be provided. There appears to be only one taxi firm with the disability facilities to transport these clients and therefore costs are very high. Staff have ideas on a 'not for profit solution' which may be worth following up.

### ***Children's Services***

Plans, strategies and performance tables on children's social care were all provided readily and are updated, focused and sound, and areas where improvement is required clearly marked.

Dudley have planned for a slowing down in growth in the Childrens budget in 2025/26 and 2026/27. We note that there was over £7.8m of growth in the budget for 2024-25, but only growth of £2.7m the following year and another £2m the year after. This needs to be reviewed further to confirm that all opportunities are being explored.

The predominant MTFP saving in children's social care is the continued effective implementation of the Family Safeguarding model, developed (£540k annually) and supported through DFE social care improvement funds which has paid for consultancy advice from the Hertfordshire Family Safeguarding Unit. The level of savings to be achieved were identified as part of the original bid to do the work. Dudley have worked with Hertfordshire Council in specifying and monitoring delivery. Savings are closely monitored at the Children's Leadership Team meetings. Dudley have commissioned the University of Birmingham to conduct a longitudinal evaluation that will examine the achievement of outcomes, including financial.

This implementation of family safeguarding has followed the model exactly, with good take up of motivational interviewing, the adoption of the multi-agency teams and the increased use of the 'workbook' which, whilst it is a recording tool, is fundamental to staff and partner understanding of the family journey to self-sufficiency and avoidance of care. This has a direct and effective knock-on outcome on budget management.

Data shows that the number of children in care are coming down, as are those on child protection plans. This strategy relies on low children's social care caseloads for staff, and care must be taken with this to ensure that case -holding numbers for social workers do not drift up. There is some minor evidence of this happening as vacancy pressures ensue.

As family safeguarding becomes even further embedded there will be a need to keep an eye on capacity and recruitment in the early help and family support teams. The ability of these workers to take families following step down from statutory social care is crucial to the savings projected in the model.

The regional adoption agency, **Adoption @ Heart** is a Black Country agency hosted by Wolverhampton. Staff report that this is increasingly effective, but not yet as strong as it could be. Given that it has been in place since 2018, with a view to promote efficiency, a value for money review could be timely. This review, coupled with recent attempts by the court services to improve their own performance, may promote future efficiencies in terms of faster permanent solutions on adoption for children who have been waiting longest.

## **Public Health**

Support from, and the work with, the Director of Public Health (DPH) and her team is evident in the directorates, particularly children's services where Family Safeguarding has been funded. It is acknowledged that the outcomes for residents e.g. obesity and education outcomes, are poor. The Director of Adults Services is carrying out a review of the public health grant, and whilst staff think that it is possible that up to a £ 1m could be liberated from a further stretching of the grant towards more general objectives. it is important to keep the Director of Public Health (DPH) on board with this.

There does seem to be a reach across from the DPH into council priorities including reduction of dental caries, school readiness and rehydration in older people's homes. All these programmes are very traditional however and it may be worth looking at other councils to see if they are funding different innovations in partnerships, for example in Artificial Intelligence to promote cost avoidance.

The DPH and DAS have a good reach into Integrated Care System (ICS) and the NHS generally but is possible that not all opportunities for funding and grants are being exploited

there. Benchmarking of the payments and monies made from the ICS to neighbouring councils may be helpful.

When questioned about connection with regional government, compared to other councils, staff were unusually unaware of the priorities and operations of regional government and its opportunities.

### ***Home to School Transport***

Common with a number of Councils, an area of budgetary pressure in Dudley during 2023-24 was the Home to School budget. At one point during the year the budget was projected to exceed £1m. In the event at year end the overspend was £730k.

Dudley Council have been engaged in the Delivering Better Value programme in support of improving management of their SEND support. As a result, the Council now have developed more sophisticated analysis of their current and forecast demand. Demand is expected to fall as they reduce the number of children with EHCPs.

The Council have taken a number of steps to address pressures. These include changes to policies for the under-5s which have made access more restrictive. The Council are also considering reducing the offer to SEND students for travel to College. From this September the offer to post-16 children will also be reduced.

The Council also retendered all routes last year and have built in inflationary increases which will help to bring down future potential overspend.

The Council also expects to model routes later this year to see if they can be rationalised. It has also worked with one special school to fund the schools' drivers and vans to provide transport at a considerable saving. This is a model they are considering for other special schools.

### ***Environmental Services***

Other examples of the potential to reduce the level of statutory services includes areas such as waste, where there is a belief that the Council still provides a service that exceeds that provided by neighbouring authorities, particularly in relation to the frequency of waste collections. Significant effort has been made to review this area in previous years and the current year, but this has not led to an agreed set of proposals which will enable the required changes to be approved and implemented. The lack of progress in this area means that other associated decision which could also lead to savings, such fleet renewal or outsourcing have also not been made or implemented.

## ***Financial Management***

### ***On financial decision-making***

#### ***The lack of strategies and frameworks for decision making create confusion and reactionary decision making***

We found a shortage of evidence of discussion and agreement within the CMT which on occasion leads to a lack of clear accountable financial decision-making. This clarity is important both internally to build consensus on decisions that have been made and to provide transparency externally too.

In a number of services, we found strategies were old, weak or disregarded. Some progress is being made, for example in the recent agreement to a regeneration strategy. And we recognise the difficulty in developing strategy in modern fast-moving circumstances. But the absence of robust jointly agreed service and central strategies addressing current and anticipated future issues and containing clear financial and management information leads to short-termism and the risk of being blown off-course.

Where strategies are not in place, they should be developed to ensure that when decisions around prioritisation

Overall, while Member and Officer understanding is clearer on the requirement to focus on financial resilience, actual decision making still does not always reflect this objective. Difficult decisions have been reversed or 'the can has been kicked down the road.' An example of this is the decision to go ahead with the Pens Meadow School, despite this decision being made after the Council had imposed supposedly strict spending controls. We understand the decision to go ahead with the school will entail an additional £1 million in revenue borrowing costs each year.

We found some recent examples of Financial Services being excluded from key decision making fora including some of the current functional reviews which will be crucial in determining the future shape of the Council and its finances. This exclusion has the impact of reducing trust between officers but in some cases has led to shadow sets of financial information being in circulation. This is inefficient and works against overall mutual financial decision making.

We note that on occasion the S151 Officer opinions have been ignored or have not been supported. In the summer last year amendments were made to the 2023-24 budget against the express views of the S151. The S151 also made clear the ongoing negative consequences of the decision to go ahead with new capital works at Pens Meadow School.

### ***On budget setting and accountability***

#### ***Budget holder understanding and engagement is mixed***

We found that in general budget holders at Director and Head of Service level engage well with Financial Services and take responsibility for their budgets. The ability of budget holders below this level is more mixed.

Not all budget holders we interviewed believed they had a full understanding of their budget. Although Financial Services do hold budget meetings with service areas, there is no specific formal sign-off by budget holders of their budget at the start of the financial year. This would help to bring focus to the budget setting process and provide stronger accountability. As would a more formal lessons learned exercise on prior year outcomes to inform agreement of current year budgets.

There is no formal induction or training programme for staff members who become budget holders or who are new to the Council. Finance relies on coaching budget holders on a one-to-one basis. We found an appetite within Finance to enhance the training offer.

## ***On financial monitoring and reporting***

### ***Budget monitoring and reporting can be improved and better understood***

We found several budget holders who were very content with the monitoring information they receive from financial services. But not all budget holders find the reports they receive to be understandable or able to meet their requirements to manage their budget effectively.

We found some budget holders frustrated that Finance do not provide a monthly and year to date position as part of their reporting pack. This frustration was more prevalent in the Places directorates where there are commercial activities. Finance do not believe they have the resource required to undertake this level of sophistication in their reporting. They also noted that the relative scale of commercial activities and funding compared to the growth pressure and overspend areas of Adult Social Care and Children's Services does not warrant prioritisation of financial service focus on the former at the expense of the latter.

We examined a sample of financial services reports to CMT, Cabinet and to the Council. We found reporting generally to be poor. The reports are very accountancy focused rather than presenting user-friendly management information. There is very little performance/activity data, value for money or benchmarking information presented. The use of charts, tables and visual presentation needs improvement. And there is an absence of stable template or dashboard reporting that would provide consistency and familiarity.

During our review the Council was developing a new format and template for monthly monitoring. We agree with Financial Services that it would not make sense in the context of local government finance to base this on a profit and loss account including debtors and creditors (as has been suggested by some senior managers) and that a simpler reporting of the revenue position against budget would be better suited.

We were told that there have been issues with project budgets. Often, they have been set up without a budget being in place. There has generally been a lack of governance around programmes and projects. A PMO has been operating for a couple of years now in response to this problem but there is still a lot of work to be done to improve project management and project budgeting.

## ***On finance systems, risk management and sources of assurance***

### ***Financial information and systems could be improved and aligned with more transparent risk management and assurance arrangements***

The outdated and fragmented nature of the Council's IT infrastructure makes accurate financial information more manual, time consuming and prone to error. The Council has plans in place to improve its systems. A particular issue is that there is no automatic interface of information in the separate Servitor, Housing and Finance systems which impairs producing accurate forecast for the housing service. The upcoming upgrade to the finance system should be used as an opportunity to increase the quantity and quality of information available and to increase the ability of budget holders to access transparent, timely financial information through self-service.

We found there was considerable scope to rationalise and reduce the number of cost centres and an urgent need to reduce the bureaucracy of recharges and provide for more output rather

than sectoral budgets. Financial Services told us they have plans in place to review the Council's chart of accounts.

We did not find a strong culture of risk management. Although a risk management identification and reporting process is in place it does not appear to be embedded or seriously engage senior officers. The lack of senior ownership or risk systems was illustrated by the fact that the considerable recruitment and retention issues had been added to the risk register by Internal Audit rather than the HR department. We were told that risk reporting categories had been manipulated on one occasion in the light of potential external perceptions, rather than evidence of scale of risk.

50% of internal audit reports provide limited assurance. We were told that this was mostly because of governance issues which often had potential financial control consequences. We were also told there was no assurance process across the board for managers and directors to be able to have the assurance that their areas are delivering and achieving objectives.

Internal Audit told us Dudley is not a very compliant organisation. The Council struggles to address compliance issues. There's a culture of non-compliance, mainly in relation to following internal policies and procedures. Where control weaknesses or issues had been identified in reports or reviews or inspections and these were reported to senior management, there was no transparency over the action taken to address the weaknesses and no repercussion in the event of governance and compliance failures. The focus of Internal Audit work, however, needs to be more closely aligned to the Councils risks and this may need further review.

### ***On finance as a service***

#### ***Financial information and systems could be improved. This should be aligned to more transparent risk management and assurance arrangements and demonstrate compliance with CIPFA guidance***

The Financial Services team is led by the Head of Financial Services with a total workforce of 66.6 FTE, covering financial and management accounts, transactional accounts payable, income management and insurance. The current Medium Term Financial Strategy (MTFS) does not include any savings or additional funding for Financial Services. Any funding pressures are currently managed within existing resources.

Recruitment of qualified staff has proven very difficult in recent years, which could have presented a risk to service delivery. However, the Head of Financial Services introduced a new recruitment initiative and following this the qualified workforce establishment is now at 100%, with only 3 vacant non-qualified posts to recruit across the whole team. The only skill gap is in systems and IT.

We found financial services staff regularly meet with budget holders and most service principal accountants are part of service directorate boards. We found less support for the role and quality of financial services support amongst the Place based services and those services with commercial activities. More than one officer told us there was an "old school" approach within financial services and there needed to be more focus on customer support.

We found a lack of trust and mutual understanding between the Financial Services team and officers with responsibility for commercial services. The former told us that some of the idiosyncrasies of local government accounting were not understood by the latter, such as the fact that depreciation was not a revenue cost to the authority. The latter believed there was more that Financial Services could do to present financial information in a manner that better suited a commercial environment.

Financial Services staff identified a number of national, regional and neighbouring bodies in which they engaged. But two service members of staff questioned whether there was sufficient awareness of good practice within the service. Doubt was expressed as to whether the authority was following CIPFA guidance on Building Control Annual Statements of Finance and whether the authority was making the most of cash management of the Section 106 monies held in trust. There are also concerns in respect of the management of the HRA which need to be subject to a separate review.

## Recommendations

### Governance

**The Council** needs to:

- Urgently address the breakdown of trust and confidence across the senior management. in particular with the statutory officer ('Golden Triangle') officers also between Officers and the political leadership
- Ensure a thorough and agreed position statement on the future political and officer leadership and the need for transparency and rigour in decision making
- Address longstanding allegations and investigations raised as a result of historic decisions both at an officer and member level and reinforce, as a matter of urgency, constitutional rules on decision making and governance.

### Financial Resilience

**The Council** needs to:

- Develop its detailed 2025-26 budget plans including detailed savings plans, as a matter of urgency.
- Make sure the MTFS and savings plans are linked to Council strategies and are considered in terms of their impact on the Council as a whole, rather than being considered individually.
- Recognise the need for some difficult decision making and then sticking to those decisions in delivering the MTFS and moving to an appropriate target operating model
- Renew effort to ensure that there is a common and consistent understanding of where the organisation is headed and what the priorities are
- Clarify the governance processes and accountabilities for identifying delivering and monitoring savings and scrutinising budget growth
- Develop processes to achieve greater consistency in RAG ratings across the Council
- Develop a culture of more corporate challenge over delivery of savings
- Develop a stronger political strategy to take the risk decisions which have previously been avoided.
- Review the treatment of CHC income as a test example of whether there should be agreed due diligence thresholds in including savings or income in budget plans
- Develop a programme to improve contract management across the Council
- Establish targets and associated monitoring of on or off contract spend

**Adult Social Care** need to:

- Ensure there are robust business cases in place for all savings proposals covering the period of the MTFS and address the gap left by CHC income not being achieved.
- Review in particular the scope for increasing the scale of savings currently proposed in the MTFS for 25-26 and 26-27.
- Improve performance reporting to show financial and activity analysis
- Align the Dudley Market Sustainability Plan and the MTFS so there is clear read across between the changes identified in the former and the ASC budget and savings identified in the latter.
- Explore whether there are opportunities to share training and recruitment strategies, either in an integrated way with NHS or with Black Country Partners.

**Children's Services** need to:

- Consider whether the planned reduction in growth pressure in 25-26 and 26-27 are realistic and reflect sufficiently sophisticated modelling.
- Monitor the capacity and recruitment in the early help and support teams as savings in the safeguarding model depend on their work
- Review with partners the performance and costs of the regional adoption centre
- Review wider areas for opportunities to review policies and practices to deliver savings.

**Public health** should:

- Benchmark payments and monies made from the ICS to neighbouring councils to ensure all opportunities for funding and grants are being exploited.
- Engage early with nascent regional government
- Look at new opportunities to engage and develop programmes in partnership to address the financial challenge.

## *Financial Management*

## The Council needs to ensure:

- Wherever possible it has up to date strategies for individual services with financial management information that aligns with the information contained in the MTFS
- The revenue implications of Member decisions on capital schemes is made clear in decision-informing reports
- Financial Services are not excluded from relevant fora and that parallel financial information systems are not allowed to develop
- Budgets are formerly agreed each year between relevant budget holders and Financial Services
- Financial Services develop a more formal and structured programme of financial training for budget holders and Members
- Commercial Services and Financial Services work together in a structured way to improve mutual understanding and a joint approach to developing financial information, analysis and reporting that both can support
- Financial Services review the format, content and analysis of the presentations it makes to Council for a in consultation with users.
- Develop a programme to support the PMO in improving project management across the Council
- Use the planned upgrade to the finance IT system to increase the quantity and quality of information available and to increase the ability of budget holders to access transparent information through self-service.
- The chart of accounts is reviewed with the aim of reducing the number of cost centres
- Risk management is embedded and taken more seriously as a means of providing assurance and helping to ensure the success of Council objectives and throughout the Council and is not seen as a tick based exercise.
- There is a target set for reducing the percentage of internal audit reports that provide limited assurance whilst aligning Internal Audit work with the Councils risk areas.
- Financial Services undertake a review of its engagement with external sources of advice and support to ensure it is engaged with requirement and best practice on Building control and the HRA.

## Appendix 1 – Report from Centre for Governance and Scrutiny

### DUDLEY: CONSTITUTIONAL REVIEW

#### INTERIM REPORT

This paper is presented to provide advice to the Council on the approach which might be taken to undertaken revisions to its constitution.

The research process had two main components:

- A detailed review of the constitution as a document.
- Interviews with a range of members and officers to understand the way that the constitution is used in practice.

Where possible we have sought to validate our broader findings with reference to three or more sources, but where our findings relate to the quality of the written constitution itself, we have not considered this necessary as the position is more obviously evident and is not a matter of opinion. Nevertheless, there were some comments made to us by interviewees which, because we were unable to validate them against information gathered by other means, we are choosing not to represent in this report. However, we are noting them to review as part of the forthcoming review and revision process.

#### Findings

##### Overall

We note that the constitution has been reviewed regularly since 2002 but has not benefited from a fundamental restructure, or review, since that date. This is not uncommon. For many councils, the last broad-based review came in around 2011, when the Localism Act brought about a range of fundamental changes to the governance framework for local councils.

The constitution, as expected, reflects issues which relate to two decades of drift in its drafting and oversight. There are no fundamental, fatal flaws or errors but there are a substantial number of inconsistencies, elements that are obsolete, and elements that have the potential to raise uncertainty and confusion. There are also elements of the constitution which do not reflect good local government practice, as we understand it.

There is a general acceptance amongst members and officers that the constitution as it stands is no longer fit for purpose but a divergence in views (including amongst senior officers) about how urgent the need for change is.

In our view:

- The Council would benefit from a “zero-base” redrafting of the constitution. Although some elements (in particular, standing orders around formal meetings) have recently been reviewed and revised, we think that trying to manage and reform the existing document would be too time consuming – the Council needs to start from scratch.
- The nature of the changes necessary mean that more time will be needed to work through a redrafting process, overseen proportionately by members. We therefore suggest bringing a

revised constitution to council for adoption in September or October (at the earliest). This confers the added benefit that changes can be integrated with matters being taken forward by officers to revise the parts of the constitution affected by new legal arrangements with regard to procurement.

There are some general, acknowledged, challenges around governance generally experienced by Dudley. The quality of member-officer relationships can be challenging and there are pockets of fairly significant mutual mistrust. Disagreements on roles, duties, responsibilities, rights and entitlements in respect of councillors' activities, and formal council business, have the potential to exacerbate these issues. In this context, we consider that the constitution could be more vocal about the role of statutory officers in modelling and leading better behaviours (and, for example, the role of the MO in handling complaints). We feel that more could be done to embed expectations around conduct. The member-officer charter, for example, is fairly well drafted but, from what we have seen, it does not play an active part in the management of relationships.

While making the constitution clearer will help to resolve this issue, it is not the only step. In the section below on "actions" we talk about how constitutional renewal could serve as a catalyst for a reset of some of these relationships.

Below we list our findings in specific areas. These are not organised by chapter of the constitution. We should note in presenting these findings that we have inevitably focused on those areas where we have issues, rather than those that we consider to be sound.

#### Navigability and accessibility

- On the Council's website the constitution does benefit from an explanatory landing page, including links to related governance and constitutional material.
- Although the document suffers from challenges around its navigability, it is internally cross-referenced through hyperlinks in a way that does aid accessibility. That said, getting a comprehensive sense of the legal position on critical areas of decision-making and oversight does require an existing knowledge of the constitutional framework – it would be easy for a casual reader using the constitution as a reference document to miss key provisions.
- The presentation of the document as a PDF does, inevitably, bring drawbacks in accessibility.

#### Overall structure and introductory material

- We would recommend that a future structure for the constitution dispense with the Articles. It is generally understood that these are superfluous; in recent years councils undertaking fundamental reviews of the constitution have moved to remove them, as they introduce unnecessary duplication.
- Where the Articles contain introductory material, this can be incorporated into a fuller, more comprehensive narrative introduction. The summary and explanation of the constitution, as they stand, are fairly good but could benefit from expansion along these lines.
- In particular, this summary/introduction could do more to highlight the fundamental purpose of the constitution, both as a rulebook and as providing a framework within which members, officers and others can build effective and consistent relationships reflective of their roles and responsibilities. (The description provided currently in the Articles is not, we consider, adequate).
- Content on citizens' rights (public questions, petitions and so on) could usefully be brought together in one place and cross-referenced to other relevant places in the constitution. Some

of the material currently in the contract procedure rules relating to consultations could usefully be cross-referenced or brought into a central section on public rights and expanded.

### Decision-making arrangements

- In common with other councils, Dudley’s constitution has a set of “decision-making principles” – again, in common with other councils, this does not seem to inform, overall, how the decision-making process is designed – the principles could benefit from expansion.
- A clearer definition of executive decisions and key decisions is needed – Forward Plan arrangements could do with simplification (for example, the requirements around decision sheets and urgency provisions).
- Call-in arrangements need more specificity – the assessment of a call-in’s validity and the timescales and deadlines for call-in are not currently as clear as they could be.
- The list of terms of reference for members of the executive could do with being revised, simplified and updated.
- The scheme of delegation, and description of delegated powers generally, needs revision. We consider that there are now fairly significant deviations between what the constitution says about delegation, and ongoing “custom and practice”:
  - Some officer delegations need more specificity – for example, whether delegations derive from Council or executive arrangements.
  - Onward delegation arrangements in particular seem very unclear. We understand that training has been given on appropriate arrangements for delegation but the lack of clarity and detail in the constitution does present risks. We have been told that there is some practical confusion with regard to onward delegation from members to officers, which is unsurprising.
  - Some delegated powers appear to be duplicated (i.e., different delegations existing, listed in different parts of the constitution, on the same matter).
  - The links and differences between officer and member delegations seem indistinct in places.
  - Recording arrangements for delegation decisions are unclear and cause a degree of consternation (for example, the requirements for decision sheets and decision memorandums).
  - There is no clarity on the circumstances in which officers are expected to consult members on the use of their delegated powers. One interviewee described the current process as a “free-for-all.”
- Decision-making powers relating to contracts lack certainty. For example, there is a clear issue in respect of a lack of clarity on waiver arrangements for emergency procurement. We understand that some of these issues, and others relating to procurement more generally, are being picked up as part of a more general planned update to these parts of the constitution to ensure compliance with new legislation.

### Member oversight and scrutiny

- There was a sense from those to whom we spoke that the Council’s scrutiny function needs review and reform.
- Although carrying out a detailed review of the effectiveness of the scrutiny function is beyond the purview of this report, we think that changes can be made to the procedure rules that would provide a better framework for any reform that does happen in future.

- As presented in the constitution, there is not currently an explanation of scrutiny’s formal powers, responsibilities, and overall role in a way that reflects the content of the 2019 statutory guidance.
- More detail would also be useful on scrutiny work programming arrangements, and the way that committees prioritise their workload. As things stand scrutiny appears to be a clearing house for update reports, a fairly common feature for some councils which reflects a “drift” in role and purpose where that role is not sufficiently described and understood.
- More detail is probably needed about statutory scrutiny arrangements – particularly statutory health scrutiny.
- More detail is needed on the scrutiny and oversight of finances and financial management generally. In particular:
  - on the operation of the Audit Committee in relation to financial probity and control (and its associated regulatory functions), and
  - on the intersection between member audit and scrutiny.
- More detail is needed on arrangements for the proportionate member oversight of risk (at Cabinet, at scrutiny and at Audit Committee).
- There may be a need for more detail on oversight and management arrangements for projects, including member oversight by Cabinet.
- Procedures on access to information omit important elements and err in their description of members’ rights under the relevant Regulations. Opposition members have advised that they are dissatisfied with the access they have to information; this is a common complaint in most councils but more detail and clarity in these procedure rules would ensure that rights and entitlements are unambiguous.

## Next steps

### Proposed structure

Based on where needs lie, we are able to put together a high-level proposed structure for a new constitution. This reflects work that we have carried out elsewhere, but also our understanding of those areas where the Council most needs to develop its practice.

