Meeting of the Audit Committee

Wednesday, 25th November 2026 at 6.00pm
in Committee Room 3
at the Council House, Priory Road, Dudley

Agenda - Public Session

(Meeting open to the public and press)

1. Apologies for absence.

2. To report on 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 21st September 2026 as a correct record (Pages 3 to 14)

5. 2023/24 Value for Money Assessment – Risk-based work relating to historic disposal of Wellington Road and other property disposals (Pages 15 to 42)

6. External Audit Annual Report 2023/24 (Pages 43 to 89)

7. External Audit Annual Report 2024/25 (90 to 174)

8. To consider any questions from Members to the Chair where two clear days Notice has been given to the Monitoring Officer (Council Procedure Rule 11)

Chief Executive
Dated: 17th November 2026

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

Distribution:
Members of the Audit Committee:

Councillor J Cowell (Chair)
Councillor A Qayyum (Vice-Chair)
Councillors P Boaler, A Davies, L Hamblett, S Henley, J Hill, J Mucklow and S Sherwani
Independent Member: Mr T Beirne

Information for Attendees:

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Apologies for Absence
Members unable to attend should notify Democratic Services. Any requests for substitutes should be made as early as possible and substitutes must be eligible to serve on the meeting.

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Minutes of the Audit Committee
Monday 21st September 2026 at 6.00pm
In Committee Room 3, The Council House, Dudley

Present:
Councillor J Cowell (Chair)
Councillor A Qayyum (Vice-Chair)
Councillors S Ali, A Barnfield, S Greenaway, S Henley, J Hill, J McGeough, J Mucklow and S Sherwani: T Beirne (Independent Member)

Dudley MBC Officers:
S Allsop (Section 151 Officer), K Awojobi (Associate Director – Law and Governance), M Granger (Corporate Fraud Manager), D Harris (Associate Director Audit Controls and Assurance), B Heron (Chief Executive – Via MS Teams), M Knowlton-Rayner (Risk and Insurance Manager), T Robbins (Associate Director - Corporate Procurement, Commissioning and Contract Management), A Taylor (Acting Audit Lead – Via MS Teams), and K Buckle (Democratic Services Officer)

Also in Attendance:
A Smith (Engagement Lead) – External Auditors (Grant Thornton – Via MS Teams), M Smith (Local Democracy Reporter) together with one member of the public.

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29. **Apologies for Absence**

Apologies for absence from the meeting were submitted on behalf of Councillors P Boaler, A Davies and L Hamblett.

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30. **Appointment of Substitute Members**

It was noted that Councillors J McGeough and S Greenaway had been appointed as Substitute Members for Councillors P Boaler and A Davies respectively for this meeting of the Committee only.

31. **Declarations of Interest**

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

32. **Minutes**

Councillor S Sherwani referred to the previous meeting when a member requested progress on the Wellington Road report, when a response was provided that there was no reason to anticipate that the final report would not be available for consideration by the Committee in September 2026 and requested an update in relation to the report.

In response the Chief Executive reported that it had been anticipated that the report would be presented to the September meeting however there was further due diligence to be completed and it was anticipated that the report would be presented either to the next meeting of the Committee or at a special meeting to be arranged to consider that item.

A Smith (Grant Thornton) confirmed that the Minutes of the previous meeting were accurate as it was expected that the report would be submitted to this meeting, stating that the draft report was made available to the Council in mid-May, however a process had to be followed to confirm the factual accuracy of the findings resulting in the need to share the report with certain individuals who were identified within the report which was standard practice for a report of this nature, with the expectation that the process would be finalised in August. However the process had taken longer than expected but he was now confident that the report would be finalised within the next few weeks and a special meeting of the Committee may be arranged should Members be available.

Resolved

That the minutes of the meeting held on 22nd July 2026 be approved as a correct record and signed.

33. **Statement of Accounts 2025/26**

The Committee considered a report presenting the Statement of Accounts to the Committee for consideration and approval, and also to inform the Committee of the progress with the audit of the accounts, whilst noting that the Statement of Accounts, and the audit of them were the main formal and public report on the financial standing of the authority.

The Draft Statement of Accounts 2025/26 which incorporated the Annual Governance Statement were appended to the report submitted.

The Section 151 Officer presented the report submitted, pointing out those sections and paragraphs of significant importance.

Arising from the consideration of the report submitted, a Member asked questions and raised concerns and Officers responded where appropriate to do so as follows: -

(a) Councillor J Cowell referred to the Annual Governance Statement and raised concerns that the underspend on the Housing Revenue Account was attributable to delays in procurement. Further concern was expressed that those delays could affect the timely delivery of essential capital expenditure and adversely impact tenants.

In response the Section 151 Officer referred to work that was continuing presently to ensure that the full condition surveys were completed with plans in place to address the Decent Homes Standards with that work being monitored through reports to the Cabinet and would also be reported on in the Quarter 2 monitoring report.

(b) Councillor J Cowell asked a further question in relation to the reference to the combined risk and insurance team and whether that would be established by the end of October.

The Associate Director of Audit, Controls and Assurance referred to the assessment of resources and introduced the Interim Risk and Insurance Manager. It was reported that the job description for the permanent position had been drafted and that a review of the arrangements for the combined Risk and Insurance Team would follow, noting that the two functions currently operated separately.

(c) Councillor J Cowell referred to building safety assurance and the issues associated with the NEC software, particularly the lack of data relating to the status of repairs and sought assurance that compliance requirements were being met.

In response, the Chief Executive referred to the mock audit undertaken in preparation for the full housing inspection, stating that the audit had identified a number of actions, with issues relating to the NEC system being a priority, and undertook to provide Members with an update on progress by the end of the week.

Resolved

(1) That the draft Statement of Accounts for 2025/26 and the progress of the External Audit, be noted.

(2) That the Committee authorises the Interim Director of Finance in consultation with the Chair of the Audit Committee to approve any changes to the Statement of Accounts arising from the audit work after the date of the Committee meeting as long as there is no impact on usable reserves as at 31st March 2026.

(3) That the Chief Executive in consultation with the Group Director Housing and Assets provide a written response to the Members on the progress with updating the NEC software, and assurances with compliance requirements regarding the status of repairs.

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34. **Treasury Management 2025/26 Outturn Report**

The Committee received a report providing an update on Treasury Management activities in relation to the Council's borrowing, investments and cash flow for the 2025/26 Outturn.

It was noted that the Local Government Act 2023 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.

In presenting the report submitted the Section 151 Officer reported on key emerging points and paragraphs of significant importance as contained in the report submitted.

Resolved

That the performance of the treasury management function against the Council's approved strategy for 2025/26 Outturn, be noted.

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35. **Finance Improvement Plan (including CIPFA Financial Management Model and Code) Progress Update – 2026/27**

Members considered a report presenting the progress against the Finance Improvement Programme (including the CIPFA Financial Management Model).

The Section 151 Officer referred to the detailed Finance Improvement Plan that was appended to the report submitted that detailed both the progress and the improvements made.

Arising from the presentation of the report and Appendix to the report submitted, Members asked questions and sought clarification and officers responded where appropriate to do so as follows: -

(a) Councillor J Hill referred to the implementation of the new ERP system and sought confirmation of the implementation timetable and also asked how confident the Council was that it could avoid the issues experienced by neighbouring authorities following the implementation of similar systems.

In response, the Section 151 Officer reported that the Council was working towards a go-live date of March 2027 for the HR and Payroll module and advised that a dedicated programme team, led by a Programme Manager, was overseeing the implementation and meeting regularly to monitor progress.

The Council was also receiving support from their implementation partner, Embridge, which had extensive experience of working with Unit4, the Council's current finance system. Rather than introducing a completely new system, the programme would build on and optimise the existing Unit4 platform by integrating the HR and payroll functionality with the finance system.

Discussions regarding the final delivery plan remained ongoing to determine how the programme would be phased. The aim was to implement the new HR and payroll system on 1st April 2027.

The Section 151 Officer referred to the lessons learned from authorities that had experienced difficulties with similar programmes and assured Members that appropriate resources, support and governance arrangements were in place. The oversight role of the Core Business Scrutiny Committee was also highlighted.

The Chief Executive advised that Unit4 had been in use for a number of years and that the current programme sought to optimise the existing platform rather than replace it.

The Chief Executive explained that the project would standardise financial processes, improve usability for budget managers, and deliver an integrated HR and finance system through the incorporation of HR and payroll functionality.