1. Summary and introduction. An expanded section which incorporates some of the introductory material currently included in the Articles.
2. Roles, responsibilities and conduct. A section mapping the core functions and duties of the formal parts of the council and how they intersect. This would also include detail on conduct expectations, including a redrafted member-officer protocol.
3. Public rights. Bringing into a single place an introduction on the rights of the public to ask questions, to propose petitions, make deputations etc, as well as a description of the Council’s formal consultation processes and the public’s rights to access information.
4. Decision-making arrangements. Covering executive decision-making and decision-making at Council, as well as delegation from both bodies – also covering introductory and cross-referenced elements from the contract / procurement procedure rules.
5. Oversight and accountability. Covering arrangements for scrutiny and audit, including members’ access to information.
6. Procedure rules
  - a. Council (including Budget Council, AGMs and EGMs)
  - b. Cabinet procedure rules.
  - c. General committee procedure rules.

- d. Planning and Licensing procedure rules.
- e. Finance, contract and procurement procedure rules.

### Timetable

We propose a timetable for revision and redrafting that would result in an updated constitution being adopted in November 2024 (we note that Council dates have not yet been agreed). We think that the process would look as follows:

- Step 1: complete diagnosis and further develop plan for revision. We propose to refine this document and to work with the Council to put together a fuller plan for the revision of the constitution.
- Step 2: table report to Council at AGM, setting objectives and timescale for revisions to be made.
- Step 3: convene member working group to provide leadership and direction on the issue. The working group would:
  - Review and agree a new overall structure for the document.
  - Highlight those areas they consider to be most important for their more detailed review.
  - Take initial advice on the elements of the constitution likely to involve the greatest substantive changes, further to this paper and further legal advice.
  - Timetable their meetings to focus on a handful of core matters which reflect those areas which require the greatest oversight, and commission officers to draft up technical changes in other areas without the need to report back on content.
- Step 4: submit to Council for adoption.

The process of redrafting is a resource-intensive exercise and should be led by a lawyer experienced in governance matters. Delegation of drafting responsibilities needs to be managed carefully so as to ensure consistency of language throughout.

### Appendix 1: Other elements requiring revision

There are a number of technical aspects of the constitution as it stands that reflect a deviation from the norm, or another shortcoming. We note some of these below (this is not an exhaustive list) mainly to support the act of redrafting when it comes.

- The policy framework listed in the Articles is out of date.
- A range of other technical references in the constitution are out of date – for example, references to debt held in relation to the former West Midlands County Council, the collection of residual Community Charge payments, references to the pre-2015 remit of the District Auditor, references to APT&C pay arrangements. We are not sure if bodies like the Black Country Executive Joint Committee still exists. A lot of these technical references can be found in the various committee terms of reference, which a number of interviewees told us they recognised were out of date.
- It may be necessary to have a separate procedure rule / set of standing orders to apply to Budget Council.
- Standing Orders / procedure rules generally need revision to fill gaps (for example, there is less than we would expect on the election of the Leader). Some procedure rules are not in the place we would expect (for example, information about the Council scheme of delegation in the Cabinet Procedure Rules). Some have become bones of contention because of their lack of clarity (we note difficulties around rulings on motions at full Council).

- The Council may want to consider making provision for the appointment of an independent person on Audit and Standards.
- More detail is needed in the precise role, function and powers of “Your Home, Your Forum,” and on locality governance more generally.
- Arrangements for appointment to joint committees need review, in particular the restriction that only Cabinet Members will be so appointed. The blanket restriction may come into conflict with any statutory requirements which may arise now or in the future (for example, in respect of joint health scrutiny committees).
- Additionally in relation to joint committees, access to information arrangements need to be changed to reflect that these bodies will still be 1972 Act committees, and subject to a legal framework which makes specific provision for information access.
- The provision relating to the establishment of companies “with a view to making profit” needs to be qualified by reference to the Council’s Best Value (and other statutory) duties. This is on top of wider changes that need to be made relating to company governance.
- The rules relating to appointments of senior officers need reform – currently, the reference to pay thresholds does not reflect good practice (generally, it should be specific, named roles in the structure that are subject to member appointment arrangements).

# Dudley Metropolitan Borough Council

## An Independent Financial Review

July 2024

A Report by:  
The Chartered Institute of Public Finance and Accountancy  
July 2024

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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Any questions arising from this submission should be directed to:

John O'Halloran

CIPFA  
77 Mansell Street  
London  
E1 8AN

Tel: +44 (0)20 7543 5600

Email: [john.o'halloran@cipfa.org](mailto:john.o'halloran@cipfa.org)

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Appendix 1– Assessment against the CIPFA FM Model

# 1. Executive Summary

## 1.1 Summary of Findings

1.1.1 The purpose of this review is to assess the financial resilience and financial management of Dudley Metropolitan Borough Council (the council) in the light of the financial risks and pressures faces and the statutory recommendations set out by Grant Thornton, the council's External Auditor, in their January 2024 report. The review seeks to assess the council's financial position and arrangements and determine whether the council is taking all reasonable steps to address the position, including identifying what more needs to be done as part of its budget setting process and development of its Medium Term Financial Strategy (MTFS). This report provide detail in support of our Overall Summary Report already shared with the council.

- The council has made limited progress to improve financial resilience since the External Auditors shared their concerns on the council's level of reserves in July 2023, though spending controls were implemented in October 2023. More work is still required to ensure the savings included in the 2024/25 budget can be delivered and to ensure that a balanced MTFS covering the three-year period to 31 March 2027 can be developed.
- Financial management arrangements vary across the organisation and work is required to improve processes and capacity in some areas and to further develop financial reporting to enable greater decision making, accountability and scrutiny.
- Overall, while Member and Officer understanding is clearer on the requirement to focus on financial resilience, actual decision making does not always reflect this objective. Difficult decisions have been reversed or 'the can has been kicked down the road'. The lack of strategic and consistent leadership and direction reduces the council's ability to make progress towards financial sustainability. The council has still got some work to do to move beyond siloed and short-term decision making, and to ensure it has the commitment across the council to make some difficult decisions in key service areas including Adults, Childrens and Environmental services to balance future budgets.
- There is more work to do to ensure the council has the people, process and systems capacity and capability to deliver sustained savings. Work is required to increase the capability and accountability of budget holders but also to ensure the Finance team focus on providing timely support, insight and challenge to those budget holders. The upcoming upgrade to the finance system should be used as an opportunity to increase the quantity and quality of information available and to increase the ability of budget holders to access transparent, timely financial information through self-service.
- It is important that the council develops its detailed 2025/26 budget plans and the MTFS, including detailed savings plans, as a matter of urgency. It is important that the MTFS and savings plans are linked to council strategies and are considered in terms of their impact on the council as a whole, rather than being considered individually. Where strategies are not in place, they should be developed to ensure that when decisions around prioritisation are made, there is a focus on the council's overall objectives and future strategic direction.

- While there have been improvements in relation to Officer and Political leadership engagement on financial matters, including increased budget summits during the development of the MTFS, more work is required to ensure that there is a common and consistent understanding of where the organisation is headed and what the priorities are. Medium-term financial projections are developing but more work is needed to build confidence in the process, including the basis for the forecast exhaustion of general reserves, and financial management understanding across the council, particularly in Childrens and Adults Services, where there are persistent significant overspends and smaller savings targets (relative to budget size).

1.1.2 The council needs to ensure its leadership team deliver on the common narrative and joint commitment to delivering the balanced 2024/25 budget, and its underpinning savings, and to developing detailed savings plans for future years to replenish the council's reserves and avoid the requirement to issue a Section 114 notice. These plans will need to strike the right balance between prudence and willingness to exploit opportunities and accept some considered risk. They will also require the need for some difficult decision making and then sticking to these decisions. Maintaining financial resilience thereafter will require determining the right operating model going forward and assessing what a 'right sized' council looks like.

## 1.2 Recommendations

### *On Financial Resilience*

1.2.1 **The council** needs to:

- Develop its detailed 2025-26 budget plans including detailed savings plans, as a matter of urgency.
- Make sure the MTFS and savings plans are linked to council strategies and are considered in terms of their impact on the council as a whole, rather than being considered individually.
- Recognise the need for some difficult decision making and then sticking to those decisions in delivering the MTFS and moving to an appropriate target operating model
- Renew effort to ensure that there is a common and consistent understanding of where the organisation is headed and what the priorities are
- Clarify the governance processes and accountabilities for identifying delivering and monitoring savings and scrutinising budget growth
- Develop processes to achieve greater consistency in RAG ratings across the council
- Develop a culture of more corporate challenge over delivery of savings
- Develop a stronger political strategy to take the risk decisions which have previously been avoided.
- Review the treatment of CHC income as a test example of whether there should be agreed due diligence thresholds in including savings or income in budget plans
- Develop a programme to improve contract management across the council
- Establish targets and associated monitoring of on or off contract spend

1.2.2 **Adult Social Care** need to:

- Ensure there are robust business cases in place for all savings proposals covering the period of the MTFS

- Review in particular the scope for increasing the scale of savings currently proposed in the MTFs for 25-26 and 26-27.
- Align the Dudley Market Sustainability Plan and the MTFs so there is clear read across between the changes identified in the former and the ASC budget and savings identified in the latter.
- Explore whether there are opportunities to share training and recruitment strategies, either in an integrated way with NHS or with Black Country Partners.

#### 1.2.3 **Children's Services** need to:

- Consider whether the planned reduction in growth pressure in 25-26 and 26-27 are realistic and reflect sufficiently sophisticated modelling.
- Monitor the capacity and recruitment in the early help and support teams as savings in the safeguarding model depend on their work
- Review with partners the performance and costs of the regional adoption centre

#### 1.2.4 **Public health** should:

- Benchmark payments and monies made from the ICS to neighbouring councils to ensure all opportunities for funding and grants are being exploited.
- Engage early with nascent regional government

## *On Financial Management*

#### 1.2.5 The council needs to ensure:

- Wherever possible it has up to date strategies for individual services with financial management information that aligns with the information contained in the MTFs
- The revenue implications of Member decisions on capital schemes is made clear in decision-informing reports
- Financial Services are not excluded from relevant fora and that parallel financial information systems are not allowed to develop
- Budgets are formerly agreed each year between relevant budget holders and Financial Services
- Financial Services develop a more formal and structured programme of financial training for budget holders and Members
- Commercial Services and Financial Services work together in a structured way to improve mutual understanding and a joint approach to developing financial information, analysis and reporting that both can support
- Financial Services review the format, content and analysis of the presentations it makes to council for a in consultation with users.
- Develop a programme to support the PMO in improving project management across the council
- Use the planned upgrade to the finance IT system to increase the quantity and quality of information available and to increase the ability of budget holders to access transparent information through self-service.
- The chart of accounts is reviewed with the aim of reducing the number of cost centres
- Risk management is embedded and taken more seriously as a means of providing assurance and helping to ensure the success of council objectives throughout the council and is not seen as a tick based exercise.
- There is a target set for reducing the percentage of internal audit reports that provide limited assurance
- Consider the role of Internal Audit within an assurance framework linked to risk

- Review compliance against CIPFA guidance on Building Control and HRA activities and accounting.
- Financial Services undertake a review of its engagement with external sources of advice and support to ensure it is engaged with best practice.

The detailed appendix 1 which sets out the outcome from our assessment of council against the financial management model also includes some more detailed recommendations and actions

## 2. Introduction

### 2.1 Background

2.1.1 Dudley Metropolitan Borough Council was formed following a reorganisation of local government in 1974. The council provides both county-level and district-level services. In July 2023, the council's External Auditor's shared their concerns about the level of the council's reserves with the members of the Audit and Standards Committee. This was followed up by a significant weakness identified in the Auditors Annual Reports for 2021/22 2022/23 in relation to financial sustainability, which were reported to Audit and Standards Committee in December 2023. Two key recommendations were made for the council to address as a matter of urgency:

1. That Members should recognise the scale of the council's financial challenges and act accordingly to support the council's officers in developing realistic and deliverable savings plans in the short to medium term, and
2. That 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.

2.1.2 Following a joint report to Cabinet from the Deputy Chief Executive and Director of Finance and Legal in January 2024, which set out that the council was likely to fully deplete the General Fund reserves during 2024/25, the council's external auditors made further statutory recommendations aimed at addressing the seriousness of the financial position of the council and to give the council the best chance of avoiding a Section 114 notice.

2.1.3 The purpose of this review is to assess the financial resilience of the council in the light of the statutory recommendations made by the External Auditors and the financial risks and pressures it is currently facing.

### 2.2 Requirement

2.2.1 The review seeks to consider assurance over Dudley Council's financial position and management and determine whether the council is taking all reasonable steps to address the position, financial management arrangements and determine what more needs to be done.

2.2.2 The core objective of the review is to assess the financial resilience of the council in the light of the financial risks and pressures it is currently facing. The key questions to satisfy the review include:

- Is there overall assurance on the council's financial position?

- Is Dudley Council taking all reasonable steps to address the position and what more needs to be done?

2.2.3 We undertook our review using the themes of a DLUHC financial resilience review and also focused on those areas which had been highlighted by External Audit in their statutory recommendations.

2.2.4 This review focusses on the financial sustainability of the council and does not comment on the appropriateness of or adherence to accounting policies or any on-going external audit work which is a matter for the external auditors.

#### *Context*

2.2.5 The review is limited in some areas by the lack of up to date financial and information on the capital programme and uses the latest publicly available information in forming our conclusions. Updates were made to the report, where appropriate, to reflect the latest information available in finalising the report in July 2024 but the report cannot comment on the validity or detailed assumptions made in respect of the February 2024 MTFS. Some of the progress made since the fieldwork against recommendations may not be fully reflected in the report.

2.2.6 The following areas have been covered.

- **Financial Resilience and Sustainability** – focusing on how well the council was addressing financial pressures, the deliverability of savings plans, the efficiency in delivering services and whether the council was on course to present conventional balanced budgets in the near future (2024/25 & 2025/26) and had an appropriate MTFS.
- **Capital programme and assets and debts:** an assessment of the council's capital programme, assets and investments, including debt and other risks.
- **Financial Governance and Decision Making:** an assessment of a council's financial governance/management processes, leadership, operational culture, whether it has the appropriate financial governance procedures in place, and the capability and capacity to make any necessary transformation. This includes a **self-assessment of areas of strength and weakness:** arising from an analysis of the results of a survey of over 70 Dudley staff and stakeholders using CIPFA's Financial Management Model.

## 2.3 Methodology

2.3.1 Our approach comprised the following elements:

#### *Desktop analysis*

2.3.2 Dudley Council made a number of documents available for our examination. These included relevant policy papers and strategies, minutes of meetings and progress reports. We reviewed the material and made supplementary document requests as appropriate to the council.

#### *Specialised inputs*

2.3.3 Some comparative data analyses were conducted on issues such as revenue spend and indebtedness using CIPFA's Financial Resilience Index and the Office for Local Government. Where relevant they are included in the report.

### *Interviews*

2.3.4 The bulk of the fieldwork comprised interviews conducted in April and May 2024. We triangulated different oral evidence as well as oral against written evidence. Council Officers and Members were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness.

### *Report drafting, feedback and fact-checking*

2.3.5 The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report. Initial feedback on themes and key findings was provided to officers in advance of preparing this report.

2.3.6 This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It was not a comprehensive audit of the council's finances. As a consequence, the conclusions do not constitute an opinion on the status of the council's financial accounts.

2.3.7 CIPFA's review team consisted of two experienced consultants with relevant backgrounds in all areas of the review's scope. CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for their openness, tact, and honesty.

### *Use of the CIPFA Financial Management Model (FMM)*

2.3.8 We used the Financial Management Model online survey to inform our view on financial management and understanding across the council. This is included at a separate appendix to the report. We asked over 70 staff and stakeholders to carry out a health check on their own financial fitness to deliver their goals, and to identify and plan improvements. CIPFA's FMM is structured around the three themes of delivering accountability, supporting performance, and enabling transformation. Its scope ranges from the essential controls that should be in place to safeguard assets and demonstrate accountability, to the aspirations of top quality organisations.

### 3. FINANCIAL RESILIENCE AND SUSTAINABILITY

#### 3.1 On the progress required to deliver a sustainable MTFS (Medium Term Financial Strategy)

- 3.1.1 The 2024/25 budget, approved by the council on 4 March 2024, sets out the council's finances for a 3-year period, and includes details of savings, efficiencies, and additional income generation proposals over that period, which are expected to total £17.4m cumulatively by the end of 2026/27. However, a total of £50.7m of additional spending arising from a combination of demographic, inflationary, other unavoidable service pressures and discretionary service developments by 2026/27 has also been included in the strategy. The result is that the council is currently forecasting that expenditure will exceed resources available each year of the strategy (2024/25 - £5.5m, 2025/26 - £10.3m, 2026/27 - £12.0m) and that the unallocated General Fund Reserve will be depleted entirely during 2025/26.
- 3.1.2 The assumptions regarding future Council Tax, pay awards, inflation and fees and charges appear reasonable. The MTFS assumes delivery of all savings proposals in their entirety for the 3-year period, despite the MTFS showing that only 71% of the 2022/23 savings initiatives (£0.15m of £0.21m target) and 80% of 2023/24 savings initiatives (£6.23m of £7.83m target) had been delivered by February 2024. The MTFS also includes a specific expectation of additional income from the Integration Care Board in relation to Continuing Healthcare (CHC) totalling £4.66m per year by 2026/24 (2024/25 - £3.71m, 2025/26 - £4.66m, 2026-27 - £4.66m) that is now no longer expected. This further increases the gap between the cost of delivering the council's services and the resources available, and the likelihood of relying on reserves to bridge this gap. The council will need continual modelling to keep their assumptions underpinning the MTFS up to date.
- 3.1.3 Pressures in 2024/25 and the following 2-years set out in the MTFS are assumed to be permanent however some savings in the strategy are one-off in nature, for example one-off switches of funding from General Fund to a specific grant or short-term savings made through vacancy freezes. The council has a record of making 'U-turns' in relation to decisions, and this has been the case with previously agreed savings proposals, for example the reversal of £2.3m of savings for the period 2023/24 to 2025/26 in relation to libraries, household waste recycling centre operating hours, surface car parks and overnight car parking charges that were reversed in the 2023/24 'mini budget' agreed by Cabinet in July 2023. There are also opportunities for significant savings in areas commonly implemented by other councils, such as moving to less frequent waste collections, that have still not been implemented in Dudley.
- 3.1.4 Detailed work to identify further efficiencies is being undertaken by specific project groups in the form of functional reviews. These include reviews of waste, leisure, libraries, halls, the council's Target Operating Model and some other smaller areas. These reviews are being led by the Director of Digital, Customer and Commercial Services, with initial proposals from smaller reviews expected to be delivered across summer 2024, and with larger reviews expected to identify proposals in future years. In addition to these reviews, there has been a recent call from the Deputy Chief Executive to quickly identify an additional £5.0m of savings for 2024/25 to offset the previously assumed CHC income which will no longer be received.
- 3.1.5 Existing future savings plans need to be developed into practical actions, and whilst the functional reviews are underway, a more strategic approach to re-engineering services across the range of everything the council does will be required to close

the budget gap over the MTFS period. The current total level of savings forecast to be delivered over 3-years in the MTFS is only £17.4m per year by 2026/27, which equates to a saving of 4.96% of the expected service spend in that year. In order to identify savings of the magnitude required and move to a sustainable financial footing, the council will be required to make tough decisions, and to stick to these decisions. The governance in relation to financial decision making is considered later in this report.

- 3.1.6 Challenges remain in respect of an accumulating deficit on Dedicated Schools Grant (DSG) Funding. Although the governments statutory override currently protects the council, if it was withdrawn the scale of the deficit would push the council into an unsustainable financial position. This has been clearly highlighted in updates to the council as part of the MTFS and the budget report.

## 3.2 On striking the right balance in updating the Medium Term Financial Strategy and engaging with CMT and Elected Members

- 3.2.1 As noted above, the level of required savings is challenging however some progress has been made in applying spending controls and the creation of functional reviews to identify efficiencies. Dudley Council has undertaken some modelling on estimates, assumptions and professional judgements and the MTFS sets out details of the assumptions used, and the risk attached to each assumption. Further information on the financial upside or downside risk is detailed in an appendix though the level of risk attached to each assumption could be made clearer. For example, the council has a history of not delivering savings in their entirety however it has been assumed that this will be the case and the information on the risk associated with this does not call out the likelihood of this risk manifesting. Indeed, as noted above, the additional income associated with CHC is now no longer expected to be received, only 2 months after the last MTFS update was approved by the council.
- 3.2.2 The MTFS considers the wider implications and expectations for Government Funding and Business Rates. The MTFP includes some key elements required of a financial strategy, identifying pressures, funding changes, expected savings and includes proposed council Tax increases. The MTFS does not include strategies and implications of the capital programme or treasury management and whilst it notes that there is an expectation that reserves will be depleted during 2025/26, further information on reserves is only provided in the Section 25 report, prepared by the Director of Finance and Legal.
- 3.2.3 The latest MTFP covers 2024/25 to 2026/27. In a typical year, the council formally reviews its 3-year MTFS annually in March, with the outturn position reported in June and a further draft MTFS reported to Cabinet in October. This process has changed in the last couple of years, with the draft MTFS not being reported to Cabinet until December or January, as a result of waiting for the funding settlement to be known. There was an exceptional update to the MTFS taken to Cabinet in July 2023, in order to amend the budget to include new growth items and the reversal of some savings.
- 3.2.4 Budget preparation meetings take the form of discussions in Corporate Management Team (CMT) (formally Strategic Executive Board or SEB), updates at Informal Cabinet and budget summits. In preparation for the finalisation and approval of the 2024/25 budget, budget summits with Elected Members took place on 19 July 2023 and 22 November 2023 for the General Fund, with a separate

summit taking place for the first time on 21 November 2023 for the Housing Revenue Account. An Informal Cabinet in September / October looked at 'big ticket' items in relation to savings and large Elected Member spending requests. While a budget process was in place, the communication of the process could have been made clearer, with more regular and detailed information shared at CMT and more forums for discussion with Elected Members in advance of decisions on the budget being made. No details of the process and timetable have been issued to CMT and Officers for the 2025/26 to date. Finance have advised that this is because the process is being led by a working group rather than Finance themselves, and discussions are ongoing. It is concerning that given the scale of the financial challenge facing the organisation, there is not a comprehensive and universally understood approach and timeline that has been agreed by CMT and Elected Members for finalisation of the 2024/25 budget.

- 3.2.5 Finance needs to provide some certainty and an appropriate level of detail on the continuing financial position and the council should consider how often and on what basis it updates its medium-term financial strategy projections. It is important to strike the right balance between keeping the CMT and Elected Members updated on a regular basis but also providing confidence that it can act on the information provided without fear of significant changes. There should also be a clear process and timeline for updating the MTFS, that shows clear ownership of processes, does not duplicate effort by Officers and provides regular opportunities for both CMT and Elected Members to engage with the process, take ownership and make decisions. There is still significant work needed to deliver the projected balanced budget and MTFS.

### 3.3 On the challenge of improving level of reserves

- 3.3.1 Dudley Council has been facing significant financial challenges in recent years, which have necessitated a close review of their financial reserves. CIPFA best practice sets out that while there is no one-size-fits-all percentage in relation to the level of reserves that should be held, many local authorities aim to keep reserves between 5% to 10% of their net revenue budget or core spending power. The council's external auditors and own internal reviews have highlighted the low level of reserves compared to other councils. The recent Peer Review reports from the LGA and external audit have also repeatedly stressed the need for Dudley Council to increase its financial reserves to avoid potential financial crises.
- 3.3.2 The council recognises the need to hold a prudent level of reserves however the current position (from the May 2024 Provision 2023/24 Outturn (Capital and Revenue) report) is that unallocated General Fund reserves were £8.8m as of 31 March 2024, are forecast to be £2.5m at the end of 2024/25 and forecast to be fully depleted during 205/26, leaving a funding gap of £9.6m. This funding gap is currently forecast to increase to £23.4m by the end of 2026/27, with no unallocated General Fund reserve remaining. When all unringfenced reserves are taken into consideration, the forecast is as follows:

Figure 1: Actual and Forecast reserves 2023 - 2027

	Actual 31/03/23 £m	Actual 30/03/24 £m	Forecast 31/03/25 £m	Forecast 30/03/26 £m	Forecast 31/03/27 £m
Unallocated General Fund Reserve	21.8	8.8	2.5	-9.6	-23.4
Earmarked Reserve	27.3	22.5	9.9	9.0	8.4
Total Unringfenced Reserves	<b>49.1</b>	<b>31.3</b>	<b>12.4</b>	<b>-0.6</b>	<b>-15.0</b>
Total Unringfenced Reserves as a percentage of Net Revenue Budget <sup>1</sup>	<b>17.24</b>	<b>9.73</b>	<b>3.72</b>	<b>-0.17</b>	<b>-4.11</b>

- 3.3.3 Finance have advised that the spending controls which are currently in place, will remain so until reserves have returned to prudent levels.
- 3.3.4 When total unringfenced reserves are considered, the council would be on a trajectory of depleting these entirely in 2025/26, use of reserves is not a sustainable approach to address the structural budget issues facing Dudley Council. As noted previously in this report, the council needs to improve its record for delivering savings identified, make difficult decisions around further areas where savings could be made and take a corporate approach at fundamentally reviewing how council services are delivered to avoid depleting the council's reserves.