The Chief Executive referred to the Section 151 Officer's previous experience of using Unit4 and managing large-scale system migrations through his work with CIPFA. The appointment of an experienced implementation partner with extensive knowledge of Unit4 and a successful track record of working with the Council was highlighted.

The Chief Executive assured Members that appropriate governance and oversight arrangements were in place, involving the Section 151 Officer, programme sponsors and the Associate Director for Workforce and Learning. It was emphasised that the programme was supported by experienced senior leaders and that there was clear understanding of the modules being implemented.

It was further stated that the system would undergo extensive testing, including a three-month period of parallel running before go-live, to ensure that payroll services operated effectively from implementation.

(b) Councillor A Qayyum sought clarification on the frequency of updates to the Finance Improvement Plan and requested confirmation of the implementation timescales for outstanding actions.

In response, the Section 151 Officer advised that officers were working with the wider improvement team to ensure that progress against the Plan would be reflected in the next quarterly update. It was further reported that the Internal Finance Improvement Team met on a monthly basis and that the outcomes of this work informed the wider Council Improvement Plan.

The Section 151 Officer reported that a number of actions remained subject to confirmation, including some that had been amended following a review undertaken since his appointment and that work was ongoing to ensure that all actions continued to be relevant and appropriate to the Finance Improvement Plan.

(c) Councillor J Cowell referred to the action to review corporate functions to determine the operating model and ensure Value for Money through the Target Operating Model (TOM) project, as well as the proposal to establish a Capital Programme Board. It was noted that no start or completion dates had been included for these actions.

Councillor J Cowell also referred to an indication within the report that updates had not been made, highlighting a reference in the Control of Financial Resources section to a previous Section 151 Officer and expressed concern that actions assigned to named individuals might not be implemented if those officers were no longer in post.

The Chief Executive apologised and referred to the Programme Director, who was now in post and advised that the newly established Programme Team would ensure that the document was reviewed and updated now that a permanent Senior Leadership Team was fully established.

The need for clear implementation timescales and target dates was expressed whilst acknowledging that project timelines could be affected by unforeseen issues. The Chief Executive stressed the importance of maintaining a robust programme management and monitoring arrangements.

Resolved

(1) That the overall position against the previous Finance Improvement Plan for 2025/26 and the completed actions and further work required, be noted.

(2) That the updated Finance Improvement Plan for 2026/27 and beyond to take account of new developments and further priority areas and key updated Internal and External Audit recommendations, be received and noted.

(3) That the annual update on the compliance with the CIPFA Financial Management code to inform the Annual Governance Statement process for 2026/27 be received and noted.

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36. **Integrated Risk Management Framework 2026**

The Committee considered a report of the Director of Legal, Compliance and Assurance/Monitoring Officer on the Integrated Risk Management Framework 2026.

The Associate Director Audit, Controls and Assurance presented the report submitted referring Members to Appendix A to the report submitted confirming that the document had already been considered by the Corporate Management Team, requesting Members to consider the document for final ratification and approval.

The Risk and Insurance Manager presented the powerpoint presentation that had been circulated to Members prior to the meeting stating that the Appendix to the report submitted provided assurance on how governance responsibilities were managed and ensuring that risk was being managed effectively.

Following the presentation of the report and powerpoint presentation submitted, Members raised questions, made observations and sought clarification on matters, with Officers providing responses, where appropriate to do so as follows: -

(a) T Beirne (Independent Member) reiterated the importance of the Committee's role in overseeing risk management and requested clarification on the officer and governance responsibilities for the oversight of the risk management process, how the framework was applied across the Council, and the mechanisms in place to ensure that risks were identified and monitored effectively.

The Associate Director of Audit, Controls and Assurance referred to the Departmental Risk Champions, noting that they formed a key part of the Council's risk management framework. It was reported that a programme of engagement with Departmental Management Teams would be undertaken to strengthen risk management arrangements, provide additional training, and support the identification and review of departmental risks.

It was noted that a role profile had been developed for Risk Champions to ensure that those undertaking the role possessed the appropriate level of seniority and authority within their departments.

It was further reported that a Risk Management Sub-Group had been established, with representation from the Risk Champions. The Sub-Group would report through the Corporate Governance Group, with matters subsequently escalated to the Corporate Management Team and the Oversight and Assurance Board where required.

The Associate Director of Audit, Controls and Assurance advised that future risk management reports would be presented to the Committee by her. She added that relevant officers would be requested to attend Committee meetings, as necessary, to provide Members with assurance regarding the management and mitigation of risks within their areas of responsibility.

T Beirne requested that in addition to quarterly reporting he would also require deep dive reports on significant risk whilst confirming that the report submitted provided assurance to Members that risk was being managed effectively.

(b) Councillor J Cowell referred to the need to update procedures and risk owners ensuring that the person responsible for taking ownership of any particular risk was identified.

Resolved

(1) That the Integrated Risk Management Framework 2026 replaced the existing Risk Management Framework (last approved in April 2023), be noted.

(2) That the Integrated Risk Management Framework 2026, be approved in line with the Committee's responsibilities.

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37. **National Fraud Initiative 2026 – Update.**

A report was submitted to provide Members with details of the proposed participation of the Council in the National Fraud Initiative (NFI) 2026 which was the latest national exercise and seeking to provide assurance to the Committee regarding the Council's approach to preventing, detecting and investigating fraud.

Members noted that the NFI was a biennial data matching exercise coordinated by the Public Sector Fraud Authority, that assisted public bodies in identifying potential fraud, error and overpayments through the comparison of datasets both within and across participating organisations.

The report outlined the key fraud risks facing the Council, including emerging risks identified through national intelligence, local experience and fraud risk activity with participating in the NFI supporting the Council's commitment to maintain strong governance arrangements, protecting public funds and promoting a robust counter-fraud culture.

In response to a question from Councillor J Cowell, the Associate Director of Audit, Controls and Assurance outlined the timescale for the two-year process regarding data matching. The initial phase involved the uploading of data, which was scheduled for completion by October. Matched data would then be received by December, with further validation and refinement taking place between February and March, and the identified matches would be monitored on an ongoing basis.

Resolved

That the National Fraud Initiative 2026 update be approved in line with the Committee's responsibilities.

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38. **Questions under Council Procedure Rule 11**

There were no questions to the Chair pursuant to Council Procedure Rule 11.

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39. **Exclusion of the Public and Press**

That the public and press be excluded from the meeting for the following item of business on the grounds that it likely involves disclose of exempt information as defined in paragraphs 2 and 3 of Schedule 12A to the Local Government Act 1972.

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40. **Internal Audit Plan Progress Update 2026/27**

A joint report of the Director of Legal, Compliance and Assurance and the Interim Director of Finance (Section 151 Officer) was submitted to provide Members with an update on the performance of Council's Internal Audit Services from 1st April 2026 to 31st August 2026. The report also updated Members on the progress with Audit recommendations.

The Associate Director Audit, Controls and Assurance presented in more detail issues relating to both audit and counter fraud activities for 2026/27 carried out between 1st April 2026 to 31st August 2026.

It was noted that the report also updated members on progress made against a number of the supporting initiatives set out within the internal Audit Strategy and Plan 2026/27. An update on the implementation of audit recommendations was also provided along with details of planned improvements.

Arising from the presentation of the report and Appendix to the report submitted, Members asked questions and made comments and Officers responded where appropriate to do so as follows: -

(a) T Beirne (Independent Member) reminded Members that the Committee had the ability to invite relevant Directors to attend meetings to explain why outstanding recommendations had not been implemented.

(b) Councillor J Cowell agreed that, where deep dive audits were undertaken, it was appropriate for the officers responsible for implementing any resulting recommendations to be invited to attend the Committee and suggested that particular attention should be given to areas that had received a Minimal Assurance rating.

The Associate Director Audit, Controls and Assurance welcomed the proposed approach and advised that all Limited Assurance audit reports containing significant recommendations would be submitted to the Committee and explained that the relevant Group Director would be requested to attend meetings to respond to Members' questions

and provide assurance regarding the actions being taken to address actions.

The Section 151 Officer expressed support for the approach adopted by the Associate Director of Audit, Controls and Assurance and her team. He further advised that consideration would be given to requiring Group Directors to provide assurance statements in support of the Annual Governance Statement, in consultation with the Director of Legal, Compliance and Assurance /Monitoring Officer.