### 3.4 On the work needed to embed processes, systems and consistency.

- 3.4.1 We have seen evidence that the council and CMT are placing increasing focus on improving financial management and savings identification however, as noted previously, there is a requirement to ensure that there is a regular forum for Members and Officers to discuss budget challenges and savings proposals, such a Member and Officer Budget Working Group, rather than limiting this engagement to two or three budget summits across the financial year. This will facilitate greater opportunity for some of the more contentious proposals to be explored and discussed. Additionally, while the focus on the council's financial position is well understood, there are still examples of decision making that will lead to additional non-essential expenditure, such as the decision to go ahead with the build of the new Penns Meadow School in January 2024.
- 3.4.2 There is an awareness that there are challenges and a need to develop more of a corporate, challenging, and transparent approach from CMT, and the wider council, on budget management. The areas for improvement set out in the recommendations made by the council's External Auditor are consistent with our findings. Some key improvements are required to improve processes and systems for annual exercises such as revenue budgeting, capital planning and savings identification, alongside ongoing monitoring and reporting. Additionally, some budget holders expressed concerns, particularly on access to self-service information on the position against budget and usefulness of financial reporting provided by Finance. This is not helped by a lack of SLAs to promote financial responsibility across the council nor the last of a clear and consistent communication of budgets to budget holders at the start of the financial year. Action is also required the increase the skills in Finance and within

<sup>1</sup> Net Revenue Budget figure for 22/23 taken from 2022/23 Provisional Revenue Outturn and Medium Term Financial Strategy, figures for 2023/24 to 2026/27 taken from CMT presentation on Provisional 2023/24 Outturn (Revenue and Capital)

Services to ensure effective budgetary control. Some of these issues have already been identified and are in progress, such as more regular forecast outturn reporting and the planned upgrade to the Finance system which should provide additional functionality, others, such as providing finance training to budget holders, are currently more aspirational because of resource constraints.

### 3.5 On the lack of regular assessment against the CIPFA Financial Management Code and requirements

- 3.5.1 The CIPFA Financial Management Code (FM Code) is a set of principles and standards designed to support good financial management practices within local authorities in the UK. The code aims to ensure that public sector financial management is aligned with the requirements for transparency, accountability, and sustainability in local government finance and applies to all councils. Local authorities are expected to demonstrate that they meet the standards set out in the FM Code through self-assessment and continuous improvement. The council does not assess itself against the FM Code. Alongside the specific recommendations or areas of consideration highlighted in this report, we would also recommend that the council should make use of the self-assessment tool within the FM Code to help identify other areas of improvement, and that an action plan should be developed thereafter. This action plan should be reported to for the Audit and Standards Committee and will also need to be reflected in the Annual Governance Statement.
- 3.5.2 Financial, risk and performance information is reviewed by the CMT. There are improvements that could be made to integrate service and financial planning reports. This could help the council and the CMT to fully assess and understand the implications of service and spending trends and also support the focus on business partnering.
- 3.5.3 When setting the budget, Section 25 of the Local Government Finance Act 2003 requires the Section 151 Officer to report to members on the robustness of budget estimates and the adequacy of proposed financial reserves. These requirements are met.
- 3.5.4 As part of their governance framework, and in response to external reviews and External Audit recommendations, the council has established several initiatives to ensure effective financial management and operational integrity:
- **Improvement and Assurance Board:** Dudley Council has formed an independent Improvement and Assurance Board (IAB) to oversee and guide the council's financial and operational improvements. This board includes members from the main political parties, senior officers, and is supported by the Local Government Association. The IAB aims to ensure the council maintains a sound financial position and effectively delivers services to residents.
  - **12-Month Action Plan:** In response to internal reviews and regulatory findings, particularly concerning housing data quality, the council has implemented a 12-month action plan. This plan focuses on validating and updating data on council properties to ensure compliance with statutory health and safety requirements. The plan includes comprehensive stock condition surveys and compliance checks on critical safety systems. This plan also includes using spending controls and improving financial management to aim to achieve a balanced and sustainable budget.

- **Council Plan 2024-2025:** The Council Plan outlines strategic priorities, including financial sustainability, governance, and control, which underpin the council's efforts to maintain and improve its assurance frameworks.

### 3.6 On ensuring the upgrade to the Finance system delivers

- 3.6.1 As part of the council's digital roadmap, it is investing in a migration of Unit 4, the Finance system, to the Cloud. This work is being led by the Digital, Customer and Commercial Services Directorate; however, the Finance team are engaged with this work. This project is in the fairly early stages however there is buy-in to use this upgrade as an opportunity to improve the ability of budget holders to self-serve when looking for financial information. Finance also hopes to use this as an opportunity to rationalise the chart of accounts, which currently has an extremely large number of cost centres, which budget holders have advised is confusing.
- 3.6.2 A criticism of the current finance system is that it does not link expenditure to contracts and that the ability of Procurement to undertake any sort of analysis relies on a very manual and time-consuming process of receiving data from Finance and then sorting it using project codes. Given the poor level of contract management in the council and the potential of improved procurement and contract management to deliver savings, including this functionality in the new Finance system should be a priority. In tandem with this, a programme to improve contract management across the council and targets to reduce the proportion of off contract spend should also be implemented and monitored.
- 3.6.3 Whilst the potential benefits of the upgrade of the Finance system are clear, we note that the Finance team has been without a Systems Accountant for around a year after the sad, unexpected passing of the previous person in this role. Despite recent recruitment efforts, the post currently remains vacant. In addition to this key vacancy, the resource requirements to ensure that the upgrade is implemented smoothly and that both Finance and wider users can take advantage of all areas of increased functionality will be significant. Given this project will be undertaken in tandem with an area of intense demand for Finance services to support savings identification and delivery, improved reporting and business as usual, we would highlight the importance of ensuring that the Finance resources required to successfully deliver the Unit 4 upgrade are considered and put in place.

### 3.7 On raising the profile of risk management, understanding risk appetite and undertaking risk-based decision making

- 3.7.1 The council previously had a Council Plan covering the three years alongside the MTFs. The most recent version covered 2022 - 2025. However, because of the significant financial challenges facing the council, this plan has been suspended and replaced with a focussed one-year plan for 2024/25. The linkages between the previous Council Plan and previous iterations of the MTFs are not clear, nor is there any clear linkage between the Council Plan for 2024/25 and the current MTFs, both agreed by council in March 2024. The MTFP reflects the financial consequences of emerging issues and demands at a high level but greater clarity on the potential demands of key areas of demand-led expenditure and persistent overspends like Childrens and Adults Services could be more fully set out.
- 3.7.2 The council considers risk twice a year at Audit and Risk Committee, but it is not considered at Cabinet and there is no real discussion amongst Members on risk appetite or mitigation. The council has a Risk Management policy. However, there

is a view that this is not actively applied, and consideration of risk is not routinely embedded in decision making. It is not taken as seriously at Director level for decision-making as it should be, with anecdotal evidence of risk terminology being changed to manage the perceptions of Elected Members and the press, rather than focusing on how to minimise the actual risk. There is a discussion to be had on what is the shared corporate risk appetite, as there appear to be different risk appetites across the council, particularly between the Head of Internal Audit, who leads on risk, and the CMT.

- 3.7.3 The council does articulate associated medium-term capital and revenue budget pressures in its three-year forecasts and specific financial risks are considered in respect of the budget. However, this could be improved by making the likelihood of risks occurring clearer, showing a range of the potential financial impact and providing a view on the overall impact on the budget if risks crystallise. Whilst it is reassuring to see that the savings proposals developed for 2024/25 are now RAG-rated to reflect the assessed risk of delivery, it is important that risk is more than a box ticking exercise and is a fundamental tool to drive decision making. In this specific example, that could include accounting for the risk to delivery when forecasting the expected level of savings in the outturn. Overall, there is more scope to develop the modelling and scenarios associated with the different aspects of the financial strategy. This discussion needs to happen beyond Finance and across the council.

### 3.8 On the scope for savings and ensuring deliverability

- 3.8.1 There is still a challenge in the council in relation to having clear and consistent processes for the identification, approval and delivery of savings. There is no clear ownership of this process at CMT, and, at times, there appears to be duplication of effort or conflicting exercises taking place, which leads to nugatory effort and multiple versions of 'the truth'. It also leads to information being presented to CMT or Members which is not always accurate, or which doesn't take into account the big picture impact of all proposals when the outcomes of the multiple exercises or reviews are considered together. A small example of this is the separate approach being taken to review the Townhall and the Bistro, which are, in fact, linked by a door meaning any change to one is likely to have an impact on the other.
- 3.8.2 It would be considered normal practice for a Finance team to be a fundamental part of any savings exercises and to be the team responsible for analysis of the impact of individual savings proposals and the collation of the impact of all savings proposals, for forecasting and reporting purposes. This is not always the case at the council. As noted above, there are a number of functional reviews underway. However, Finance is not represented on each review and whilst they have been requested to provide financial information to support these reviews, their lack of 'a seat at the table' means that this information is not always interpreted correctly.
- 3.8.3 There are still opportunities to review the provision of some non-statutory services to assess if they can be delivered differently or if the standard are which statutory services are delivered could be reduced. The specific areas of Adult's Services, Children's Services, Public Health and Home to School Transport, which account for well over two-thirds of all council expenditure, will be considered separately below however other examples of the potential to reduce the level of statutory services includes areas such as waste, where there is a belief that the council still provides a service that exceeds that provided by neighbouring authorities, particularly in relation to the frequency of waste collections. Significant effort has been made to review this area in previous years and the current year, but this has not led to an agreed set of proposals which will enable the required changes to be

approved and implemented. The lack of progress in this area means that other associated decision which could also lead to savings, such fleet renewal or outsourcing have also not been made or implemented.

- 3.8.4 As noted previously, it is important that projected savings include minimum and maximum forecasts by directorate and that RAG-ratings are taken into consideration when forecasting the level of savings expected to be delivered during the year. The continued modelling and risk assessment of achievability of the savings plans will be essential, in particular, how quickly they can be enacted if the council is to achieve its savings targets. It will also determine whether the council can reduce reliance on use of reserves in order to balance the budget as the latest reserve position does not provide the council with sufficient resilience over the medium-term.
- 3.8.5 One off savings, such a making use of non-recurring grant funding, expenditure control and use of vacancy freezes enabled the council to set a balanced budget for 2024/25 however, £3.71m of previously expected income associated with Continuing Health Care is now no longer expected. Part of the current spending controls, introduced in October 2023, relate to contracts. They include not letting any new contracts and not extending existing contracts beyond the end or break point, no discretionary spending on existing contracts in place. Whilst the Procurement team have been increasing their efforts on challenging the specification of contracts, there is no current monitoring of expenditure against contracts due to system constraints and it is widely acknowledged that contract management is very poor at Dudley Council. When savings are made as a result of contract renewals, Services areas retain the budget and use it locally in other areas. Additionally, the expenditure controls were overridden by the Cabinet in January, when the decision to let the contract for the build of Penns Meadow School in January 2024. This decision was taken by Cabinet against the explicit advice from the Section 151 and, due to borrowing requirement for this build, will result in an ongoing revenue pressure of ~£1m per year once complete.

### 3.9 On the sustainability of council services under particular pressure

- 3.9.1 CIPFA examined in more detail plans to achieve medium term financial sustainability within the services that faced particular budgetary pressures in Dudley during 2023/24. CIPFA were supported by their expert on social care issues (a former Director of Adult Social Care) in making their assessment of financial sustainability in Dudley's Adult Social Care and Children's Services. Adult Social Care has recently been subject to a finance review by *Partners in Care and Health* (LGA and Directors of Adult social services).

#### *Adult Social Care*

- 3.9.2 Adult Social Care and Children's Services Directorate staff generally regarded their finance support well, although there was a minority view that at the middle level they were over stretched and occasionally errors could creep in. The finance review concluded there was evidence of positive working between the Service team and Finance.
- 3.9.3 We found that the Director of Adult Social Care had accepted all the proposals of the finance review for improvement in financial reporting in his area. This included incorporating activity data into financial reporting, ensuring every growth and savings proposal had a written robust business case with milestones, increasing the

- transparency in use of one-off income streams or savings proposals and strengthening the peer challenge process to review growth and savings proposals.
- 3.9.4 We found the service were fully aware that its actions can, and will, have an impact on the corporate health of the council in that 40% of the council budget is in adult social care provisions. The service reports that all non-statutory offers have been removed including meals services etc.
- 3.9.5 Whilst there is a relatively recently written Dudley Market Sustainability Plan (MSP) (March 2023), the finance review noted it was not clear how the service changes described in this are factored into financial planning for the service and the MTFS.
- 3.9.6 Relative to the average for councils, the service does not have a history of high savings targets and or delivery up to 2023/24. For 2024/25 the savings target is comparable to national figures (at around 5%). This highlighted the need to review savings proposed and ensure robust business cases are developed at the outset (including key milestones) and a strong tracking mechanism is in place. We note the low level of savings planned for 2025/26 (£1.2m) and absence of any savings in the MTFS for 2026/27.
- 3.9.7 There has been a new chair of the external safeguarding board appointed for external scrutiny which seems to be a positive development. It may be timely to use her arrival to consider a review of thresholds to see why Dudley has the second highest adult safeguarding referrals in the West Midlands after Stoke-on-Trent.
- 3.9.8 We found staff are clear about the priorities, and it is evident that time is being given to preparing for the future CQC Inspection in terms of meeting regulatory requirements regarding assessments, annual reviews deprivation of liberty and safeguards, alongside generally good performance.
- 3.9.9 Our review noted that Dudley's spend on younger adults was more than average. The council accept that market shaping and therefore efficiency might be better, The Director accepts that the data suggests that Dudley has been following old fashioned approaches to supporting younger adults. The council is now using the Better Lives tool to review aspects of its approach however staff do not agree that they can see the opportunities to cut spending for younger people in the way described. They feel that they have a low base and therefore not a lot of opportunity for efficiency in terms of the market. If this is the case, then an increased focus on reducing demand by planning for maximum client independence is required.
- 3.9.10 Market management for younger adults with disability could be informed by an even more rigorous 'single plan' approach for younger adults from the age of 14 years to maximise independence. Planning for specialist PA support availability is important.
- 3.9.11 The council may wish to review its workforce development strategy and explore whether there are opportunities to share training and recruitment strategies, either in an integrated way with NHS or with Black Country Partners. HR staff are seemingly offering a more traditional and reactive model. This comment may align with the LGA, Adult Social Care Use of Resources review which suggested that actions were transactional rather than transformational.
- 3.9.12 Whilst improvement planning for adults with disabilities is evident in Dudley, the disability area in adults social care probably needs a high level of focus on cost avoidance/ savings due to its rising cost. It needs to be structurally linked to planning the mitigations for the overspends on the High Needs block, and there is a need to

benchmark and strengthen the new commissioning strategies and therefore the market management.

- 3.9.13 On Transport for adults with disability, the council is Care Act compliant, in that if there is a need it will be provided. There appears to be only one taxi firm with the disability facilities to transport these clients and therefore costs are very high. Staff have ideas on a 'not for profit solution' which may be worth following up.

#### *Children's Services*

- 3.9.14 Plans, strategies and performance tables on children's social care were all provided readily and are updated, focused and sound, and areas where improvement is required clearly marked.
- 3.9.15 Dudley have planned for a slowing down in growth in the Children's budget in 2025/26 and 2026/27. We note that there was over £7.8m of growth in the budget for 2024/25, but only growth of £2.7m the following year and another £2m the year after.
- 3.9.16 The predominant MTFs saving in children's social care is the continued effective implementation of the Family Safeguarding Model (£540k annually), developed and supported through DFE social care improvement funds, which has paid for consultancy advice from the Hertfordshire Family Safeguarding Unit. The level of savings to be achieved were identified as part of the original bid to do the work. Dudley have worked with Hertfordshire council in specifying and monitoring delivery. Savings are closely monitored at the Children's Leadership Team meetings. Dudley have commissioned the University of Birmingham to conduct a longitudinal evaluation that will examine the achievement of outcomes, including financial.
- 3.9.17 This implementation of Family Safeguarding has followed the model exactly, with good take up of motivational interviewing, the adoption of the multi-agency teams and the increased use of the 'workbook' which, whilst it is a recording tool, is fundamental to staff and partner understanding of the family journey to self-sufficiency and avoidance of care. This has a direct and effective knock-on outcome on budget management.
- 3.9.18 Data shows that the number of children in care are coming down, as are those on child protection plans. This strategy relies on low children's social care caseloads for staff, and care must be taken with this to ensure that case-holding numbers for social workers do not drift up. There is some minor evidence of this happening as vacancy pressures ensue.
- 3.9.19 As family safeguarding becomes even further embedded there will be a need to keep an eye on capacity and recruitment in the early help and family support teams. The ability of these workers to take families following step down from statutory social care is crucial to the savings projected in the model.
- 3.9.20 The regional adoption agency, **Adoption @ Heart** is a Black Country agency hosted by Wolverhampton. Staff report that this is increasingly effective, but not yet as strong as it could be. Given that it has been in place since 2018, with a view to promote efficiency, a value for money review could be timely. This review, coupled with recent attempts by the Court Service to improve their own performance, may promote future efficiencies in terms of faster permanent solutions on adoption for children who have been waiting longest.

### *Public Health*

- 3.9.21 Support from, and the work with, the Director of Public Health (DPH) and her team is evident in the directorates, particularly Children's Service's where Family Safeguarding has been funded. It is acknowledged that the outcomes for residents e.g. obesity and education outcomes, are poor. The Director of Adults Services is carrying out a review of the Public Health Grant, and whilst staff think that it is possible that up to a £1m could be liberated from a further stretching of the grant towards more general objectives. It is important to keep the DPH on board with this.
- 3.9.22 There does seem to be a reach across from the DPH into council priorities, including reduction of dental caries, school readiness and rehydration in older people's homes. All these programmes are very traditional, however, and it may be worth looking at other councils to see if they are funding different innovations in partnerships, for example in Artificial Intelligence, to promote cost avoidance.
- 3.9.23 The DPH and DAS have a good reach into the Integrated Care System (ICS) and the NHS generally but it is possible that not all opportunities for funding and grants are being exploited there. Benchmarking of the payments and monies made from the ICS to neighbouring councils may be helpful.
- 3.9.24 When questioned about connection with regional government, compared to other councils, staff were unusually unaware of the priorities and operations of regional government and its opportunities.

### *Home to School Transport*

- 3.9.25 Common with a number of councils, an area of budgetary pressure in Dudley during 2023/24 was the Home to School budget. At one point during the year, the budget was projected to be exceeded by £1m. At the actual year end, the overspend was £730k.
- 3.9.26 The council have been engaged in the Delivering Better Value programme in support of improving management of their Special Educational Needs and Disabilities (SEND) support. As a result, the council now have developed more sophisticated analysis of their current and forecast demand. Demand is expected to fall as they reduce the number of children with Education, Health and Care Plans (EHCPs).
- 3.9.27 The council have taken a number of steps to address pressures. These include changes to policies for the under-5s which have made access more restrictive. The council are also considering reducing the offer to SEND students for travel to college. From this September the offer to post-16 children will also be reduced.
- 3.9.28 The council also retendered all routes last year and have built in inflationary increases which will help to bring down future potential overspend.
- 3.9.29 The council expects to model routes later this year to see if they can be rationalised. It has also worked with one special school to fund the schools' drivers and vans to provide transport at a considerable saving. This is a model they are considering for other special schools.

### 3.10 On moving towards a strategic, joined-up transformation programme with a transparent monitoring of benefits realisation.

3.10.1 Transformational activity is taking place in. The key areas of current activity are:

- **Digital Transformation:** The council has outlined a digital strategy aimed at enhancing internal operations and service delivery through automation and the use of technology. This includes partnerships with organisations like ArvatoConnect to automate processes such as accounts payable, which is expected to reduce costs and improve efficiency.
- **Commercial Strategy:** The MTFS highlights the importance of developing a commercial culture within the council to maximize existing income and generate new revenue streams. This strategy is designed to support the delivery of the council Plan and the Borough Vision, and it aims to ensure financial sustainability by making the council more commercially oriented.
- **Transformation and Innovation:** As noted previously, the council will use flexible capital receipts to fund transformation projects and achieve ongoing savings. This approach is intended to ensure that the council can maintain service quality while operating more efficiently and effectively. Key elements of transformation which will be funded in this manner are organisational redesign and the movement towards a Target Operating Model (TOM), continuation of the Programme Delivery Office, implementation of the council's Estates Strategy and the Unit 4 cloud migration.

3.10.2 Whilst these areas of activity exist, there is no overarching transformation strategy for Dudley Council nor is there a clear linkage between the expected benefits of transformational activity and the council's MTFS. Additionally, historically there has been no clear reporting of what savings have arisen from transformational activity nor whether then benefits expected from the up-front investment in transformation have been realised. Consensus through interviews confirmed the savings associated with the previous transformation change had not been identified with sufficient granularity and that benefits management is not sufficiently robust. As noted previously, overall, the council does not have a record of delivering savings in their entirety.

3.10.3 Discussions with senior members of Finance indicate that there is an understanding of where transformational projects are failing to deliver their expected benefits or where initiatives which are intended to provide commercial benefits are not doing so, however the financial monitoring reports to Cabinet are not sufficiently detailed to enable Members to identify where this is the case nor allow them to provide effective scrutiny and oversight of this area. A recent example includes reporting on the energy from waste project, where there was a forecast income shortfall of £652k for 2023/24 compared to the expected financial benefit set out in the business case reported in the Medium Term Financial Strategy report to Cabinet in January 2024. The only mention of this was the brief text 'Energy from Waste £808k (of which PPA income shortfall £652k', set out in the table in Appendix A, as detailed over:

Figure 2– Excerpt of Environment Forecast Revenue Outturn 2023/24 from January 2024 Cabinet Report

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
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	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.

3.10.4 Whilst the flexible use of capital receipts to fund transformation is reasonable, this is not supported by a clear explanation of the expected benefits of this investment in the MTFS nor inclusion of any projected savings arising from these projects.

3.10.5 The implementation of a new TOM is ambitious and will need careful monitoring by the council with clear resourcing plans. There will need to be a focus on process improvement to reflect the new structure, clear programme management and realistic expectations on the time needed to embed transformation. As well as the implementation of a TOM, there is a need to deliver structural reform across the council and its individual services. Transformation needs to be on-going.

3.10.6 Whilst the council has introduced the Family Safeguarding Model which promotes a multi-agency approach to child protection, given the percentage of the council's overall expenditure that is accounted for by Children's and Adults services and the persistent overspends in these areas, further transformation in these areas will be important in order to move the council to a financially sustainable footing.

We would make the following recommendations based on our review.

3.10.7 **The council** needs to:

- Develop its detailed 2025/26 budget plans including detailed savings plans, as a matter of urgency.
- Make sure the MTFS and savings plans are linked to council strategies and are considered in terms of their impact on the council as a whole, rather than being considered individually.
- Recognise the need for some difficult decision making and then sticking to those decisions in delivering the MTFS and moving to an appropriate target operating model.
- Renew effort to ensure that there is a common and consistent understanding of where the organisation is headed and what the priorities are.
- Clarify the governance processes and accountabilities for identifying delivering and monitoring savings and scrutinising budget growth.
- Develop processes to achieve greater consistency in RAG ratings across the council.

- Develop a culture of more corporate challenge over delivery of savings.
- Develop a stronger political strategy to take the riskier decisions which have previously been avoided.
- Review the treatment of CHC income as a test example of whether there should be agreed due diligence thresholds in including savings or income in budget plans.
- Ensure that sufficient resources and are put in place to ensure the upgrade of the Finance system delivers the desired benefits in a timely manner.
- Develop a programme to improve contract management across the council.
- Establish targets and associated monitoring in relation to reducing off contract spend.

#### 3.10.8 **Adult Social Care** need to:

- Ensure there are robust business cases in place for all savings proposals covering the period of the MTFS.
- Review in particular the scope for increasing the scale of savings currently proposed in the MTFS for 2025/26 and 2026/27.
- Align the Dudley Market Sustainability Plan and the MTFS so there is clear read across between the changes identified in the former and the ASC budget and savings identified in the latter.
- Explore whether there are opportunities to share training and recruitment strategies, either in an integrated way with NHS or with Black Country Partners.

#### 3.10.9 **Children's Services** need to:

- Consider whether the planned reduction in growth pressure in 2025/26 and 2026/27 are realistic and reflect sufficiently sophisticated modelling.
- Monitor the capacity and recruitment in the early help and support teams as savings in the safeguarding model depend on their work.
- Review with partners the performance and costs of the regional adoption centre.

#### 3.10.10 **Public health** should:

- Benchmark payments and monies made from the ICS to neighbouring councils to ensure all opportunities for funding and grants are being exploited.
- Engage early with nascent regional government.

## 3.11 On the efficiency of service delivery, including against comparator Local Authorities, sector metrics and wider public sector metrics.

3.11.1 In assessing the efficiency of service delivery, including against other councils, we have used benchmarking information derived from CIPFA statistics and the Financial Resilience Index (FRI). Some of the data should be treated with caution and there will probably be particular circumstances relevant to the council that need to be considered. However, these may warrant further investigation by the council. Figure 3 shows a high-level summary of the position, using the resilience index and appropriate analysis follows for other indicators. It uses nearest neighbour analysis where appropriate<sup>2</sup> Figures relate to 2022/23.

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<sup>2</sup> The nearest neighbour analysis features 40 metrics that use a wide range of social-economic indicators. The tool is designed to interpret results and assess how the statistical distance between other authorities arises. It allows authorities to see how the statistical relationship between a council and its statistical relevant neighbours has changed

Figure 3. CIPFA Financial Resilience Index - Financial stress indicators

3.11.2 It is important to consider this material in the context of the council's performance, service effectiveness, inspection ratings and its established MTFS. The council may want to consider how it uses some of this comparative information modelling in key service areas. Further analysis is also available in published CIPFA Value for Money (VFM) toolkits.

#### Net revenue and service expenditure

- x The council's current expenditure came in around the 53<sup>rd</sup> percentile of its statistical neighbours and 40<sup>th</sup> percentile of its geographical group in 2022/23. On a per head basis, however, Dudley's net current expenditure was the lowest in the group last year and was 6% below the group average.
- x Around 43% of the council's total expenditure on Education Services, almost 14% is allocated to Childrens Social Care and almost 23% is allocated to Adult Social Care. Expenditure on these services accounts for around 80% of the council's total expenditure. Expenditure on Education Services in Dudley is 16% above the statistical neighbours' average and spending of Adults Social Care is 10% above the group average.
- x The authority spends significantly less than average on Housing Services (-57%) and Central Services (-57%) but significantly more on Planning and Development (68%).
- x Per person, compared to the group average, Dudley spends an extra £10.65 per citizen on Planning and Development than its statistical neighbours and £13.59 per citizen compared to its geographical neighbours.

#### Financial Resilience Indicators

- x Dudley Council's financial resilience indicators: level of reserves, the ratio of interest payable to net revenue expenditure and gross external debt.
- x The reserves sustainability measure indicator is the ratio between the current level of reserves and the average change in reserves in each of the past three years. Whilst the resilience index shows that Dudley Council is low risk, this is

because reserves increased between 2021/22 and 2022/23. In this indicator, a negative value (which implies reserves have increased) or one greater than 100 is recoded to 100. In absolute terms, as noted above, Dudley has a low level of reserves compared to its near neighbours. Dudley Council's reserves to income ratio ranks among the lowest at the group at just 11%.

- x Conversely, the council's Tax Requirement as a proportion of Revenue Expenditure, and Growth Above the Baseline, calculated as the difference between baseline funding level and retained rates income, over baseline funding level.

#### Debt, Borrowing and Capital Expenditure:

- x At £715,258k, Dudley council holds the fourth largest amount of external debt among its nearest neighbours, however this figure is around two and a half times the revenue expenditure for that year.
- x Dudley has an interest payable to net revenue expenditure percentage of 9%. This is the third highest percentage above neighbouring authorities with only Rotherham and Southend of Sea having higher indicators.
- x Dudley Council's debt to income ratio is 174%, significantly higher than the median for the group of 113%.
- x As noted previously, the low level of reserves means the council's reserves to income ratio ranks the lowest at the group at just 11%. As such, the council typically holds more reserves compared to the scale of their financial operation. This is illustrated in the chart below.

Figure 4: Debt and Reserves relative to Income

Income is calculated as council tax requirement and business rates plus sales, fees, and charges from the Revenue Outturn Summary (RS). Total service expenditure also comes from the Revenue Summary.

Debt is gross external debt at 31st March 2023, taken from the COR form (Capital Outturn Return). Reserves are calculated as the sum of earmarked and unallocated reserves at 31st March 2023, from the Revenue Summary.

*Overall indicator assessment*

- 3.11.3 The analysis does indicate some areas worthy of further review, particularly the need to keep a focus on expenditure in Childrens and Adults Services, given the proportion of the council's total service expenditure they account for, and confirms the need to maintain a close eye on reserve levels and savings opportunities.

## 4. CAPITAL PROGRAMME and ASSETS/DEBTS

### 4.1 On the capital programme, assets and debt

#### *Capital programme*

- 4.1.1 The council has a governance framework for managing its capital programme, which is set out in the Annual Governance Statement and other strategic documents. The Capital Strategy outlines the council's approach to managing its capital assets. It provides a plan for prioritizing and delivering capital investment projects. This strategy is updated annually to allow alignment with the council's priorities and respond to changing circumstances. The governance of the capital programme involves several key bodies within the council. Full Council holds ultimate accountability for approving the capital programme, while the Cabinet and relevant committees provide oversight and strategic direction.
- 4.1.2 Whilst the above framework is in place, there is a view that the Capital Strategy is not well understood or used when determining the actual capital programme, and that there is not a golden thread linking the capital programme to the council's priorities. There is no clear strategic leadership in the process of bringing the disparate 'asks' from across the organisation into a prioritised, affordable capital programme.
- 4.1.3 The original capital programme approved for 2024/25 is shown below.

*Figure 5: Projected capital expenditure<sup>3</sup>*

	<b>2022/23</b> <b>£m</b> <b>Actual</b>	<b>2023/24</b> <b>£m</b> <b>Revised Estimate</b>	<b>2024/25</b> <b>£m</b> <b>Revised Estimate</b>	<b>2025/26</b> <b>£m</b> <b>Revised Estimate</b>	<b>2026/27</b> <b>£m</b> <b>Revised Estimate</b>
Non-HRA	41.4	66.3	71.1	49.7	29.2
HRA	57.9	58.0	87.4	92.3	93.4
<b>Total</b>	<b>99.3</b>	<b>124.3</b>	<b>158.5</b>	<b>142.0</b>	<b>122.6</b>

- 4.1.4 As can be seen from the above table, despite the Council's significant financial issues, the expected capital non-HRA capital expenditure in 2024/25 is £4.8m more than 2025/26, and, as noted previously, despite the spend controls introduced in October 2023, the council overrode these controls to approve the contract for the build of the Pens Meadow School in January 2024, which will require borrowing of ~£13.9m over several financial years and will result in an estimated revenue cost of £0.75m per year from 2025/26 onwards.
- 4.1.5 As a result of the significant capital programme, the council's Capital Financing Requirement (CFR) (the council's underlying need to borrow to fund its capital expenditure once other sources of funding such as grants, capital receipts and review have been taken into account) will continue to grow across the medium-term.

<sup>3</sup>Figures taken from Joint Report of the Deputy Chief Executive and Director of Finance and Legal to Cabinet on 15<sup>th</sup> February 2024

Figure 6: Projected Capital Financing Requirement

	<b>2022/23</b> <b>£m</b> <b>Actual</b>	<b>2023/24</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2024/25</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2025/26</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2026/27</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>
Non-HRA	256.2	264.9	288.9	299.1	297.7
HRA	474.8	483.8	502.8	524.5	563.7
<b>Total</b>	<b>731.0</b>	<b>748.7</b>	<b>791.6</b>	<b>823.6</b>	<b>861.4</b>

- 4.1.6 An increase in the council's CFR will result an increase to the amount of Minimum Revenue Provision the council needs to make and a corresponding revenue pressure. Given the need for the council to identify savings to avoid a requirement to issue a Section 114, a review of the current capital programme should be undertaken to ensure it is a prioritised, justifiable, and affordable programme.
- 4.1.7 Monitoring of the capital programme is reported to every meeting of the Cabinet, unless it is 'a quiet month'. The focus of the reporting is to obtain approval for any new schemes or changes to schemes, plus an update on the expenditure on ongoing major schemes. There is no update on progress towards meeting delivery milestones alongside the financial information, nor is there an overview of risks to delivery of the programme. Given the inflationary pressures and heightened supply chain issues that have been experienced in the building sector since the pandemic and invasion of Ukraine, Members will require information both on expenditure and delivery to understand the interplay between progress being made and overspends because of costs exceeding budget in order to provide effective oversight and scrutiny of the capital programme.
- 4.1.8 Progress against the capital programme is impacted by limited capacity in the organisation and there is continued slippage. The 2023/24 Revenue and Capital Monitoring Report that went to Cabinet in April 2024 stated that the overall 2023/24 capital budget was revised from £177.4m in June 2023 to £119.8m in April 2024. Slippage accounted for £59.3m of that amendment, which equates to slippage of 33.4% or one third of the original budget. There indicated that there is some optimism bias in the delivery programme timescales, however this is unclear when there is no routine reporting of delivery to Members, alongside financial reporting.
- 4.1.9 Receipts from sales of assets play an important role in allowing the council to fund its HRA capital programme, with asset sales accounting for 42.7% of funding for public sector housing in 2023/24 and an expected 50.6% in 2024/25 and 51.2% in 2025/26. However, there is no expectation that asset sales will fund non-HRA capital expenditure as the council has approved a Full Flexible Use of Capital Receipts Strategy to enable it to take advantage of the ability to use capital receipts flexibly to fund transformation and service reform. The £2.0m of capital receipts in 2023/24 and the anticipated further £5.7m of receipts to 2025/26 have been earmarked for this purpose.
- 4.1.10 To date, there has not been a strategic approach to asset disposal, with a lack of joined up thinking, however regular meetings between the Corporate Landlord Team and Finance have been recently instigated to look at what disposals may be on the horizon. This is a work in progress however the aspiration is to ensure that all acquisitions and disposals are considered by the group.

4.1.11 Consideration of the capital programme in relation to compliance with CIPFA's codes of practice and the management of key treasury and capital risks is considered later in this report.

4.1.12 We would make the following recommendations based on our review:

- The council should ensure that the capital strategy is used to ensure the capital programme is affordable, sustainable, prioritised and supports the council's priorities and there is clear leadership of the capital planning process.
- In light of the council's financial challenges, a review of the current capital programme should be undertaken to ensure it is a prioritised, justifiable, and affordable programme.
- The council should identify the areas where it may need further capacity to support the delivery, monitoring and reporting of its capital programme, including facilitating the provision of reporting on delivery of projects alongside financial information.
- The council should continue to build on the emerging arrangements to take a council-wide approach to acquisitions and disposals to ensure that these are taken in a strategic manner and with the consideration of the council's financial position uppermost in any decision making.

### *Treasury Management*

4.1.13 Dudley Council's Treasury Management practices are set with the aim to effectively manage various financial risks. As part of this report, we have undertaken assessment of the Treasury Management Strategy and statement, alongside analysis of the Capital Programme, both within the context of Dudley's MTFS. The aim of the assessment is to comment on the compliance of Dudley's strategies with CIPFA's codes of practice and provide high level commentary on the policies established to manage key treasury and capital risks in Dudley's context and the wider macroeconomic environment.

4.1.14 Generally, the two key risks facing most local authorities from a treasury management lens are interest rate risk and credit risk. Credit risk is mitigated through counterparty criteria, ensuring investments only in entities with sufficiently high credit quality and interest rate risk is managed by both setting prudential indicators and adhering to the council's detailed Treasury Policy Statement. Regular updates and both operational and strategic adjustments based on economic forecasts and interest rate expectations would further aid in risk mitigation. Anticipation of interest rate reductions through 2025, will further influence borrowing and investment strategies for all council's.

4.1.15 A review of the Treasury Strategy and Capital Programme confirm:

- Prudential indicators and treasury management parameters are set in compliance with CIPFA guidelines and Codes of Practice. The council sets and adheres to several prudential indicators that ensure their debt levels are sustainable and prudent as per the CIPFA Code.
- There is a clear emphasis on security, liquidity, and yield maximisation (in that order) in investment strategies, adhering to high credit quality standards as set out in the CIPFA Treasury Management Code of Practice.
- The council has implemented strategies to manage credit risk and interest rate risk. Investments are only made with entities that meet high credit quality

standards, and borrowing and investment activities are planned to minimize interest rate risk.

- The Strategy is reviewed and approved annually by the Audit and Standards Committee, and subsequently by the full council. For 2024/25, it was approved on 26<sup>th</sup> February 2024.
- The council sets an authorised limit and an operational boundary for external debt, ensuring borrowing remains within prudent and sustainable levels.
- The council strategy references and adopts the CIPFA's Treasury Management Code of Practice and the Department for Levelling Up, Housing and Communities (DLUHC) guidance.
- The strategy is based on advice from external treasury advisors (Link Asset Services), ensuring that it is tailored to meet the specific needs of the council. This approach leverages external expertise while maintaining internal responsibility for decisions.
- The council undertakes regular reviews of its treasury management strategy, adjusting it as needed based on expert external advice and market conditions.

### *Treasury Management Strategy Performance*

4.1.16 Dudley Council's Treasury Management Strategy, as detailed in the Treasury Management report, shows the council's approach for the management of the council's cash flows, investments, and borrowings. For the financial year 2023/24 up to December 2023, the treasury activities included necessary borrowings and prudent investments that adhered to established credit-worthiness criteria. The strategy aimed achieved a balance between optimizing returns and managing risks, with investment returns averaging 3.87% and a notable avoidance of risky commercial investments, in line with HM Treasury's updated guidelines. This demonstrates a robust performance of the Treasury Management Strategy in maintaining financial stability and liquidity while securing reasonable returns.

#### *Key Highlights of 2023/24 Treasury Activities*

- Average investments of £34.9 million, yielding returns at an average rate of 3.87%, peaked at a 5.14% rate by year-end.
- Long-term borrowing averaged £618.9 million with an interest rate of 3.92%.
- Short-term loans were utilized primarily for cash flow management, totalling £3 million with rates between 5.60% and 5.70%.
- Notable shifts in external borrowing and investment rates in response to the economic climate, particularly influenced by the Bank of England's base rate maintenance at 5.25%.

4.1.17 The council have clearly taken a security, liquidity and yield approach in compliance with the Treasury Management Code of Practice. Investment activity has been with usually highly creditworthy counterparties and the UK DMO's DMAF account. Whilst a risk adverse approach is appropriate, investment performance will mean a 'cost of carry' will be incurred as the future need to borrow will become greater with both the exhaustion of internal cash resources and needs to finance the capital programme.

### *2024/25 Treasury Strategy Statement*

4.1.18 The council's Treasury Management practices are set with the aim to effectively manage various financial risks. Credit risk is mitigated through counterparty criteria, ensuring investments only in entities with high credit quality. Interest rate risk is managed by setting prudential indicators and adhering to the council's detailed Treasury Policy Statement. Regular updates and strategic adjustments based on economic forecasts and Bank of England rate expectations further aid in risk

mitigation. Anticipation of interest rate reductions through 2025, will be further influencing borrowing and investment strategies.

- Prudential indicators and treasury management parameters set in compliance with CIPFA guidelines.
- Emphasis on security, liquidity, and yield maximization in investment strategies, adhering to high credit quality standards.

#### *Compliance with CIPFA Treasury Management Code of Practice*

4.1.19 The council's treasury management practices are aligned with the CIPFA Treasury Management Code of Practice. Key areas of compliance include:

- **Risk Management:** The council has implemented comprehensive strategies to manage credit risk and interest rate risk. Investments are only made with entities that meet high credit quality standards, and borrowing and investment activities are planned to minimize interest rate risk.
- **Prudential and Treasury Indicators:** The council sets and adheres to several prudential indicators that ensure their debt levels are sustainable and prudent, as per the CIPFA Code.
- **Legal and Regulatory Framework:** The strategy adheres to the Local Government Act 2003 and other regulatory guidelines, ensuring legal compliance in all treasury activities.
- **Performance and Strategy Review:** The council undertakes regular reviews of its Treasury Management Strategy, adjusting it as needed based on expert external advice and market conditions.

#### *Borrowing Strategy*

4.1.10 The council's approach to borrowing strategy is aimed at balancing present needs with future affordability. A review of the strategy highlighted the following key challenges:

- **Current Borrowing Levels and Costs:** As of December 2023, the council has long-term borrowings amounting to £618.9 million, with an average interest rate of 3.92%. Short-term borrowing has been utilized primarily for cash flow management with recent loans having higher interest rates (5.60% and 5.70% for durations of 14 days).
- **Future Borrowing Needs:** There is an anticipated need for further borrowing of approximately £40 million by the end of the 2023/24 financial year, mainly driven by cash flow needs and capital spending which will replace internal borrowing with external loans. This is in addition to managing the maturing profiles of existing debt.

#### *Exposure to Interest Rate Risk*

- **Interest Rate Forecasting:** The council's treasury advisors predict a gradual decrease in interest rates through 2024 and 2025. This is expected to impact borrowing costs positively in the medium term, with short-term rates expected to fall from 5.25% in early 2024 to 3.75% by March 2025. This suggests a favourable borrowing environment in the near future, potentially reducing the cost of new and refinanced debt.

- x Interest Rate Risk Management : The strategy includes maintaining a mix of fixed and variable rate borrowings. The council has limits on the proportion of its debt that can be in variable rates (up to 10% of its total debt), helping to manage exposure to sudden rate increases. However, given the expectation of falling rates, there might be opportunities to lock in lower rates for longer-term borrowing soon.
- x Internal vs. External Borrowing : The council has been relying on internal borrowing, which will need to be replaced by external borrowing due to exhausted internal funds and ongoing capital programs. This transition requires careful timing to avoid higher interest costs.
- x Liability Benchmark: The below graph shows the liability benchmark for the council which clearly demonstrates the council is both under borrowed to its anticipated liability benchmark and loans CFR. This is clearly from the strategy of relying on internal borrowing with gradual replacement of loans and Minimum Revenue Provision (MRP) to replace internal borrowing. However, this leaves Dudley with significant interest rate risk in the near future.

Figure 6: Treasury Management Liability Benchmark<sup>4</sup>

## Conclusion

4.1.11 The council's borrowing strategy appears to be cautious, with a clear focus on managing interest rate exposure through a prudent mix of fixed and variable rate debts. The forecast decrease in interest rates could reduce future anticipated borrowing costs. However, the need to shift from internal to external borrowing to finance capital expenditures will increase the pressure on the General Fund if not managed carefully within the anticipated favourable rate environment. Continued

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<sup>4</sup>Figures taken from Joint Report of the Deputy Chief Executive and Director of Finance and Legal to Cabinet on 15<sup>th</sup> February 2024

close monitoring of cash flows, interest rates, and regulatory changes will be crucial to maintaining financial stability and minimising interest rate risks.

- 4.1.12 Overall, the council's treasury management activities appear compliant with the principles laid out in the CIPFA Treasury Management Code of Practice, focusing on prudence, risk management, and legal compliance. However, continuous review and adaptation to changing economic conditions and regulatory landscapes will be essential to maintain its treasury management practices.

#### *Compliance with Prudential Code and DHLUHC Guidance for Minimum Revenue Provision*

- 4.1.13 The Capital Programme monitoring report provides an overview of the council's Capital Programme for the fiscal years 2023/24 to 2026/27, focusing on key projects, objectives, funding sources, and adherence to the Prudential Code and DLHUC guidance.

#### *Key Projects and Objectives*

- 4.1.14 The Capital Programme covers various sectors crucial to community development and service enhancement though the linkage between the capital programme and the council priorities could be clearer.

- 4.1.15 As part of the work undertaken CIPFA have reviewed the latest Capital Programme Monitoring report which outlines progress in implementing the Capital Programme, proposes amendments, and sets out the required Prudential Indicators and Capital Strategy for 2024/25. The key elements include:

- Progress with the 2023/24 Capital Programme: Details of expenditure and proposed amendments.
- Prudential Indicators: To be determined by the CIPFA Prudential Code and Local Government Act 2003.
- Updated Capital Strategy: For effective long-term planning and risk management.
- Minimum Revenue Provision (MRP) Policy: For 2024/25 to ensure prudent debt repayment.

#### *Compliance with the Prudential Code*

##### *Prudence*

- 4.1.16 Prudential indicators for 2023/24 to 2025/26 are set in Appendix B of the report. These indicators include:

- Estimated and Actual Capital Expenditure: Ensures that planned expenditures align with the council's financial capacity.
- Capital Financing Requirement (CFR): Measures the underlying need to borrow.
- Gross Debt and CFR: Ensures that borrowing is only for capital purposes.
- Ratio of Capital Financing Costs to Net Revenue Stream: Assesses affordability.

Figure 7: Estimated and Actual Capital Expenditure

	<b>2022/23</b> <b>£m</b> <b>Actual</b>	<b>2023/24</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2024/25</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2025/26</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2026/27</b> <b>£m</b> <b>Estimate</b>
Non - HRA	41.4	66.3	71.1	49.7	29.2
HRA	57.9	58.0	87.4	92.3	93.4
<b>Total</b>	<b>99.3</b>	<b>124.3</b>	<b>158.5</b>	<b>142.0</b>	<b>122.6</b>

### Affordability

4.1.17 The affordability of the council's capital investment plans is assessed through the ratio of capital financing costs to the net revenue stream. This ratio is critical to ensure that the council can meet its debt repayment obligations without compromising service delivery.

Figure 8: Ratio of Capital Financing Costs to Net Revenue Stream

	<b>2022/23</b> <b>%</b> <b>Actual</b>	<b>2023/24</b> <b>%</b> <b>Revised</b> <b>Estimate</b>	<b>2024/25</b> <b>%</b> <b>Revised</b> <b>Estimate</b>	<b>2025/26</b> <b>%</b> <b>Revised</b> <b>Estimate</b>	<b>2026/27</b> <b>%</b> <b>Estimate</b>
Non - HRA	8.4	8.4	9.6	10.4	10.0
HRA	43.2	42.8	40.1	40.4	41.7

### Sustainability and Risk Management

4.1.18 The Capital Strategy (Appendix C) outlines long-term planning and sustainability. The key priorities include:

- Public Sector Housing: Investments to improve and maintain housing stock.
- Private Sector Housing: Financial solutions to assist vulnerable occupiers.
- Highways and Transport: Maintenance and improvements to infrastructure.
- Economic Regeneration: Maximizing external funds for key projects.

Figure 9: Capital Financing Requirement (CFR)

	<b>2022/23</b> <b>£m</b> <b>Actual</b>	<b>2023/24</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2024/25</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2025/26</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2026/27</b> <b>£m</b> <b>Estimate</b>
Non - HRA	256.2	264.9	288.9	299.1	297.7
HRA	474.8	483.8	502.8	524.5	563.7
<b>Total</b>	<b>731.0</b>	<b>748.7</b>	<b>791.6</b>	<b>823.6</b>	<b>861.4</b>

## *Risk Management*

4.1.19 The report highlights several risks and their management strategies:

- Capital Expenditure Risks: Including project-specific risks and funding uncertainties.
- Borrowing Risks: Ensured through the council's Treasury Management Strategy.
- Revenue Risks: Impact on the MTFS and revenue budgets.