(d) Councillor J Cowell referred to the previous target of four weeks for the submission of management responses to audit reports. The Associate Director of Audit, Controls and Assurance advised that management responses were requested upon issue of draft reports and that final audit reports were issued within 10 working days of the response being received and reiterated that managers were expected to respond within two weeks of receiving draft reports and confirmed that compliance with those timescales was monitored by the assigned auditor.

(c) The Corporate Fraud Manager responded to a further question from Councillor J Cowell regarding purchase cards.

(d) The Associate Director Audit, Controls and Assurance responded to a further question from Councillor J Cowell regarding income targets.

Resolved

(1) That the progress against the 2026/27 Internal Audit Plan and the amendments to the original Plan, including those audits which had been cancelled since its approval on 20th April 2026, be noted.

(2) That the progress on the implementation of high-priority level recommendations, be noted.

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41. **Exemptions from the requirement for a Competitive Procurement Process**

A report of the Interim Director of Finance (Section 151 Officer) was submitted for Members to scrutinise on the Exemptions from the requirement for a Competitive Procurement Process.

Arising from the presentation of the report and Appendix to the report submitted, Members asked questions, made comments and raised concerns and Officers responded where appropriate to do so.

(1) That the report submitted on Exemptions from the requirement for a Competitive Procurement Process and the Appendices to the report submitted, be noted.

(2) That the recommendations set out in Section two of the report submitted on Exemptions from the requirement for a Competitive Procurement Process be endorsed and noted.

(3) That the Associate Director Corporate Procurement, Commissioning and Contract Management be requested to submit a one-page Action Plan to the next meeting of the Committee to include an explanation of breaches, exemptions and waivers.

The meeting ended at 7.42pm

CHAIR

Meeting of the Audit Committee - 25th November 2026

Report of the Chief Executive/Monitoring Officer/Interim Director of Finance

Management Response to Grant Thornton Report on Historic Property Disposals (2021-2024)

Executive Summary

This report provides the Audit Committee with an update and the Council's management response to historic governance weaknesses and recommendations identified in the Grant Thornton review of property disposals (2021-2024). It sets out actions taken to date and the further assurance required to demonstrate that the revised arrangements are embedded and operating effectively in practice.

Grant Thornton identified weaknesses in governance and internal control arrangements, including:

- governance and decision-making controls
- documentation and audit trails
- clarity of member and officer roles
- compliance and evidence relating to best consideration and subsidy control; data protection and information governance; preventative anti-bribery and corruption controls; and leadership behaviours, role boundaries and challenge

These issues increased risks to transparency, accountability and value for money. The Council has responded through a comprehensive governance and organisational reset, including:

- changes to the senior leadership team, intended to improve capacity and clarify accountability

- a constitutional review and revised Scheme of Delegation, alongside work to clarify member and officer roles
- Formulation of a Governance Handbook as a guidance tool for officers in respect of decision making.
- introduction of a single corporate landlord model, centralising accountability for disposals, acquisitions and asset development
- establishment of formal Property Disposal and Best Consideration Protocols
- working draft of a formal land property acquisition protocol
- Members commercial engagement protocol and Member Commercial Contact Checklist to provide clear guidance on the members obligations and record all representations made by third parties to elected members.
- strengthening scrutiny, Audit Committee and other oversight and assurance arrangements

A key change has been the separation of regeneration from transactional property functions, improving independence, challenge and due diligence.

Grant Thornton recognises the significant improvement work undertaken and the commitment of the current leadership team. It has not, at this stage, provided assurance that the changes are operating effectively or have fully addressed the identified weaknesses; that requires evidence of consistent application in practice over time.

The Council recognises that this is a continuous improvement journey, with further work required to fully embed governance, evidence compliance, and strengthen assurance.

Purpose of report

1. This report sets out the Council's formal response to the findings of the Grant Thornton review, including the actions taken to strengthen governance, accountability and control in property disposals and acquisitions.

   The Council acknowledges and thanks Grant Thornton for its comprehensive review. The final report found no evidence of fraud, bribery or unlawful conduct, but identified weaknesses in governance and internal control arrangements and made three key recommendations and one improvement recommendation. The Council had begun a wider organisational and governance improvement programme before the final report was issued, including:

- senior leadership restructuring
- governance reset and constitutional rewrite
- Strengthening assurance and oversight arrangements

The Council sought a rounded external perspective, commissioning:

- CIPFA (financial governance and resilience)
- Centre for Governance and Scrutiny (governance and transparency)
- Putting in place an independent Improvement Panel made up of external experts and member peers.