## *Conclusion*

4.1.20 The Capital Programme Monitoring report demonstrates compliance with the Prudential Code by setting and monitoring key indicators that ensure prudence, affordability, and sustainability. The updated Capital Strategy and MRP Policy further strengthen the council's approach to managing financial risks associated with capital investments. The attached graphs provide a visual representation of the financial data, supporting the analysis of compliance.

## *Assessment of the Council's Minimum Revenue Provision (MRP) Policy Against DLHUC Guidance*

4.1.21 Minimum Revenue Provision (MRP) is a statutory requirement for local authorities to set aside revenue each year to repay the borrowing costs of their capital expenditure. The Department for Levelling Up, Housing and Communities (DLHUC) provides guidance on setting MRP, which is designed to ensure that local authorities manage their borrowing responsibly and sustainably.

## *DLHUC Guidance Overview*

4.1.22 The DLHUC guidance on MRP, outlines several methods for calculating MRP, emphasizing prudence and sustainability. The key principles are:

- MRP should be prudent: Local authorities must ensure that their debt repayment schedules are affordable and sustainable.
- Clear methodology: The chosen MRP method should be clearly explained and justifiable.
- Transparency: Authorities must publish their MRP policy annually and ensure it is understandable to stakeholders.
- Flexible approaches: Authorities can choose from four recommended methods or propose their own, provided they align with the prudence principle.

4.1.23 The four recommended methods are:

- Regulatory Method: Based on Capital Financing Requirement (CFR) excluding certain adjustments.
- CFR Method: 4% of the CFR.
- Asset Life Method: Repayment spread over the asset's useful life, using either the equal instalment method or the annuity method.
- Depreciation Method: Based on depreciation accounting for the relevant asset.

## *The Council's MRP Policy*

4.1.24 The Council's MRP policy for 2024/25, as outlined in the Capital Programme Monitoring report, specifies:

- MRP for all borrowing and credit arrangements will be calculated on an annuity basis over the initial estimated life of the relevant assets. This is consistent with the policy used in 2023/24.

### *Compliance with DLHUC Guidance*

#### *1. Prudence*

The council's use of the annuity basis for calculating MRP is prudent. The annuity method ensures that MRP charges are spread in a way that reflects the asset's useful life, aligning with the principle of intergenerational equity where current and future taxpayers share the repayment burden fairly.

#### *2. Clear Methodology*

The policy clearly states the use of the annuity basis over the asset's life, providing a straightforward and understandable method. This approach is suitable for assets generating long-term benefits, as it matches repayment costs with the periods in which benefits are received.

#### *3. Transparency*

The council publishes its MRP policy annually as part of its Capital Programme Monitoring report, ensuring transparency. The policy is explained in clear terms, allowing stakeholders to understand the rationale behind the chosen method.

#### *4. Flexibility*

While the council adopts the annuity basis, which is one of the recognised approaches under DLHUC guidance, it retains the flexibility to adjust the policy if needed. This flexibility is important for adapting to changing financial circumstances or project specifics.

#### *5. Consistency with Recommended Methods*

The annuity method is a recognized variant of the Asset Life Method recommended by the DLHUC. This method is appropriate for assets providing long-term value, ensuring that repayment schedules are in line with the asset's useful life.

### *Conclusion*

4.1.25 The Council's MRP policy for 2024/25 aligns well with DLHUC guidance. By using the annuity basis, the policy ensures that debt repayments are prudent, transparent, and spread appropriately over the life of the assets. This approach supports the council's objectives of maintaining financial sustainability and managing debt responsibly. The annual publication and clear explanation of the policy further enhance its transparency and accountability. However, as indicated earlier, this does not constitute an audit opinion on the council's MRP policy and application thereof.

## 5. FINANCIAL MANAGEMENT

### 5.1 On financial decision-making

- 5.1.1 We found a shortage of evidence of discussion and agreement within the CMT which on occasion leads to a lack of clear accountable financial decision-making. This clarity is important both internally to build consensus on decisions that have been made and to provide transparency externally too.
- 5.1.2 In a number of services, we found strategies were old, weak or disregarded. Some progress is being made, for example in the recent agreement to a regeneration strategy. And we recognise the difficulty in developing strategy in modern fast-moving circumstances. But the absence of robust jointly agreed service and central strategies addressing current and anticipated future issues and containing clear financial and management information leads to short-termism and the risk of being blown off-course.
- 5.1.3 Where strategies are not in place, they should be developed to ensure that when decisions around prioritisation
- 5.1.4 Overall, while Member and Officer understanding is clearer on the requirement to focus on financial resilience, actual decision making still does not always reflect this objective. Difficult decisions have been reversed or 'the can has been kicked down the road'. An example of this is the decision to go ahead with the Pens Meadow School, despite this decision being made after the council had imposed supposedly strict spending controls. We understand the decision to go ahead with the school will entail an additional £1 million in revenue borrowing costs each year.
- 5.1.5 We found some recent examples of Financial Services being excluded from key decision making fora including some of the current functional reviews which will be crucial in determining the future shape of the council and its finances. This exclusion has the impact of reducing trust between officers but in some cases has led to shadow sets of financial information being in circulation. This is inefficient and works against overall mutual financial decision making.
- 5.1.6 We note that on occasion the S151 Officer opinions have been ignored or have not been supported. In the summer last year amendments were made to the 2023-24 budget against the express views of the S151. The S151 also made clear the ongoing negative consequences of the decision to go ahead with new capital works at Penns Meadow School.

### 5.2 On budget setting and accountability

- 5.2.1 We found that in general budget holders at Director and Head of Service level engage well with Financial Services and take responsibility for their budgets. The ability of budget holders below this level is more mixed.
- 5.2.2 Not all budget holders we interviewed believed they had a full understanding of their budget. Although Financial Services do hold budget meetings with service areas, there is no specific formal sign-off by budget holders of their budget at the start of the financial year. This would help to bring focus to the budget setting process and provide stronger accountability. As would a more formal lessons learned exercise on prior year outcomes to inform agreement of current year budgets.

- 5.2.3 There is no formal induction or training programme for staff members who become budget holders or who are new to the council. Finance relies on coaching budget holders on a one-to-one basis. We found an appetite within Finance to enhance the training offer.

## 5.3 On financial monitoring and reporting

- 5.3.1 We found several budget holders who were very content with the monitoring information they receive from financial services. But not all budget holders find the reports they receive to be understandable or able to meet their requirements to manage their budget effectively.
- 5.3.2 We found some budget holders frustrated that Finance do not provide a monthly and year to date position as part of their reporting pack. This frustration was more prevalent in the Places directorates where there are commercial activities. Finance do not believe they have the resource required to undertake this level of sophistication in their reporting. They also noted that the relative scale of commercial activities and funding compared to the growth pressure and overspend areas of Adult Social Care and Children's Services does not warrant prioritisation of financial service focus on the former at the expense of the latter.
- 5.3.3 We examined a sample of financial services reports to CMT, Cabinet and to the council. We found reporting generally to be poor. The reports are very accountancy focused rather than presenting user-friendly management information. There is very little performance, value for money or benchmarking information presented. The use of charts, tables and visual presentation needs improvement. And there is an absence of stable template or dashboard reporting that would provide consistency and familiarity.
- 5.3.4 During our review the council was developing a new format and template for monthly monitoring. We agree with Financial Services that it would not make sense in the context of local government finance to base this on a profit and loss account including debtors and creditors (as has been suggested by some senior managers) and that a simpler reporting of the revenue position against budget would be better suited.
- 5.3.5 We were told that there have been issues with project budgets. Often, they have been set up without a budget being in place. There has generally been a lack of governance around programmes and projects. A PMO has been operating for a couple of years now in response to this problem but there is still a lot of work to be done to improve project management and project budgeting.

## 5.4 On finance systems, risk management and sources of assurance

- 5.4.1 The outdated and fragmented nature of the council's IT infrastructure makes accurate financial information more manual, time consuming and prone to error. The council has plans in place to improve its systems. A particular issue is that there is no automatic interface of information in the separate Servitor, Housing and Finance systems which impairs producing accurate forecast for the housing service. The upcoming upgrade to the finance system should be used as an opportunity to increase the quantity and quality of information available and to increase the ability of budget holders to access transparent, timely financial information through self-service.

- 5.4.2 We found there was considerable scope to rationalise and reduce the number of cost centres and an urgent need to reduce the bureaucracy of recharges and provide for more output rather than sectoral budgets. Financial Services told us they have plans in place to review the council's chart of accounts.
- 5.4.3 We did not find a strong culture of risk management. Although a risk management identification and reporting process is in place it does not appear to be embedded or seriously engage senior officers. The lack of senior ownership or risk systems was illustrated by the fact that the considerable recruitment and retention issues had been added to the risk register by Internal Audit rather than the HR department. We were told that risk reporting categories had been manipulated on one occasion in the light of potential external perceptions, rather than evidence of scale of risk.
- 5.4.4 50% of internal audit reports provide limited assurance. We were told that this was mostly because of governance issues which often had potential financial control consequences. We were also told there was no assurance process across the board for managers and directors to be able to have the assurance that their areas are delivering and achieving objectives.
- 5.4.5 Internal Audit told us Dudley is not a very compliant organisation. The council struggles to address compliance issues. There's a culture of non-compliance, mainly in relation to following internal policies and procedures. Where control weaknesses or issues had been identified in reports or reviews or inspections and these were reported to senior management, there was no transparency over the action taken to address the weaknesses and no repercussion in the event of governance and compliance failures. The sources of assurance and role of internal Audit as part of this, including how they are commissioned, requires a further review.

## 5.5 On finance as a service

- 5.5.1 The Financial Services team is led by the Head of Financial Services with a total workforce of 66.6 FTE, covering financial and management accounts, transactional accounts payable, income management and insurance. The current Medium Term Financial Strategy (MTFS) does not include any savings or additional funding for Financial Services. Any funding pressures are currently managed within existing resources.
- 5.5.2 Recruitment of qualified staff has proven very difficult in recent years, which could have presented a risk to service delivery. However, the Head of Financial Services introduced a new recruitment initiative and following this the qualified workforce establishment is now at 100%, with only 3 vacant non-qualified posts to recruit across the whole team. The only skill gap is in systems and IT.
- 5.5.3 We found financial services staff regularly meet with budget holders and most service principal accountants are part of service directorate boards. We found less support for the role and quality of financial services support amongst the Place based services and those services with commercial activities. More than one officer told us there was an "old school" approach within financial services and there needed to be more focus on customer support.
- 5.5.4 We found a lack of trust and mutual understanding between the Financial Services team and officers with responsibility for commercial services. The former told us that some of the idiosyncrasies of local government accounting were not understood by the latter, such as the fact that depreciation was not a revenue cost to the authority. The latter believed there was more that Financial Services could do to

present financial information in a manner that better suited a commercial environment.

- 5.5.5 Financial Services staff identified a number of national, regional and neighbouring bodies in which they engaged. But two service members of staff questioned whether there was sufficient awareness of good practice within the service. Doubt was expressed as to whether the authority was following CIPFA guidance on Building Control Annual Statements of Finance and whether the authority was making the most of cash management of the Section 106 monies held in trust. This also extended to concerns about the treatment of certain items within the HRA which also should be subject to a separate review.



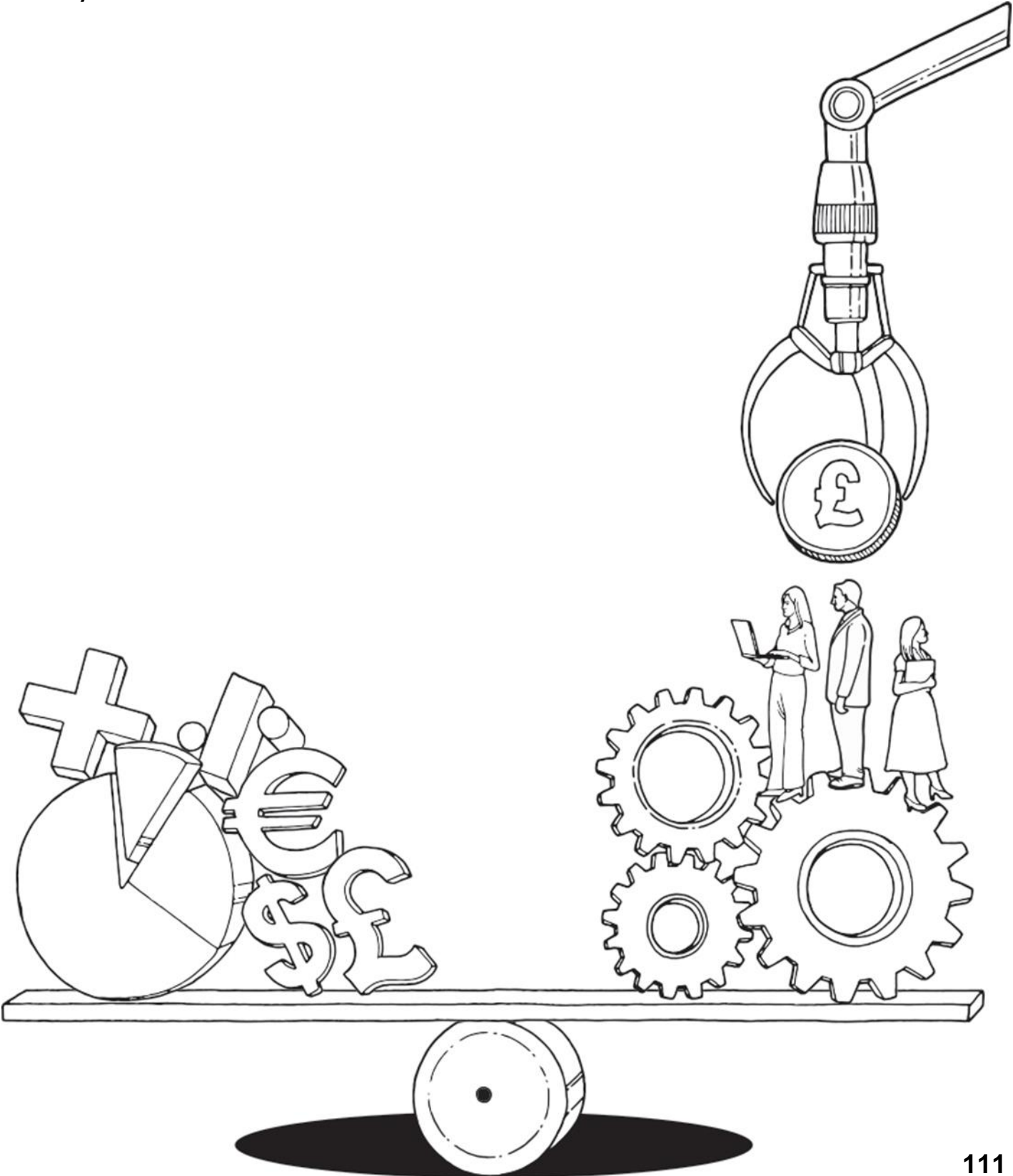
77 Mansell Street, London E1 8AN  
+44 (0)20 7543 5600  
**CIPFA.org**

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**Appendix 1**

**Dudley : assessment against the CIPFA Financial Management Model**

July 2024



## 1 Introduction to the CIPFA Financial Management (FM) Model

As part of our reviews of financial sustainability, financial management and governance at Dudley MBC we undertook an assessment of the authority against the CIPFA Financial Management (FM) model.

The CIPFA FM Model is recognised by HM Treasury (UK) as setting out the fundamentals of best practice financial management within a public sector organisation. It has been chosen by HM Government (HMG UK) Finance Leadership Group (FLG) as the framework to be used for financial management self-assessments. The FM Model uses a scoring system to provide an objective measure of financial management performance including the identification of strengths and areas for improvement. Importantly, the review measures the whole organisation's attitude to financial management not just the performance of the finance team.

The CIPFA FM Model is based on a set of statements of best practice. Each of these statements is supported by a series of questions which both explain the scope of the statement and help evaluate the extent to which the statement applies to the organisation. Survey groups are asked to respond to different statements, depending on their role, with the survey being tailored to each survey group. Surveyees were asked to score each statement on a scale of 5. (See Appendix 1 for full explanation of the model and methodology)

The survey groups and the participation levels at Dudley were as follows:

	<b>Type of Officer</b>	<b>Invited</b>	<b>Participated</b>
Survey Group 1	Central Finance Staff	5	5
Survey Group 2	Other Finance Staff	13	12
Survey Group 3	Senior Service Leads	9	8
Survey Group 4	Service leads	44	32
Survey Group 5	Stakeholders	5	3
<b>Total</b>		<b>76</b>	<b>60</b>

We then moderated the self-assessment on the basis of other evidence we collected through interview and through document review and our knowledge of financial management in other authorities. The findings do not have the authority of a financial audit. They are desk-based judgements based on triangulation of surveyees' self-assessments, comments made by surveyees, interviews and examination of documents. A guide to the assessment scores is set down below.

### Assessment scores - How far does the best practice statement apply?

<b>Score</b>	<b>How far does the best practice statement apply?</b>
1	Hardly
2	Somewhat
3	Mostly
4	Strongly

## 2. Overall summary

### 2.1 The matrix

The matrix below aggregates assessments for individual statements of best practice in the FM Model and summarises CIPFA's assessment of the Council's financial management arrangements. Using the matrix, the key findings of the review can be summarised across the three financial management styles and four management dimensions. Details on relevant financial management styles and dimensions can be found in Section 3.3 below.

The scores given in the matrix have been moderated using the responses given by survey participants, our findings from the interviews, our document review, and our knowledge of the Council. As such, they are based on the totality of the moderated evidence available to us.

	<b>Management dimensions</b>			
<b>Financial management styles</b>	Leadership (A)	People (B)	Process (C)	Stakeholders (D)
Delivering Accountability (1)	<b>1</b>	<b>3</b>	<b>3</b>	<b>2</b>
Supporting performance (2)	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Enabling transformation (3)	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Overall</b>	<b>2</b>			

### 2.2. Overall conclusion

Dudley was assessed against the model overall at 2 with the authority somewhat meeting standards in most areas and financial management being reasonable overall. The three cells in which Dudley were assessed hardly to meet the statement standards were in areas where the authority has already taken some actions to address weaknesses but it is too early to judge whether the actions have addressed them.

On the management dimension of leadership and the financial management style of delivering accountability the relatively low assessment was a result of the evidence that although there was S151 leadership and a robust theoretical financial accountability framework in place, governance failures demonstrated that these strengths had been on occasion undermined or circumvented both by Members and other senior leaders on important occasions. And as a result financial decisions had been taken which went against the financial sustainability of the authority. Dudley was also assessed as hardly meeting the criteria for financial management leadership in enabling transformation. This was mostly because of the lack of track record in implementing transformation and the history of putting off difficult decisions.

On the management dimension of people Dudley was assessed as mostly meeting the statement standards against the delivering accountability financial management style. This was because of a financial services team at almost full complement. We assessed the people dimension of the supporting performance style as somewhat meeting the standards. This

was because although there was strong support from the majority of services team officers for their role, expertise and support to the services, this support did not extend to the commercial team where the financial support provided did not meet expectations. Our report contains recommendations to address this particular issue.

On the management dimension of process the assessment was mostly meetings the standards in the delivering accountability financial management style. This was because of strong underpinning financial management processes, although there are some weaknesses which are expected to be partly addressed by the new Unit 4 cloud implementation. We assessed the authority less strongly in the supporting performance financial management style. This was largely because of some service dissatisfaction with budgetary and information for commercial services made available. We assessed the process management dimension in respect of enabling transformation as hardly meeting the standard statements. This was largely because of a perception that the financial services team did not have the capacity to support more strategic and transformational financial management tasks such as scenario analysis, modelling and forecasting. And that the service did not have a track record of providing well presented and user-friendly financial management information.

On the stakeholder management dimension self-assessment evidence was limited and the overall assessments were all that Dudley somewhat meets the standard statements. A key area for improvement was in showing how the Council achieves VFM.

These broad conclusions mask a very granular set of findings against each of the financial management model statements which we set out in the next part of this report. On pages 29 to 32 we set out our suggested practical action plan to help address some of the weaknesses identified as a result of the assessment.

### 3. Detailed assessments against model statements

#### 3.1 Leadership – Delivering accountability

For the Delivering Accountability style there are three statements that consider the elements of an effective framework of financial management.

			<b>Self</b>	<b>Mod</b>
<b>Delivering Accountability</b>	<b>L1</b>	Financial capability is regarded as integral to supporting the delivery of the organisation’s objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	<b>4</b>	<b>1</b>
	<b>L2</b>	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	<b>4</b>	<b>1</b>
	<b>L3</b>	Within an annual budget setting process the organisation’s leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation’s financial and activity performance in delivering planned outcomes.	<b>4</b>	<b>3</b>

Dudley scored itself highly against L1. As can be seen below there was a considerable range in the marking of the statements underpinning this overall favourable score. In particular the authority marked itself poorly for having clear definitions of shared accountabilities and commitments between the finance function and other business areas but strongly against the finance staff giving appropriate support and challenge to decision-makers.



It was notable that the relatively high scoring against L1 was not confined to the financial staff but extended to service staff and stakeholders.

<b>Survey Group</b>	<b>Finance</b>	<b>Service Officers</b>	<b>Stakeholders</b>
Average Score	4.1	3.15	3.5

We assessed Dudley less strongly. We found some recent examples of Financial Services being excluded from key decision making fora including some of the current functional reviews which will be crucial in determining the future shape of the Council and its finances. This exclusion has the impact of reducing trust between officers but in some cases has led to shadow sets of financial information being in circulation. This is inefficient and works against overall mutual financial decision making. We understand that action has been taken to include financial services staff but the impact of changes was not clear at the time of our assessment. We also note that on occasion the S151 Officer opinions have been ignored or have not been supported. In the summer last year amendments were made to the 2023-24 budget against the express views of the S151. The S151 also made clear the ongoing negative consequences of the decision to go ahead with new capital works at Penns Meadow School.

On statement L2 and whether the organisation has an effective framework of financial accountability Dudley also assessed itself quite strongly against all the underpinning statements. (see below). There was no marked difference in scoring between survey groups. We moderated the assessment score down in this area. This was in part because of some of the comments made by surveyees which were critical of the practical operation of the framework and which appeared to be at odds with the scored assessment. And in part because of the evidence we found of a lack of belief in the service provided by financial services amongst the commercial team and the consequent question marks over the centrality of the finance function to commercial and business decisions. We also found evidence that the framework was ignored on occasion by members and senior officers. Recent decisions by members had been implemented against the advice of finance staff.

And finance staff had not been supported as much as they should have been by other senior leaders.

Because of the governance issues as Dudley that have meant that financial advice has on occasion been ignored or not sought we have assessed statements L1 and L2 as 1



The box below shows some of the comments raised by survey participants:

L2 The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line managers	
<b>Comments from Finance</b>	<b>Comments from Budget Holders and stakeholders</b>
<i>Although, obviously business and politics are not always good bed fellows</i>	<i>The question missing is 'do the board do anything differently with the information' - the answer being not.</i>
<i>Depends on Directorate in my experience</i>	<i>The Cabinet Member for finance was dismissive of the auditors concerns.</i>

On statement L3 Dudley scored itself three out of five and there were no underpinning statements which were scored poorly. But this area was one in which there was a marked variation in the views and assessments of financial services and service staff – the former assessing more than 4 and the latter only just 2.



<b>L3 Self Assessment scores by different groups</b>			
<b>Survey Group</b>	<b>Finance</b>	<b>Service Officers</b>	<b>Stakeholders</b>
Average Score	4.2	2.05	N/A

This difference in scoring was also reflected in the comments made by surveyees – see below.

L3 Within an annual budget setting process the organisation’s leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation’s financial and activity performance in delivering planned outcomes	
<b>Comments from Finance</b>	<b>Comments from Budget Holders and stakeholders</b>
<p><i>Some decisions on fees based on political acceptability without regard to the financial challenge.</i></p> <p><i>The overall MTFS builds in an assumption that all F&amp;C are uplifted by x % but it's down to specific services / directorates to set what is appropriate - taking into account market factors/ legislation limitations etc</i></p> <p><i>We only do detailed MTFS annually, but we are considering how to model this in the future.</i></p> <p><i>As part of MTFS process, although I know ensuring that the whole management team listen and understand has proved difficult for senior colleagues.</i></p>	<p><i>Finance and business are not in strategic alignment meetings so the onus is on the business to ensure alignment of resources.</i></p> <p><i>Process happens but it is not robust, very little if any sensitivity analysis</i></p> <p><i>Costs are poorly understood so not clear that fees are set at a sustainable level</i></p> <p><i>Where commercial have been involved in reviewing income lines / fees and charges this has then led to more accurate budget setting and forecasting e.g. leisure centres</i></p>

We assessed the score as 3. There is an awareness that there are challenges and a need to develop more of a corporate, challenging, and transparent approach from CMT, and the wider Council, on budget management. The areas for improvement set out in the recommendations made by the Council’s External Auditor are consistent with our findings. Some key improvements are required to improve processes and systems for annual exercises such as revenue budgeting, capital planning and savings identification, alongside ongoing monitoring and reporting. Additionally, some budget holders expressed concerns, particularly on access to self-service information on the position against budget and usefulness of financial reporting provided by Finance. This is not helped by a lack of SLAs to promote financial responsibility across the Council nor the lack of a clear and consistent communication of budgets to budget holders at the start of the financial year. Action is also required to increase the skills in Finance and within Services to ensure effective budgetary control. Some of these issues have already been identified and are in progress, such as more regular forecast outturn reporting and the planned upgrade to the Finance system which should provide additional functionality, others, such as providing finance training to budget holders, are currently more aspirational because of resource constraints.

### 3.8 Leadership – Supporting Performance

For the Supporting Performance style there are two statements which consider financial planning, financial management strategy and the way financial management expertise is used in strategic decision-making.

			Self	Mod
<b>Supporting Performance</b>	<b>L4</b>	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	<b>3</b>	<b>2</b>
	<b>L5</b>	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	<b>3</b>	<b>2</b>

On statement L4, Dudley scored itself less strongly than most other areas at 3 stars. Finance officers assessed more highly than service officers. The main reason for the poorer self-assessment in this area was the poor scoring on linkages between MTFs and corporate business plans and strategy and the lack of reprioritisation and not relying on pro-rata cuts.

<b>L4 Self Assessment scores by different groups</b>			
<b>Survey Group</b>	<b>Finance</b>	<b>Service Officers</b>	<b>Stakeholders</b>
Average Score	3.6	2.8	N/A

We moderated the assessment in this area down. We found a number of weaknesses in the alignment of corporate and service planning and financial planning. In a number of services, we found strategies were old, weak or disregarded. Some progress is being made, for example in the recent agreement to a regeneration strategy. And we recognise the difficulty in developing strategy in modern fast-moving circumstances. But the absence of robust jointly agreed service and central strategies addressing current and anticipated future issues and containing clear financial and management information leads to short-termism and the risk of being blown off-course. And it means there is less clear alignment between service strategies and the MTFP. Also the MTFs does not include strategies and implications of the capital programme or treasury management and whilst it notes that there is an expectation that reserves will be depleted during 2025/26, further information on reserves is only provided in the Section 25 report, prepared by the Director of Finance and Legal.



On statement L5 Dudley assessed itself less strongly than in many other areas (see below). In particular it assessed itself poorly on one of the underpinning statements of ensuring the financial implications and long term affordability of new policy options are thoroughly evaluated.

Some of the comments made by those surveyed on this area of the model are set out in the table below.

<p>L4 The organisation has a developed a financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.</p> <p>L5 The organisation develops and uses financial/leadership expertise in its strategic decision -making and its performance management based on an appraisal of the financial environment and cost drivers.</p>	
Comments from Finance	Comments from Budget Holders and stakeholders
<p>There was always a disconnect between the council plan and budget setting process, this has been partly corrected as we have a less aspirational plan more aligned to our financial resilience, governance and cultural issues identified in the peer review</p> <p>The severity of the financial position is not accepted so scenarios not built into address</p>	<p>The board were unresponsive to problems until the peer review/establishment of an improvement board. A blunt instrument of a spend panel approach has been put in place however I would suggest the organisation needs to be more assertive and decisive in ceasing whole services or arrangements rather than a blanket ban on spend. The impact of the latter being an indiscriminate negative impact on the organisation. This will impact on</p>

<p><i>It could be improved with better links to strategy and the business plan, it needs better coordination from the senior leadership team.</i></p>	<p><i>prevention and other services which have a positive impact.</i></p> <p><i>I have never seen scenario analysis</i></p>
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As at other councils, the longer term financial health of Dudley is dependent on the finance team and services working closely together on financial modelling further in to the future based on informed demand and financial assumptions and service improvement plans. There is some evidence of finance providing expertise to inform financial decision making but there does not appear to be a consistent level of modelling and scenario analysis across the services.

We moderated the assessment in this area down. We found a shortage of evidence of discussion and agreement within the CMT which on occasion leads to a lack of clear accountable financial decision-making. This clarity is important both internally to build consensus on decisions that have been made and to provide transparency externally too. Overall, while Member and Officer understanding is clearer on the requirement to focus on financial resilience, actual decision making still does not always reflect this objective. Difficult decisions have been reversed or 'the can has been kicked down the road'. An example of this is the decision to go ahead with the Pens Meadow School, despite this decision being made after the Council had imposed supposedly strict spending controls. We understand the decision to go ahead with the school will entail an additional £1 million in revenue borrowing costs each year.

### 3.9 Leadership – Enabling Transformation

For the Enabling Transformation style there is one statement covering the integration of financial management approach and resources driving the change agenda.

			Self	Mod
<b>Enabling Transformation</b>	<b>L6</b>	The organisation’s leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	<b>3</b>	<b>1</b>

This was one of the areas in which the authority assessed itself more poorly (see below). It marked itself particularly badly on the underpinning statements re board reporting striking the right balance between business as usual and change activities and the authority having a track record in change management. This was evidenced by the large number of comments by interviewees noting that Dudley had come late to transformation activity and did not have a track record of making difficult decision to enable change.

We moderated the assessment down in this area too. Whilst we found evidence that individual services do draw on benchmarking information (including that made available by CIPFA) to inform their decision-making this is not done consistently across the services and





<b>Some of the comments made by surveyees on the people statements</b>	
<b>Comments from Finance</b>	<b>Comments from Budget Holders and stakeholders</b>
<p><i>Finance do not support service managers by upskilling of them – there is a general lack of accountability</i></p> <p><i>We (Financial Services) are adequately resourced given the financial climate we are in.</i></p> <p><i>There are some managers who do not pay sufficient heed to finance and some who are not entirely trustful of the finance function and the information we produce</i></p> <p><i>There is limited training for newly appointed senior leaders. We are reviewing how we can better provide training to non-finance staff</i></p> <p><i>There is a blurring of lines between responsibilities of the finance team and the commissioning and procurement team</i></p> <p><i>We have no formal job rotation because we don't have the spare capacity</i></p> <p><i>Finance advice is ignored at times</i></p>	<p><i>Financial analysis and business modelling very weak</i></p> <p><i>Some managers are very new in their roles and are only just developing their financial management skills</i></p> <p><i>We seem to be supported by more junior staff recently with more errors and more need for closer supervision</i></p> <p><i>There is insufficient expertise in strategic finance. Support given is mostly around day to day budgets</i></p> <p><i>Finance staff want to own budgets and are struggling to let go</i></p> <p><i>Finance staff give support but I have hardly seen a challenge</i></p> <p><i>My experience is finance forecast and make financial summary statements with little input from the service</i></p> <p><i>I believe finance advice has been too passive in the context of the challenges faced. The risk is then that decisions are taken because the facts are not presented in as stark a form as they could be.</i></p> <p><i>Budget monitoring is clunky and inconsistent</i></p>

We moderated most of the self-assessment scores down in the light of interviewee comments and our work on financial sustainability. The Financial Services team is led by the Head of Financial Services with a total workforce of 66.6 FTE, covering financial and management accounts, transactional accounts payable, income management and insurance. The current Medium Term Financial Strategy (MTFS) does not include any savings or additional funding for Financial Services. Any funding pressures are currently managed within existing resources. Recruitment of qualified staff has proven very difficult in recent years, which could have presented a risk to service delivery. However, the Head of Financial Services introduced a new recruitment initiative and following this the qualified workforce establishment is now at 100%, with only 3 vacant non-qualified posts to recruit across the whole team. The only skill gap is in systems and IT.

We found financial services staff regularly meet with budget holders and most service principal accountants are part of service directorate boards. We found less support for the role and quality of financial services support amongst the Place based services and those



Not all budget holders we interviewed believed they had a full understanding of their budget. Although Financial Services do hold budget meetings with service areas, there is no specific formal sign-off by budget holders of their budget at the start of the financial year. This would help to bring focus to the budget setting process and provide stronger accountability. As would a more formal lessons learned exercise on prior year outcomes to inform agreement of current year budgets.

We were told that there have been issues with project budgets. Often they have been set up without a budget being in place. There has generally been a lack of governance around programmes and projects. A PMO has been operating for a couple of years now in response to this problem but there is still a lot of work to be done to improve project management and project budgeting.

The Council does not assess itself against the CIPFA Financial Management Code (FM Code). The FM Code is a set of principles and standards designed to support good financial management practices within local authorities in the UK. The code aims to ensure that public sector financial management is aligned with the requirements for transparency, accountability, and sustainability in local government finance and applies to all councils. Local authorities are expected to demonstrate that they meet the standards set out in the FM Code through self-assessment and continuous improvement. Alongside the specific recommendations or areas of consideration highlighted in this report, we would also recommend that the Council should make use of the self-assessment tool within the FM Code to help identify other areas of improvement, and that an action plan should be developed thereafter. This action plan should be reported to for the Audit and Standards Committee and will also need to be reflected in the Annual Governance Statement.

On statement PR2 we found the outdated and fragmented nature of the Council's IT infrastructure makes accurate financial information more manual, time consuming and prone to error. The Council has plans in place to improve its systems. A particular issue is that there is no automatic interface of information in the separate Servitor, Housing and Finance systems which impairs producing accurate forecast for the housing service. The upcoming upgrade to the finance system should be used as an opportunity to increase the quantity and quality of information available and to increase the ability of budget holders to access transparent, timely financial information through self-service.

We found there was considerable scope to rationalise and reduce the number of cost centres and an urgent need to reduce the bureaucracy of recharges and provide for more output rather than sectoral budgets. Financial Services told us they have plans in place to review the Council's chart of accounts.

As part of the Council's digital roadmap, it is investing in a migration of Unit 4, the Finance system, to the Cloud. This work is being led by the Digital, Customer and Commercial Services Directorate; however, the Finance team are engaged with this work. This project is in the fairly early stages however there is buy-in to use this upgrade as an opportunity to improve the ability of budget holders to self-serve when looking for financial information. Finance also hopes to use this as an opportunity to rationalise the chart of accounts.

A criticism of the current finance system is that it does not link expenditure to contracts and that the ability of Procurement to undertake any sort of analysis relies on a very manual and time-consuming process of receiving data from Finance and then sorting it using project

codes. Given the poor level of contract management in Dudley Council and the potential of improved procurement and contract management to deliver savings, including this functionality in the new Finance system should be a priority. In tandem with this, a programme to improve contract management across the Council and targets to reduce the proportion of off contract spend should also be implemented and monitored.

Whilst the potential benefits of the upgrade of the Finance system are clear, we note that the Finance team has been without a Systems Accountant for around a year after the sad, unexpected passing of the previous person in this role. Despite recent recruitment efforts, the post currently remains vacant. In addition to this key vacancy, the resource requirements to ensure that the upgrade is implemented smoothly and that both Finance and wider users can take advantage of all areas of increased functionality will be significant. Given this project will be undertaken in tandem with an area of intense demand for Finance services to support savings identification and delivery, improved reporting and business as usual, we would highlight the importance of ensuring that the Finance resources required to successfully deliver the Unit 4 upgrade are considered and put in place.

Turning to statement PR3 on the effectiveness of transactional financial services, interviewees confirmed that existing processes and practices were reasonable. We did not find any evidence from internal audit of any major weaknesses, although reports on these systems did identify areas for improvement. We note that 50% of internal audit reports provide limited assurance. We were told that this was mostly because of governance issues but which might have potential financial control consequences. We did not have sufficient resources to make a detailed examination in this area.

Statement PR4 refers to Middlesbrough's Treasury Management arrangements. Treasury Management refers to the maintenance of sufficient – but not excess cash resources available to meet expenditure commitments, while managing the risks associated investments.

The Council's borrowing strategy appears to be cautious, with a clear focus on managing interest rate exposure through a prudent mix of fixed and variable rate debts. The forecast decrease in interest rates could reduce future anticipated borrowing costs. However, the need to shift from internal to external borrowing to finance capital expenditures will increase the pressure on the General Fund if not managed carefully within the anticipated favourable rate environment. Continued close monitoring of cash flows, interest rates, and regulatory changes will be crucial to maintaining financial stability and minimising interest rate risks.

Overall, the Dudley Council's treasury management activities are compliant with the principles laid out in the CIPFA Treasury Management Code of Practice, focusing on prudence, risk management, and legal compliance. However, continuous review and adaptation to changing economic conditions and regulatory landscapes will be essential to maintain its treasury management practices.

Statements PR5 and PR6 cover critical budget performance monitoring and associated responsive agility, as well as how the balance sheet contributes to the effective management of the organisation's assets and liabilities.

	<b>Mod</b>
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<b>Delivering Accountability</b>	<b>PR5</b>	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	<b>3</b>
	<b>PR6</b>	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	<b>4</b>

On Statement PR5, the Council has recently strengthened its budget monitoring and moved from quarterly to monthly reviews, including for the first time a Month 1 monitoring report. We found several budget holders who were very content with the monitoring information they receive from financial services. But not all budget holders find the reports they receive to be understandable or able to meet their requirements to manage their budget effectively.

We found some budget holders frustrated that Finance do not provide a monthly and year to date position as part of their reporting pack. This frustration was more prevalent in the Places directorates where there are commercial activities. Finance do not believe they have the resource required to undertake this level of sophistication in their reporting. They also noted that the relative scale of commercial activities and funding compared to the growth pressure and overspend areas of Adult Social Care and Children's Services does not warrant prioritisation of financial service focus on the former at the expense of the latter.

We examined a sample of financial services reports to CMT, Cabinet and to the Council. We found reporting generally to be poor. The reports are very accountancy focused rather than presenting user-friendly management information. There is very little performance, value for money or benchmarking information presented. The use of charts, tables and visual presentation needs improvement. And there is an absence of stable template or dashboard reporting that would provide consistency and familiarity.

During our review the Council was developing a new format and template for monthly monitoring. We agree with Financial Services that it would not make sense in the context of local government finance to base this on a profit and loss account including debtors and creditors (as has been suggested by some senior managers) and that a simpler reporting of the revenue position against budget would be better suited.

On statement PR6, interviewees confirmed that Dudley maintains an up-to-date asset register within the finance system. Monitoring of the capital programme is reported to every meeting of the Cabinet, unless it is 'a quiet month'. The focus of the reporting is to obtain approval for any new schemes or changes to schemes, plus an update on the expenditure on ongoing major schemes. There is no update on progress towards meeting delivery milestones alongside the financial information, nor is there an overview of risks to delivery of the programme. Given the inflationary pressures and heightened supply chain issues that have been experienced in the building sector since the pandemic and invasion of Ukraine, Members will require information both on expenditure and delivery to understand the interplay between progress being made and overspends because of costs exceeding budget in order to provide effective oversight and scrutiny of the capital programme.

<b>Delivering Accountability</b>	<b>PR7</b>	Management understands and addresses its risk management and internal control governance responsibilities.	<b>2</b>
	<b>PR8</b>	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	<b>2</b>
	<b>PR9</b>	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.	<b>4</b>

The first two statements here address key aspects of critical internal risk management and internal control arrangements together with more independent organisational scrutiny processes. The final statement assesses the effectiveness of financial reporting, including compliance with relevant professional and regulatory standards.

Dudley has a risk strategy and a risk register which includes the key strategic risks we would have expected to see. However we did not find a strong culture of risk management. Although a risk management identification and reporting process is in place it does not appear to be embedded or seriously engage senior officers. The lack of senior ownership or risk systems was illustrated by the fact that the considerable recruitment and retention issues had been added to the risk register by Internal Audit rather than the HR department. We were told that risk reporting categories had been manipulated on one occasion in the light of potential external perceptions, rather than evidence of scale of risk.

50% of internal audit reports provide limited assurance. We were told that this was mostly because of governance issues which often had potential financial control consequences. We were also told there was no assurance process across the board for managers and directors to be able to have the assurance that their areas are delivering and achieving objectives.

The Audit Committee has clear terms of reference that encompass the core functions we would expect. These include the audit function, risk management, internal controls and corporate governance. The Head of Internal Audit reports to the s151 officer rather than more independently to the CEO, though the officer told us this had never compromised his ability to report as he wished. Internal Audit told us Dudley is not a very compliant organisation. The Council struggles to address compliance issues. There's a culture of non-compliance, mainly in relation to following internal policies and procedures. Where control weaknesses or issues had been identified in reports or reviews or inspections and these were reported to senior management, there was no transparency over the action taken to address the weaknesses and no repercussion in the event of governance and compliance failures.

The Council considers risk twice a year at Audit and Risk Committee, but it is not considered at Cabinet and there is no real discussion amongst Members on risk appetite or mitigation. The Council has a Risk Management policy. However, there is a view that this is not actively applied, and consideration of risk is not routinely embedded in decision making. It is not taken as seriously at Director level for decision-making as it should be, with anecdotal evidence of risk terminology being changed to manage the perceptions of Elected Members and the press, rather than focusing on how to minimise the actual risk. There is a discussion

to be had on what is the shared corporate risk appetite, as there appear to be different risk appetites across the Council, particularly between the Head of Internal Audit, who leads on risk, and the CMT.

Because of the significant weaknesses identified against both PR7 and PR8 statements we have assessed them both as 2.

Turning to the next group of statements, the first Supporting Performance statement addresses the critical area of medium-term financial planning and how financial strategy is underpinned by key funding assumptions, strategic service planning and analysis. The second statement tests the effectiveness of forecasting and the influence of such processes upon decision making.

<b>Supporting Performance</b>	<b>PR10</b>	The organisation’s medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	<b>2</b>
	<b>PR11</b>	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	<b>2</b>

On statement PR10 and PR 11, the MTFP aligns with Council priorities and covers the requisite years (2024-25 to 2026-27). The assumptions regarding future Council Tax, pay awards, inflation and fees and charges appear reasonable. The MTFS assumes delivery of all savings proposals in their entirety for the 3-year period, despite the MTFS showing that only 71% of the 2022/23 savings initiatives (£0.15m of £0.21m target) and 80% of 2023/24 savings initiatives (£6.23m of £7.83m target) had been delivered by February 2024. The MTFS also includes a specific expectation of additional income from the Integration Care Board in relation to Continuing Healthcare (CHC) totalling £4.66m per year by 2026/24 (2024/25 - £3.71m, 2025/26 - £4.66m, 2026-27 - £4.66m) that is now no longer expected. This further increases the gap between the cost of delivering the Council’s services and the resources available, and the likelihood of relying on reserves to bridge this gap. The Council will need continual modelling to keep their assumptions underpinning the MTFS up to date.

Pressures in 2024/25 and the following 2-years set out in the MTFS are assumed to be permanent however some savings in the strategy are one-off in nature, for example one-off switches of funding from General Fund to a specific grant or short-term savings made through vacancy freezes. The Council has a record of making ‘U-turns’ in relation to decisions, and this has been the case with previously agreed savings proposals, for example the reversal of £2.3m of savings for the period 2023/24 to 2025/26 in relation to libraries, household waste recycling centre operating hours, surface car parks and overnight car parking charges that were reversed in the 2023/24 ‘mini budget’ agreed by Cabinet in July 2023. There are also opportunities for significant savings in areas commonly implemented by other councils, such as moving to less frequent waste collections, that have still not been implemented in Dudley.

Detailed work to identify further efficiencies is being undertaken by specific project groups in the form of functional reviews. These include reviews of waste, leisure, libraries, halls, the Council’s Target Operating Model and some other smaller areas. These reviews are being

led by the Director of Digital, Customer and Commercial Services, with initial proposals from smaller reviews expected to be delivered across summer 2024, and with larger reviews expected to identify proposals in future years. In addition to these reviews, there has been a recent call from the Deputy Chief Executive to quickly identify an additional £5.0m of savings for 2024/25 to offset the previously assumed CHC income which will no longer be received.

Existing future savings plans need to be developed into practical actions, and whilst the functional reviews are underway, a more strategic approach to re-engineering services across the range of everything the Council does will be required to close the budget gap over the MTFS period. The current total level of savings forecast to be delivered over 3-years in the MTFS is only £17.4m per year by 2026/27, which equates to a saving of 4.96% of the expected service spend in that year. In order to identify savings of the magnitude required and move to a sustainable financial footing, the Council will be required to make tough decisions, and to stick to these decisions.

It is still early days in terms of delivering transformation and formulating the appropriate target operating model within Dudley. Therefore, it is unlikely that the MTFP has become a 'dynamic' plan that can be readily revised without substantial changes.

### 3.14 Processes – supporting performance

The Processes Supporting Performance statement covers the extent to which arrangements to secure value for money are embedded within the organisation. The Processes Enabling Transformation statement test the extent to which financial processes contributes to improved outcomes through transformational change.

<b>Supporting Performance</b>	<b>PR12</b>	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	<b>1</b>
<b>Enabling Transformation</b>	<b>PR14</b>	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	<b>1</b>

The Council has not systematically analysed the relative cost and performance of services and tested them against internal and external benchmarks and performance indicators to identify efficiency gains and spending reductions. There has been ad hoc benchmarking and comparison work completed. Most examples provided were conducted by the service and not in conjunction with Finance. There is very little reporting of benchmarked costs or performance in reporting to CMT or to members.

We found little evidence that Dudley routinely undertakes end to end business process reviews and implement findings. Although aspects of the current functional reviews will have to include this type of analysis. Dudley needs to plot out the scope for cross-service reviews. Too many reviews are narrowly led by individual services. A small example of this is the separate approach being taken to review the Townhall and the Bistro, which are, in fact, linked by a door meaning any change to one is likely to have an impact on the other. Detailed work to identify further efficiencies is being undertaken by specific project groups in the form of functional reviews. These include reviews of waste, leisure, libraries, halls, the Council’s Target Operating Model and some other smaller areas. These reviews are being led by the Director of Digital, Customer and Commercial Services, with initial proposals from

smaller reviews expected to be delivered across summer 2024, and with larger reviews expected to identify proposals in future years. In addition to these reviews, there has been a recent call from the Deputy Chief Executive to quickly identify an additional £5.0m of savings for 2024/25 to offset the previously assumed CHC income which will no longer be received.

Existing future savings plans need to be developed into practical actions, and whilst the functional reviews are underway, a more strategic approach to re-engineering services across the range of everything the Council does will be required to close the budget gap over the MTFS period.

Transformational activity is taking place in Dudley Council. The key areas of current activity are:

**Digital Transformation:** The Council has outlined a digital strategy aimed at enhancing internal operations and service delivery through automation and the use of technology. This includes partnerships with organisations like ArvatoConnect to automate processes such as accounts payable, which is expected to reduce costs and improve efficiency.

**Commercial Strategy:** The MTFS highlights the importance of developing a commercial culture within the Council to maximize existing income and generate new revenue streams. This strategy is designed to support the delivery of the Council Plan and the Borough Vision, and it aims to ensure financial sustainability by making the Council more commercially oriented.

**Transformation and Innovation:** As noted previously, the Council will use flexible capital receipts to fund transformation projects and achieve ongoing savings. This approach is intended to ensure that the Council can maintain service quality while operating more efficiently and effectively. Key elements of transformation which will be funded in this manner are organisational redesign and the movement towards a Target Operating Model (TOM), continuation of the Programme Delivery Office, implementation of the Council's Estates Strategy and the Unit 4 cloud migration.

Whilst these areas of activity exist, there is no overarching transformation strategy for Dudley Council nor is there a clear linkage between the expected benefits of transformational activity and the Council's MTFS. Additionally, historically there has been no clear reporting of what savings have arisen from transformational activity nor whether then benefits expected from the up-front investment in transformation have been realised. Consensus through interviews confirmed the savings associated with the previous transformation change had not been identified with sufficient granularity and that benefits management is not sufficiently robust. As noted previously, overall, the Council does not have a record of delivering savings in their entirety.

Whilst the flexible use of capital receipts to fund transformation is reasonable, this is not supported by a clear explanation of the expected benefits of this investment in the MTFS nor inclusion of any projected savings arising from these projects.

The implementation of a new TOM is ambitious and will need careful monitoring by the Council with clear resourcing plans. There will need to be a focus on process improvement to reflect the new structure, clear programme management and realistic expectations on

the time needed to embed transformation. As well as the implementation of a TOM, there is a need to deliver structural reform across the Council and its individual services. Transformation needs to be on-going.

The Deputy CEO in particular is pushing transformation and the development of an target operating model to shape Dudley’s transformation journey and destination. It is not yet clear how this will impact on the need for financial process re-engineering.

### 3.16 Stakeholders management dimension

The CIPFA FM Model combines several stakeholder elements including the views of external stakeholders, on value for money, financial integrity, compliance with statutory and regulatory obligations and the ability to influence decisions on resource allocation. We only received responses from three external stakeholders so we do not report self-assessment scores here.

<b>All</b>	<b>S1</b>	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	<b>2</b>
	<b>S2</b>	The organisation demonstrates that it achieves value for money in the use of its resources.	<b>2</b>
	<b>S3</b>	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	<b>2</b>

The first statement (S1) examines the degree to which external stakeholders receive assurance on financial integrity from a number of sources including processes and publications. Financial impacts and factors that influence stakeholder confidence are key to this dimension. The second statement (S2) seeks to test the assurance provided to external stakeholders on the delivery of value for money. The final statement (S3) explores stakeholder engagement and the degree to which this relationship influences financial strategy and organisational priorities.

In July 2023, the council’s External Auditor’s shared their concerns about the level of the council’s reserves with the members of the Audit and Standards Committee. This was followed up by a significant weakness identified in the Auditors Annual Reports for 2021/22 2022/23 in relation to financial sustainability, which were reported to Audit and Standards Committee in December 2023.

Following a joint report to Cabinet from the Deputy Chief Executive and Director of Finance and Legal in January 2024, which set out that the council was likely to fully deplete the General Fund reserves during 2024/25, the council’s external auditors made further statutory recommendations aimed at addressing the seriousness of the financial position of the council and to give the council the best chance of avoiding a Section 114 notice.

Since then Dudley has had a number of external reviews (including this one) and support from the LGA and published proposals for budget savings as part of its application for

Exceptional Financial Support. We recognise that the Council has moved significantly to effect change, including

- a) Improvement and Assurance Board: Dudley Council has formed an independent Improvement and Assurance Board (IAB) to oversee and guide the Council's financial and operational improvements. This board includes members from the main political parties, senior officers, and is supported by the Local Government Association. The IAB aims to ensure the Council maintains a sound financial position and effectively delivers services to residents.
- b) 12-Month Action Plan: In response to internal reviews and regulatory findings, particularly concerning housing data quality, the Council has implemented a 12-month action plan. This plan focuses on validating and updating data on Council properties to ensure compliance with statutory health and safety requirements. The plan includes comprehensive stock condition surveys and compliance checks on critical safety systems. This plan also includes using spending controls and improving financial management to aim to achieve a balanced and sustainable budget.
- c) Council Plan 2024-2025: The Council Plan outlines strategic priorities, including financial sustainability, governance, and control, which underpin the Council's efforts to maintain and improve its assurance frameworks.

On statement S2 there is considerable scope for Dudley to communicate better in its public facing documents how it achieves value for money. As a necessary precursor to this it needs to develop its internal systems to make the individual service benchmarking more transparent and develop a corporate approach which provide consistency and more regularity where possible in the information being reporting internally.

On statement S3 budget preparation meetings take the form of discussions in Corporate Management Team (CMT) (formally Strategic Executive Board or SEB), updates at Informal Cabinet and budget summits. In preparation for the finalisation and approval of the 2024/25 budget, budget summits with Elected Members took place on 19 July 2023 and 22 November 2023 for the General Fund, with a separate summit taking place for the first time on 21 November 2023 for the Housing Revenue Account. An Informal Cabinet in September / October looked at 'big ticket' items in relation to savings and large Elected Member spending requests. While a budget process was in place, the communication of the process could have been made clearer, with more regular and detailed information shared at CMT and more forums for discussion with Elected Members in advance of decisions on the budget being made. No details of the process and timetable have been issued to CMT and Officers for the 2025/26 to date. Finance have advised that this is because the process is being led by a working group rather than Finance themselves, and discussions are ongoing. It is concerning that given the scale of the financial challenge facing the organisation, there is not a comprehensive and universally understood approach and timeline that has been agreed by CMT and Elected Members for finalisation of the 2024/25 budget.

Finance needs to provide some certainty and an appropriate level of detail on the continuing financial position and the Council should consider how often and on what basis it updates its medium-term financial strategy projections. It is important to strike the right balance between keeping the CMT and Elected Members updated on a regular basis but also providing confidence that it can act on the information provided without fear of significant

changes. There should also be a clear process and timeline for updating the MTFS, that shows clear ownership of processes, does not duplicate effort by Officers and provides regular opportunities for both CMT and Elected Members to engage with the process, take ownership and make decisions. There is still significant work needed to deliver the projected balanced budget and MTFS.

**Recommendations as a result of the assessment at Dudley against the CIPFA Financial Management Model are set out in the following table and action plan.**

<b>Theme</b>	<b>Issue</b>	<b>Required action(s)</b>	<b>Priority</b>
<b>Skills and training of the finance department</b>	<ul style="list-style-type: none"> <li>The Finance team within Dudley Council is currently appropriately resourced with suitable levels of skills except in the area of systems support</li> </ul>	Consider innovative ways of successfully recruiting specialist systems finance expertise to the financial service teams.	<b>H</b>
	<ul style="list-style-type: none"> <li>Noting the important initiative to introduce new ERP systems, it is important for the finance department to have appropriate skills in this area</li> <li>There is insufficient capacity for staff to build experience through job rotation which risks entrenched attitudes and inhibits staff development.</li> <li>There is a future risk that the function becomes too dependent on a small number of senior staff.</li> </ul>	If market conditions preclude recruitment, Dudley might explore greater collaboration with other authorities to share staff with in-depth expertise of specific finance areas	<b>L</b>
<b>Coaching and Training for service staff</b>	<ul style="list-style-type: none"> <li>Senior managers and service leads who are new into post would benefit from proactive support from finance to help them get up to speed.</li> </ul>	Formalise a budget training programme for new service managers	<b>M</b>
	<ul style="list-style-type: none"> <li>Service staff see the need to support the finance staff to develop their capability to provide constructive and robust challenge to the service.</li> </ul>	Encourage finance staff to undertake finance business partner training	<b>M</b>
	<ul style="list-style-type: none"> <li>Some staff are unclear as to the level of financial skills they require for particular tasks</li> </ul>	Review the authority's competency framework and ensure expectations on financial management skills are appropriately represented.	<b>L</b>
<b>Medium and long-term financial planning</b>	<ul style="list-style-type: none"> <li>Finance team to develop their capacity to provide trend analysis and forecasting skills to the services and commercial department.</li> </ul>	Identify need by surveying service clients and develop programme of relevant "strategic services" training for financial services staff	<b>H</b>

Theme	Issue	Required action(s)	Priority
<b>Developing a more robust MTFS</b>	<ul style="list-style-type: none"> <li>Several services and departments do not have up to date strategies which makes it difficult to ensure the MTFS is aligned with service plans and strategies</li> <li>There is a lack of clarity over the governance processes and accountabilities for identifying delivering and monitoring savings and scrutinising budget growth</li> <li>There is no policy on how often and what basis Dudley updates its medium term financial projections</li> <li>The costs in implementing and savings delivered by the transformation activities including the move to a revised target operating model are not yet clearly set out in the MTFP</li> </ul>	<p>Recognising that in a fast moving environment strategies need to be agile. Nevertheless there is a need for Dudley to develop more formal strategic and transparent plans for each of its individual services to support a more robust MTFS that is aligned with service objectives and outcomes.</p> <p>The authority has taken steps to regularise and formalise the process with more regular reporting to CMT and the RAG rating of risk. There is now a need to streamline processes so that challenge is more informed and greater consistency is achieved.</p> <p>There should also be a clear process and timeline for updating the MTFS, that shows clear ownership of processes, does not duplicate effort by Officers and provides regular opportunities for both CMT and Elected Members to engage with the process, take ownership and make decisions.</p> <p>Revise the MTFP in due course to reflect not just the savings anticipated by transformational activity but how the costs will be met (including if by capital receipts rather than GF expenditure)</p>	<p><b>M</b></p> <p><b>H</b></p> <p><b>H</b></p>
<b>Finance system integration and usability</b>	<ul style="list-style-type: none"> <li>Lack of integration between finance, payroll and housing systems.</li> <li>Given the project to migrate Unit 4 to the Cloud will be undertaken in tandem with an area of intense demand for Finance services to support savings identification and delivery, improved reporting and business as usual, we would highlight the importance of ensuring that the Finance resources required to successfully deliver the Unit 4 upgrade are considered and put in place.</li> </ul>	<p>Dudley needs to prioritise ensuring there is appropriate project management capacity and skills to implement this project</p> <p>Dudley needs to develop a benefits identification and realisation plan to help ensure the improvements expected are actually delivered</p>	<p><b>H</b></p> <p><b>M</b></p>

<b>Theme</b>	<b>Issue</b>	<b>Required action(s)</b>	<b>Priority</b>
<b>Lack of clarity over respective responsibilities and accountabilities of finance and service staff</b>	<ul style="list-style-type: none"> <li>Whilst appreciating that previous attempts to implement SLAs for financial services had been withdrawn as they were seen to be overly bureaucratic, the lack of such arrangements reduces the clarity of respective responsibilities</li> </ul>	Consider how to implement SLAs in way which commands support by both finance and service staff without being too rigid or bureaucratic.	<b>M</b>
<b>Risk management and service delivery assurance</b>	<ul style="list-style-type: none"> <li>There is a perception amongst some that service managers and some others regard risk management as a tick based exercise and that officers do not have systematic processes for assuring delivery in their areas</li> </ul>	CMT need to workshop its risk management and assurance processes and develop a common understanding of how risk management can provide practical help in providing assurance and ensure consistent and engaged application of risk reporting and monitoring	<b>M</b>
<b>Improved forecasting and modelling</b>	<ul style="list-style-type: none"> <li>Linked to the call from service officers for greater finance service staff support to forecasting, modelling and scenario analysis</li> <li>The MTFP reflects the financial consequences of emerging issues and demands at a high level but greater clarity on the potential demands of key areas of demand-led expenditure and persistent overspends like Childrens and Adults Services could be more fully set out.</li> </ul>	Services should consider with finance ways of improving their tools and skills in these areas, including considering where approaches might be shared and how to draw on experience of other authorities	<b>M</b>
<b>Contract monitoring</b>	<ul style="list-style-type: none"> <li>Part of the current spending controls, introduced in October 2023, relate to contracts. They include not letting any new contracts and not extending existing contracts beyond the end or break point, no discretionary spending on existing contracts in place. Whilst the Procurement team have been increasing their efforts on challenging the specification of contracts, there is no current monitoring of expenditure against contracts due to system constraints and it is widely acknowledged that contract management is very poor at Dudley Council.</li> </ul>	<p>Develop a plan for improving contract management throughout the authority.</p> <p>Establish targets and associated monitoring in relation to improving contract inhouse spend ratios</p>	<p><b>H</b></p> <p><b>M</b></p>

<b>Theme</b>	<b>Issue</b>	<b>Required action(s)</b>	<b>Priority</b>
<b>Benchmarking performance and VFM</b>	<ul style="list-style-type: none"> <li>Benchmarking information tends to be service based and not shared more widely so transparency on VFM is not as robust as it might be</li> <li>There is very little performance benchmarking reporting internally or externally so it is hard for the Council to explain how it achieves VFM</li> </ul>	Develop a plan for developing a consistent and comprehensive and corporate approach to benchmarking authority performance across its services and finances and develop an accompanying reporting and communication strategy.	<b>M</b>
<b>Capital programme leadership and reporting</b>	<ul style="list-style-type: none"> <li>There is a view that the Capital strategy is not well understood and there is no golden thread linking the programme to the Council's priorities. There is no clear strategic leadership in the process of bringing the disparate asks from across the organisation into a prioritised affordable capital programme</li> <li>The focus of current reporting to the members is on obtaining approval for new schemes or changes to schemes but there is no update on progress towards meeting delivery milestones for example.</li> </ul>	Set up a stronger capital programme board and improve the reported management information on the programme, ensuring it covers progress towards milestones.	<b>M</b>
<b>Asset disposal</b>	<ul style="list-style-type: none"> <li>There has not been a strategic approach to asset disposal with a lack of joined up thinking.</li> <li>Regular meetings between finance and the corporate landlord team to look at disposal on the horizon have been instigated</li> </ul>	Formalise and regularise the meetings between finance and the corporate landlord team and develop a more strategic plan for disposals	<b>M</b>
<b>Budget setting and monitoring</b>	<ul style="list-style-type: none"> <li>Not all budget holders we interviewed believed they had a full understanding of their budget. Although Financial Services do hold budget meetings with service areas, there is no specific formal sign-off by budget holders of their budget at the start of the financial year. This would help to bring focus to the budget setting process and provide stronger accountability. As would a more formal lessons learned exercise on prior year outcomes to inform agreement of current year budgets.</li> </ul>	Implement a system whereby budget holders give formal sign-off of their budgets having reviewed baselines and learned lessons with finance on prior year budgets.	<b>H</b>

<b>Theme</b>	<b>Issue</b>	<b>Required action(s)</b>	<b>Priority</b>
<b>Financial reporting</b>	<ul style="list-style-type: none"> <li>We found financial service reporting to CMT and Members generally to be poor. The reports are very accountancy focused rather than presenting user-friendly management information. There is very little performance, value for money or benchmarking information presented. The use of charts, tables and visual presentation needs improvement. And there is an absence of stable template or dashboard reporting that would provide consistency and familiarity.</li> </ul>	Develop a plan in liaison with the users of the reports to improve the presentation and consistency of financial reports and dashboards	<b>H</b>
<b>Achieving better trust and understanding between finance and commercial services officers</b>	<ul style="list-style-type: none"> <li>We found a lack of trust and mutual understanding between the Financial Services team and officers with responsibility for commercial services. The former told us that some of the idiosyncrasies of local government accounting were not understood by the latter, such as the fact that depreciation was not a revenue cost to the authority. The latter believed there was more that Financial Services could do to present financial information in a manner that better suited a commercial environment.</li> </ul>	The S151 officer and the Head of Commercial Services should set up a task and finish group to improve liaison and understanding between their respective staff	<b>H</b>

## Appendix 1 - CIPFA FM Model - Summary

### *The model*

The CIPFA FM Model was originally released in July 2004 and describes a model for best practice in financial management within the public sector. This is the fourth iteration of the FM Model. Version 4 has been specifically developed to incorporate the very latest best practice initiatives as well as the emerging financial management issues associated with the current financial environment. The Model recognises that using money well leads to more and better front-line services and that effective financial management in the public sector now requires financial responsibilities to be more widely diffused throughout the whole of the organisation.

Budget holders/managers therefore need to be financially literate and finance professionals need to contribute through challenge, interpretation and advice. Good financial management is no longer just about accounting for expenditure and demonstrating probity, but finance must be placed in the wider organisational context, in terms of how it supports the delivery of the organisation's strategic objectives.

The CIPFA FM Model is structured around three styles of financial management:

- **Delivering Accountability** – an emphasis on control, probity, meeting regulatory requirements and accountability.
- **Supporting Performance** – responsive to customers, efficient and effective, and with a commitment to improving performance.
- **Enabling Transformation** – strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

The styles are intended to be progressive and it is expected that all three styles will be present in an organisation exhibiting best practice financial management characteristics. For example, accountability alone is not sufficient to enable an organisation to drive performance and to develop its transformational capacity and, conversely, performance or transformation programmes that are not founded in a robust approach to controlling and accounting for resources are unlikely to succeed.

The CIPFA FM Model is also organised by four management dimensions. These cover both hard edged attributes that can be costed or measured, as well as softer features such as communications, motivation, behaviour and cultural change. These are:

- **Leadership** – focuses upon strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.
- **People** – includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.
- **Processes** – examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.
- **Stakeholders** – deals with the relationships between the organisation and those with an interest in its financial health, whether Treasury, inspectors, auditors, taxpayers, suppliers, customers or partners. It also deals with customer relationships within the organisation, between finance services and its internal users.

A matrix approach is therefore used in the Model, combining the three styles of financial management and four management dimensions. The organisation’s current financial management position is assessed through comparing its arrangements against 30 statements of best practice, with a set of supporting questions sitting behind each statement. The table below shows how the 30 statements fit into the Best Practice Matrix.

**Table 1 – Management styles/dimensions matrix**

Financial Management Styles	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Delivering Accountability	L1 – L3	P1 - P2	PR1 – PR9	S1
Supporting Performance	L4 – L5	P3 – P5	PR10 - PR13	S2
Enabling Transformation	L6	P6	PR14 - PR15	S3

Each statement is scored from 0-4 to establish an overall picture of strengths and weaknesses in terms of financial management, as shown in the following table.

**Table 2 – How far does the best practice statement apply?**

Score	How far does the best practice statement apply?
1 or below	Hardly
Above 1 but below 3	Somewhat
3 and above but below 5	Mostly
5	Strongly

***The assessment methodology***

The aim of the review is to form a view on the extent to which the statements of best practice in financial management apply to the organisation and the approach aims to gather evidence for this in the most economical way.

The high-level stages involved in the review are set out in further detail below.

**Application of best practice statements**

Assessment methodology requires contributors to the electronic survey to approach the scoring for their relevant best practice statements and supporting questions by allocating scores from 0-4 to each of the statements.

The approach includes the categorisation of five survey groups as follows:

**Table 1 – Survey groups**

Group	Survey group	Description
SG1	Strategic finance	This group would comprise senior finance staff at the core of the corporate strategic finance function and include deputy/assistant CFOs, chief accountants, senior corporate financial performance specialists, long term finance and funding specialists, special project investment specialists, technical financial reporting specialists, etc.
SG2	Operational finance	This group is generally made up from the corporate core finance function but can include finance specialists from devolved arrangements with operational departments/functions. Members would typically include group accountants, budget monitoring teams, departmental business partners and corporate transactional finance staff.
SG3	Service directors	This group is aimed at service directors/heads of service – the objective is to capture evidence on strategic financial capability from an operational non-Finance perspective at the most senior operational level. Such contributors would typically be members of the organisational corporate management team/senior management team.
SG4	Operational managers	Typically, but not exclusively, budget Holders. This group would include any operational manager that is empowered to make decisions consuming organisational resources that have financial implications. Such decisions are typically taken supported by management information or decision support advice provided by finance colleagues.
SG5	Board, Stakeholders and external contributors	The senior stakeholders group comprises board non-executives, Audit Committee chairs and members, other external stakeholders or partner organisations, external audit representation and external supervisory representation – e.g., external auditor.

A selection of the most relevant statements and questions for each of the survey groups were determined and tailored accordingly. This “culling” process produces the most relevant application of the best practice statements designed to extract the optimal information from each specialised survey group. Benefits include relevancy and the minimisation of time exposure for participants and allowed a categorisation of evidence capture between:

- Document review/evidence.
- Interviews.
- Electronic survey.

## Document review/evidence

An integral aspect of the review was the assessment of a number of key documents for the Council (including material specifically made available as part of this assessment process, as well as publicly available material). This served two main purposes; to enable the assessor to familiarise him/herself with the structure, processes and culture of the Council, and to confirm factual information relating to the best practice statements and supporting questions e.g., whether or not a specific policy was in existence.

## **Interviews**

We drew on the evidence we gathered as a result of the interviews we conducted for our financial resilience review work conducted concurrently at Dudley. Contributors were used to supplement the document review as well as substantiating the evidence generated from the survey.

Interviewees were largely from within the Council (with a sample of staff with financial management responsibilities, including Corporate Directors and Budget Managers), both officers and members.

## **Electronic Survey**

A powerful component of the CIPFA FM Model is the electronic survey. Across a range of staff with differing financial management roles the electronic survey is used to test best practice statements against the actual prevailing conditions and practice within the organisation. Such scope would include e.g., the robustness of budget setting, the integration of business and financial planning, financial management competencies, the extent to which finance supports strategic decision making etc.

Contributors complete the electronic survey and submit their results online over a prescribed period of time. In addition to scoring the statements, contributors were given the facility to record observations and evidence which provide valuable insight as well as substantiating their scoring. The descriptors for each rating are set out overleaf.

Rating	Assessment
*****	The organisation has in place leading edge financial management capability that allows it to anticipate both challenges and key opportunities, driving transformational change in order to optimise its performance and deliver optimal outcomes. Financial strategy is robust and covers medium to longer term and the organisation is fully agile in adapting to unforeseen events without impacting key outcomes. Investment programme management including commercial capabilities are fully integrated with operational requirements and highly effective with significant returns being achieved on improved service delivery. Financial management capability meets global best practice standards.
****	The organisation has in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term, is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most investment programmes are delivered to time and cost. The organisation has strong insight into cost drivers and commercial capabilities are highly evident with strategic and operational planning.
***	The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop but is not sufficient for challenging times or driving transformational change. There is a medium term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. Commercial capabilities exist but are only partially developed.
**	The organisation has basic financial management capability. Financial management arrangements are in place that allows the organisation to meet the minimum of practice standards and provides functional capability in the short term, a minimum level of support in the delivery organisational outcomes but does not support organisational transformational change. Financial management style is predominantly stewardship in nature rather than supporting effective decision support. Investment Programme management is rudimentary and there is a disconnect between operational and financial strategies.
*	The organisation has some financial management arrangement in place, but they are inadequate and provide only minimal financial management capability with reactive short term solutions. Basic accountability obligations are minimally covered, and financial management does not meaningfully support effective organisational outcomes of transformational change. Basic stewardship responsibilities are a challenge and financial management capability is not fully embedded within basic decision support.

## **Meeting of the Fit for the Future/Council Sustainability Committee – 27<sup>th</sup> November, 2024**

### **Report of the Chief Executive**

### **Council Plan Progress Report (1<sup>st</sup> April 2024 – Sept 2024)**

#### **Purpose of report**

1. This report provides a summary of the achievements made against the Council Plan 2024-25 during the period from April to September 2024.

#### **Recommendation**

2. It is recommended that this Committee note the progress against the Council Plan for the period April to September 2024

#### **Background**

3. The one-year Council Plan for 2024-25, launched in April, emphasises improvement and financial sustainability, focusing on establishing a sustainable budget while protecting essential services. The plan outlines five key priority areas:
  - Financial sustainability, efficiency, and providing best value
  - Governance and control
  - Leadership and culture
  - Delivering for our customers, residents, and communities
  - Supporting businesses and the local economy

The delivery of these priorities is assured through key performance indicators, employee objectives, and aligning projects to the council's improvement plan.

The delivery of the Council Plan is formally monitored through the regular review of financial performance, project delivery, corporate financial indicators and directorate KPIs. These are reviewed at Corporate Management Team, Cabinet Policy Group and Scrutiny Committees.

From April to September 2024, progress towards achieving our outcomes against the Council Plan are detailed within section 4 progress update.

In addition to the qualitative information, we measure progress against a streamlined set of agreed key performance indicators via a monthly reporting dashboard. The dashboard can be accessed here: [Dudley MBC corporate performance](#).

### **Progress Update Report**

4. This section provides a summary of the achievements made against the Council Plan 2024-25 during the period from April to September 2024, aligned with the identified priorities.
5. The report highlights key achievements to date and does not constitute a comprehensive list. Efforts to deliver on the plan will continue throughout the remainder of the financial year, directly supported by the Dudley Improvement Plan.

### **Priority: Financial sustainability, efficiency and providing best value**

6. The council is making progress in enhancing financial management and operational efficiency with regular budget reporting enabling stakeholders to closely track expenditures and minimise unnecessary spend. Insights from monthly budget reporting have improved transparency and accountability, allowing us to focus on maintaining essential services while providing the best value and working towards financial sustainability.
7. To further ensure our financial sustainability, we have sought external advice and brought in external expertise to drive forward the delivery of savings.
8. Through streamlining our recruitment process and hiring strategically, we are managing costs. The "think before you spend" initiative encourages careful financial decision-making across all departments.
9. Our ongoing evaluation of the council's assets for better utilisation has resulted in cost savings and will continue to do so in the future.
10. Key outcomes and achievements:

Reducing our costs and making savings:

- Enhanced spending controls on recruitment and contracts has achieved savings of over £5 million.
- Ceasing of the two hours free parking to generate an estimated £3.5m in revenue over the next 3 years – delivered in October
- Charging for garden waste disposal: Delivering £2.6M income against a forecast of £1.31M.
- Closure of Brookes Bistro: Cease a loss-making service.
- Leisure Centres outsourcing: Seeking cost-effective management options.
- Town Halls and Bars out for concession: Reduce cost

New ways of working:

- Operating model: Developed operating model for a modern effective Council
- Switch DC+ in person contact to online, telephony, libraries, housing hubs and children's hubs and dispose of building: Reduce cost and raise capital. This transformation work has focussed on supporting digitally excluded individuals and those with complex needs closer to their home, through existing assets and libraries as well as re-introducing Community Information Points across the borough.

Reviewing our council assets:

- Accelerating disposal programme: closure of Ward House, Priory Hall (1<sup>st</sup> Floor) and 4 Ednam Road (in October)

These initiatives collectively position the council for greater efficiency and effectiveness in serving our community and providing best value.

### **Priority: Governance and control**

11. The council has made strides in enhancing governance and control. In June 2024, a new governance structure was finalised, aligning internal and external governance meetings with the council's specific challenges. This shift has strengthened our focus on regulatory compliance and assurance, supported by timely and accurate reporting leading to positive check and challenge and resulting in better decision making.

12. **Key outcomes and achievements:**

Building and strengthening governance and control:

- Strengthened Democratic Services: Reviewed the service and created capacity to enhance operations and governance. Sourced external monitoring officer capacity to assist with governance review and to address key actions from external reports.
- Workshops, designed and facilitated by internal teams and the Local Government Association (LGA), are underway to strengthen the relationships between members and officers, enhancing mutual understanding, improving overall working dynamics and setting the standards for open and transparent decision-making.
- Greater use of Thrive Learning Platform for employees and members to foster employee and member engagement, providing more effective communication channels, training and support on governance and decision-making
- Overview and Scrutiny arrangements are being kept under review and will be the subject of a report to Full Council in December
- Corporate Management Team emphasis on completing internal audit actions in time.

Improved monitoring and reporting of performance, projects and risk with clear accountability and assurance:

- Better scrutiny of budget performance and operational performance reporting: Monthly reviews at Corporate Management Team (CMT), Cabinet Policy Group (CPG) and Overview & Scrutiny Committee.
- Regular reporting and clear accountability have fostered transparency and improved trust among stakeholders. Further improvements are necessary and will continue to build and strengthen supported by the Dudley Improvement Plan.
- A detailed review is to be undertaken of the Corporate Management Team/Corporate Risk Register.

### **Priority: Leadership and culture**

13. The council is making progress focusing on key areas of collaboration, service streamlining, and a stronger, more cohesive leadership culture. Results from the recent pulse survey show high levels of readiness for change, with 87% of respondents acknowledging a need for change and 81% feeling they have a role to play in driving that change.

14. Key outcomes and achievements:

Define our core values and culture:

- Broad engagement has been completed with multiple employee groups at different levels in the organisation to identify core values.
- Insight Survey on Member Perceptions to inform culture change plan supported by the LGA, is crucial in shaping future initiatives.

Encourage employees to participate in continuous improvement and sustainability:

- Pulse Survey Design and Results – key themes were identified from employee feedback to inform activities linked to the improvement plan.
- Regular engagement sessions held with senior change leaders to provide change leadership across the organisation.

Strengthen our staff learning and development to enhance skills and knowledge:

- Thrive Learning Platform – provide a platform for technology-enabled learning and more flexible delivery of learning/training to employees and members, foster stronger engagement, consolidate different learning systems within the council and offer more effective communication channels.

## **Priority: Delivering for our customers, residents and communities**

15. Ongoing efforts and initiatives continue to enhance customer experience, delivering service for our residents and promoting community wellbeing.
16. Our new street clean operating model aligned to the Council's Community Forum areas, providing clear accountability and responsibility for the leadership and management of defined geographical areas of the Borough. As well as working with community groups, these areas aligned with those of partners such as Housing and the Police, ensuring clear lines of communication and to allow a better and more joined up response to activity.
17. The Your Health Dudley service is commissioned by Dudley to provide health improvement support for Dudley residents, including support to quit smoking, manage healthier weight, reduce alcohol consumption and receive health checks in the community. The Atlantic House recovery community supports people to address alcohol and substance misuse issues and Brook Dudley are commissioned to provide sexual and reproductive health services to Dudley residents.
18. These initiatives reflect a commitment to leveraging technology, enhancing accessibility, delivering services and fostering community health and support in Dudley.
19. Key outcomes and achievements:

Enhancing our customer experience:

Through digital solutions we are improving customer engagement and cater for individuals. 61% of our resident's now self-serve where online self-service is available via MyDudley; with an average star rating for our platform of 4.3 out of 5 stars. Information sharing via Dudley.Gov has also been enhanced providing resources and information to ensure our residents feel safe and healthy. Our response to customer feedback has shifted from 65% of upheld complaints closed in May down to 40% in September 2024 this is because of cross directorate shared learning.

- Review of Dudley Council Plus: Transition centralised in-person customer services to local access points, improving accessibility for residents across the borough.
- Ethel Care System: Technology for home reablement explored, pilot to launch in October, minimizing the need for in-person staff visits.
- Customer feedback group: Internal group share directorate learning on complaints undertaking lessons learned assessments, improving response times for our residents.

Empower people to make independent choices:

- Supporting people with disabilities through transition from childhood /Adulthood: Transition Board approved in September, next steps scoping exercise.

**Priority: Supporting businesses and the local economy**

20. We continue to ensure access to quality education and training is available for all our residents. Our ‘I Can Dudley’ initiative is making a real difference in the community, especially for underrepresented groups, resulting in 50% of the first cohort securing permanent employment (cohort 1 September 2024).
21. The development of key regeneration strategies, like the Dudley Economic Regeneration Strategy and Dudley Based Place Strategy, will help to prioritise regeneration activities and interventions aligned to the emerging West Midlands Combined Authority (WMCA) integrated settlement and this approach is helping to prioritise year 3 UK Shared Prosperity Funding which has included enhancements our to community spaces and has already contributed to improvements to parks and green spaces. through the UK Shared Prosperity Fund. The Stourbridge Business Improvement District (BID), which was recently established, is another example of a placed based approach to economic development, with the BID aiming to create a vibrant, supportive environment for local businesses and residents to prosper.
22. Key outcomes and achievements:
  - Using our Ofsted inspected adult education budget for academic year 2023-24 over 2000 residents have been supported to gain skills and qualifications with 47% of all participants residing in our top 20% areas of deprivation.
  - Dudley Economic Regeneration Strategy approved by cabinet in March 2024
  - Dudley Cultural Strategy approved in August 2024.
  - Dudley Place Based Strategy in September 2024.
  - Around £200,000 shared prosperity fund has been awarded through the Dudley SME Grant and the Dudley Decarbonisation and Net Zero Grant. The grants remain open too small to medium-sized enterprises (SMEs) in the borough that have been trading for more than 12 months.
  - The Stourbridge Business Improvement District (BID), has been established - Stourbridge Bid

These initiatives are effectively monitored and reported on, allowing for accountability and continuous improvement.

## **Finance**

23. An active review of the delivery against the Council Plan should identify budget risks and opportunities.

## **Law**

24. There are no legal implications of this report.

## **Risk Management**

25. This report does not create any “material” risks. However, the approach to identifying, managing and reporting on risks is to be reviewed.

## **Equality Impact**

26. There are no equality impacts from this report, however individual projects or work areas that contribute to this report will carry out their own assessments regarding equality.

## **Human Resources/Organisational Development**

27. There are no HR and OD implications of this report, however any projects or workstreams that contribute to improvements will follow policy and procedures.

## **Commercial/Procurement**

28. There are no commercial or procurement implications associated with this report.

## **Environment / Climate Change**

29. There is no direct environment or climate change impact on this report

## **Council Plan**

30. The Council Plan 2024-25 will ensure a focus on those priorities and projects that will support the overall sustainability of the Council and the services we deliver to our residents. This report includes key achievements to date delivered against the plan, which enables CMT and CPG and Committees to monitor performance ensuring we continue to provide value for money to our residents and communities.

*Lisa Flei*

**Luisa Fulci**  
**Director of Digital, Commercial & Customer Services.**

Report Author: Clair Blunn  
Telephone: 01384 816931  
Email: [clair.blunn@dudley.gov.uk](mailto:clair.blunn@dudley.gov.uk)

## **Appendix**

Presentation

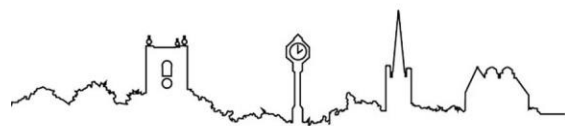
### **List of Background Documents**

[Council Plan 2024-2025](#)

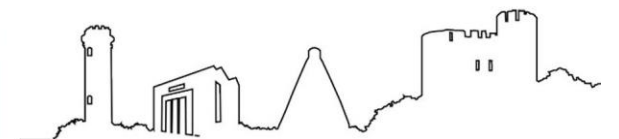
[Dudley MBC corporate performance dashboard.](#)

# Council Plan Progress Report

April – September 2024



**Working as One Council in**  
the historic capital of the Black Country



# Dudley Council Plan 2024-2025



► **Our Council Plan gives us direction by setting our key priorities for the year**  
It shows our internal and external drivers which all directorates and teams work together as one council to achieve

## ► Improving our organisation

Supporting the improvement and sustainability programme through effective strategy, governance and financial sustainability

### Financial sustainability, efficiency and providing best value

- Adherence to our financial management through tighter spend controls, delivering agreed savings, and compliance to procurement and contract management guidelines
- Develop new ways of working, reshaping our services and operating models
- Review all council assets to identify opportunities for efficiency and optimisation.

### Governance and control

- Build and strengthen effective governance and control by defining a clear and transparent governance and decision-making structure
- Meet our obligations regarding regulatory compliance and assurance through focussed reporting with clear accountability.
- Monitor and report on organisational risk, performance and project management by acting on timely and accurate reports.

### Leadership and culture

- Define core values for the organisation that will achieve a unified, one council culture fit for the future.
- Encourage our employees to actively participate in continuous improvement and sustainability
- Strengthen our learning development programme by providing opportunities for employees to enhance their skills and knowledge.

## ► Serving our borough

Contributing to our Borough Vision by creating opportunities for all to thrive in a safe and healthy environment

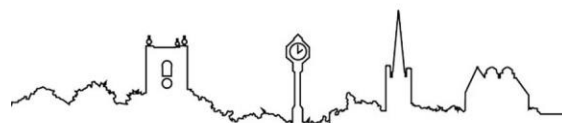
### Delivering for our customers, residents and communities

- Enhance our customer experience by promoting digital self-service options whilst recognising individual needs and improving engagement
- Empower individuals of all ages to make choices and exercise independence in their lives and provide care and support when necessary
- While delivering services within communities, provide safe clean spaces, promote healthy lifestyles, support wellbeing and reduce inequality.

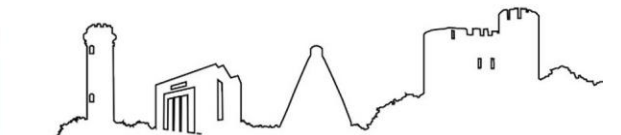
### Supporting businesses and the local economy

- Ensure access to quality education and training for all, raising aspirations and increasing skills
- Deliver an affordable regeneration strategy that brings about structural economic change and supports the growth of a diverse, broad-based economy and ensure investment in transport connectivity.
- Work with local businesses and communities to develop shared opportunities, create jobs, deliver economic growth and change the role of our town centres.

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The current council plan was agreed for one year only (April 2024 – March 2025)

There are five key priorities.

- Financial sustainability, efficiency and providing best value
- Governance and control
- Leadership and culture
- Delivering of our customers residents and communities
- Supporting businesses and the local economy

The plan was designed to support our internal improvement focus while continuing to serve our borough.

### Financial sustainability, efficiency and providing best value

- Adherence to our financial management through tighter spend controls, delivering agreed savings, and compliance to procurement and contract management guidelines
- Develop new ways of working, reshaping our services and operating models
- Review all council assets to identify opportunities for efficiency and optimisation.



### Reducing our costs and making savings

- Enhanced recruitment and contract spending controls achieved savings of over £5 million.
- Ceasing of the two hours free parking to generate an estimated £3.5m in revenue over the next 3 years
- Charging for garden waste disposal, delivering £2.6M income against a forecast of £1.31M.
- Ceasing a loss-making service by closing Brookes Bistro



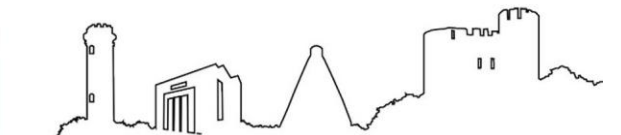
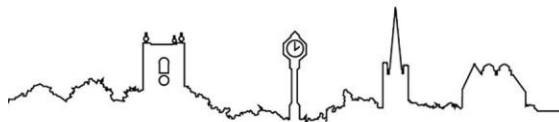
### Reviewing our council assets

- Accelerating the disposal programme including the closure of
  - Ward House
  - Priory Hall (1st Floor)
  - 4 Ednam Road



### New ways of working

- Developed new operating model for a modern effective Council
- Switch DC+ in person contact to online, telephony, libraries, housing hubs and children's hubs and dispose of building.
  - This transformation work has focussed on supporting digitally excluded individuals and those with complex needs closer to their home, through existing assets and libraries as well as re-introducing Community Information Points across the borough.



### Governance and control

- Build and strengthen effective governance and control by defining a clear and transparent governance and decision-making structure
- Meet our obligations regarding regulatory compliance and assurance through focussed reporting with clear accountability.
- Monitor and report on organisational risk, performance and project management by acting on timely and accurate reports.



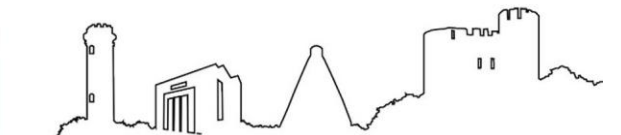
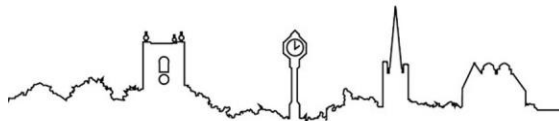
### Building and strengthening governance and control

- Democratic Services review (creating capacity to enhance operations/governance).
- Workshops, designed and facilitated by internal teams and the Local Government Association are underway to strengthen the relationships between members and officers, setting the standards for open and transparent decision-making.
- Greater use of Thrive Learning Platform for employees and members to foster employee and member engagement, providing more effective communication channels, training and support on governance and decision-making.
- Overview and Scrutiny arrangements are under review (report to Full Council in December).
- Corporate Management Team emphasis on completing internal audit actions in time.



### Improved monitoring and reporting with clear accountability and assurance

- Better scrutiny of budget performance and operational performance reporting (Monthly reviews/corporate dashboard).
- Regular reporting and clear accountability have fostered transparency and improved trust among stakeholders. Further improvements are necessary and will continue to build and strengthen supported by the Dudley Improvement Plan.
- A detailed review is to be undertaken of the Corporate Management Team/Corporate Risk Register.



### Leadership and culture

- Define core values for the organisation that will achieve a unified, one council culture fit for the future.
- Encourage our employees to actively participate in continuous improvement and sustainability
- Strengthen our learning development programme by providing opportunities for employees to enhance their skills and knowledge.



### Define our core values and culture

- Broad engagement has been completed with multiple employee groups at different levels in the organisation to identify core values.
- Insight Survey on Member Perceptions to inform culture change plan supported by the LGA.



### Encourage employees to participate in continuous improvement and sustainability

- Pulse Survey carried out with staff
  - Key themes were identified to inform activities linked to the improvement plan.
- Regular engagement sessions held with senior change leaders to provide change leadership across the organisation.

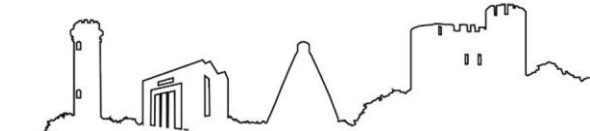


### Strengthen our staff learning and development

- Thrive Learning Platform provides a platform for technology-enabled learning:
  - More flexible delivery of learning/training to employees and members
  - Fostering stronger engagement
  - Consolidating different learning systems within the council
  - Offering more effective communication channels.



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### Delivering for our customers, residents and communities

- Enhance our customer experience by promoting digital self-service options whilst recognising individual needs and improving engagement
- Empower individuals of all ages to make choices and exercise independence in their lives and provide care and support when necessary
- While delivering services within communities, provide safe clean spaces, promote healthy lifestyles, support wellbeing and reduce inequality.



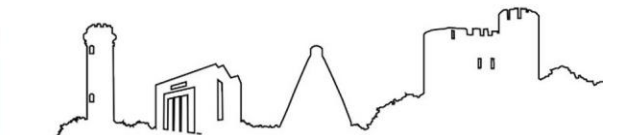
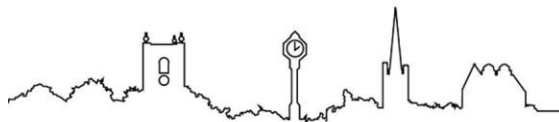
### Enhancing our customer experience

- Review of Dudley Council Plus: Transition centralised in-person customer services to local access points, improving accessibility for residents across the borough.
- Ethel Care System: Technology for home reablement explored, pilot to launch in October, minimizing the need for in-person staff visits.
- Customer feedback group: Internal group share directorate learning on complaints undertaking lessons learned assessments, improving response times for our residents.



### Empower people to make independent choices

- Supporting people with disabilities through transition from childhood to adulthood:
  - Transition Board approved in September, next steps scoping exercise.



### Supporting businesses and the local economy

- Ensure access to quality education and training for all, raising aspirations and increasing skills
- Deliver an affordable regeneration strategy that brings about structural economic change and supports the growth of a diverse, broad-based economy and ensure investment in transport connectivity.
- Work with local businesses and communities to develop shared opportunities, create jobs, deliver economic growth and change the role of our town centres.



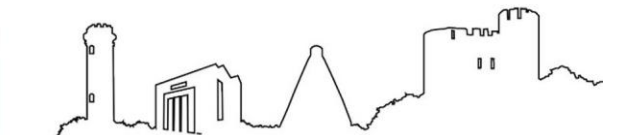
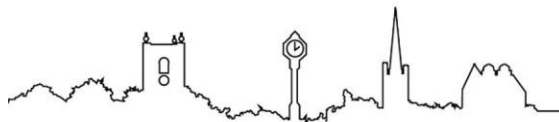
### Ensuring access to quality education and training for all, developing shared opportunities and economic growth

- Using our Ofsted inspected adult education budget for academic year 2023-24
  - Over 2000 residents have been supported to gain skills and qualifications
  - 47% of all participants residing in our top 20% areas of deprivation.
- UK Shared Prosperity Fund in delivery April 2022 to March 2025

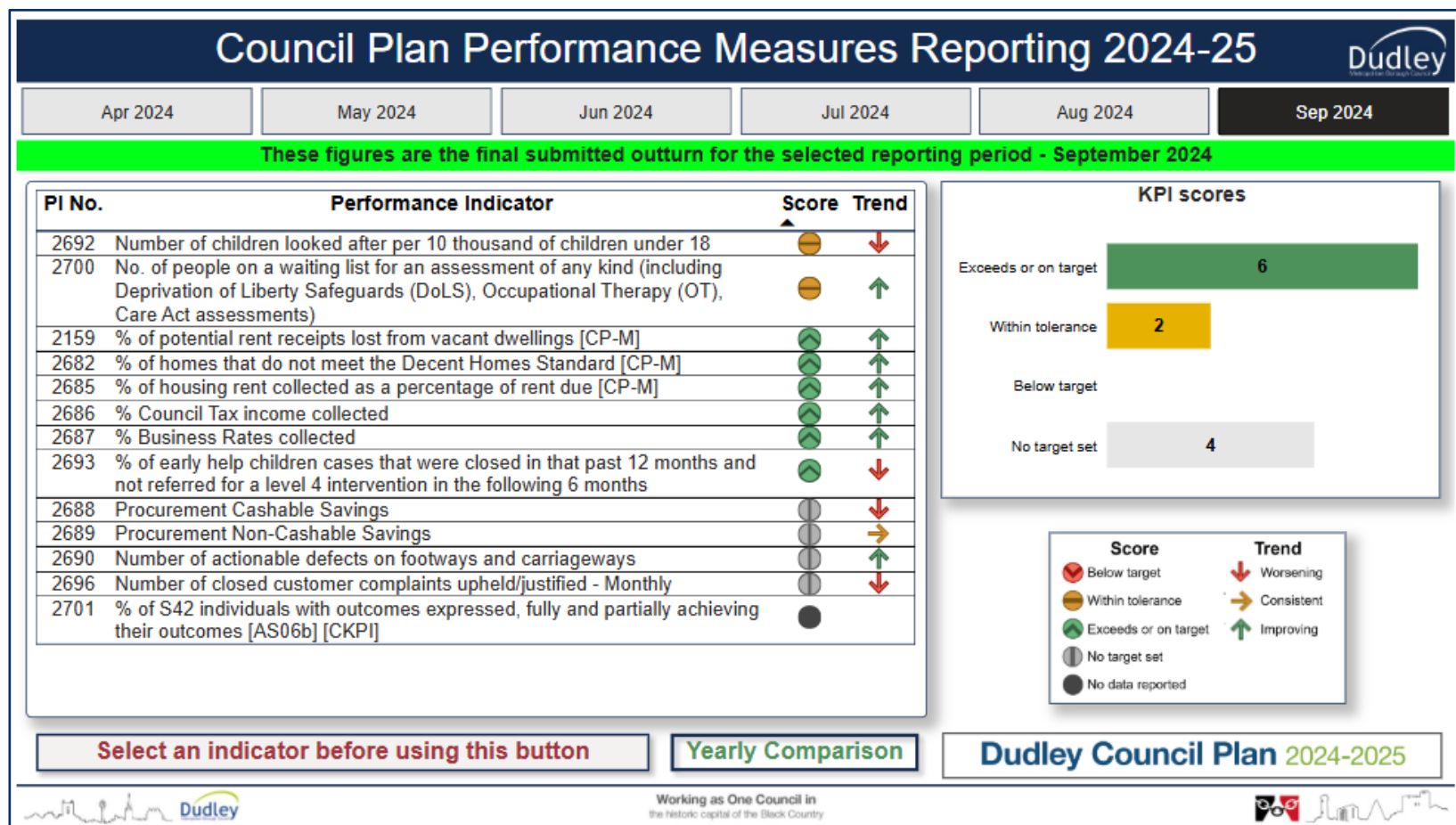


### Delivering an affordable regeneration strategy

- Dudley Economic Regeneration Strategy approved by cabinet in March 2024
- Dudley Cultural Strategy approved in August 2024.
- Dudley Place Based Strategy in September 2024.
- Stourbridge BID established.



# Council Plan Performance Measures Reporting



Council Plan Performance Measures dashboard available to all staff, members and public.

Report is updated to show latest month following the governance and approval process.

[Click image or here for link to report](#)



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