These activities provide a broader external evidence base for the Council's improvement programme. They complement, but do not replace, the specific assurance required by Grant Thornton on whether the new arrangements are embedded and operating effectively in practice.

Early action was taken, including introduction of:

- Approval of the Property Disposal Protocol and Best Consideration Protocol
- Strengthened governance around compliance arrangements

CIPFA's separate work should be read alongside Grant Thornton's conclusions. Grant Thornton states that it cannot yet provide assurance that the changes described are operating effectively and recommends independent assurance through Internal Audit or other means, with further testing through its 2025/26 VFM audit work.

Overview of Key Improvements (subject to on-going review and tightening)

2. **Governance and Leadership reset**
   - Comprehensive senior management restructure with clearer lines of accountability
   - Full rewrite of Constitution and Scheme of Delegation
   - Strengthening Audit Committee, scrutiny and corporate oversight

Corporate Property Model

- Establishment of a single corporate landlord model
- Group Director accountability for all property and assets
- Group Director responsible for regeneration and economy
- Removing previous fragmented, service-led decision-making

Separation of Functions

- Regeneration separated from transactional property activity
- Stronger independence in decision-making
- Improved objectivity and due diligence

Strengthening Property Governance Framework

- Introduction of:
  - Property Disposal Protocol and Best Consideration Protocol
- Standardisation of:
  - valuation processes
  - documentation
  - approvals and audit trails

Improved Decision-Making and Controls

- Formulation of the Oversight & Assurance Board and decision-making groups that will underpin this Board ensuring clarity of decision making and full oversight as the Council continues its improvement journey.
- Work has taken place but remains on-going in respect of clearer member/officer role boundaries including the embedding the member and officer protocol.
- More defined escalation routes for high-risk decisions
- Mandatory legal, financial and governance advice

Financial Governance and Oversight

- Introduction of:
  - Value for Money panels for expenditure over £1000
  - spend and workforce controls on all posts (permanent, interim, change in hours, acting up, grading, re-structuring)
- Strengthening alignment on property decisions with strengthened financial and legal governance

Information Governance and Transparency

- Strengthening documentation, audit trails and record keeping
- Elimination of informal and unstructured processes
- Improved transparency and auditability
- Strengthening the role of information governance and access to council ICT systems

Strengthening of Scrutiny

- Effective scrutiny is a key pillar of governance, and this is fully recognised within the Council's Improvement journey. The Council has undertaken initial work with the LGA via, and this has included training and the attendance of LGA peers at committee meetings.
- Formulation of a Scrutiny handbook. This has facilitated a focus on effective scrutiny and alignment with best practice and the statutory guidance.
- The Council has put in place regular scheduled meetings between chairs, vice chairs of all the scrutiny meetings with invites to members of cabinet.

Alignment to CIPFA Good Governance Principles

3. The Council's improvements, made and in progress, seek to align with the CIPFA/SOLACE framework, particularly:

A. Behaving with integrity, ethics and rule of law
- Strengthening controls, protocols and statutory compliance
- Improved clarity of roles and behaviours

D. Determining and planning interventions
- Separation of regeneration strategy and transactional delivery
- Structured decision-making frameworks

E. Developing capacity and leadership
- Senior management restructure
- Strengthening corporate leadership and accountability

F. Managing risks and performance
- Improved risk identification in disposals and acquisitions
- Integration with financial oversight and assurance processes

G. Transparency, reporting and accountability
- Strengthening audit trails and documentation
- Enhanced scrutiny and Audit Committee oversight

4. Future Actions

While strong progress has been made, the Council accepts Grant Thornton's conclusion that further evidence is required to confirm that new arrangements are fully embedded and consistently applied. The forward programme will therefore be explicitly aligned to each of Grant Thornton's recommendations.

Embedding Governance in Practice

- Independent Internal Audit assurance, reported to Audit Committee, on:
    - operation of the Property Disposal Protocol and Best Consideration Protocol, including testing that key controls are not overridden
    - consistent application of independent valuation, marketing, due diligence and approvals, with complete contemporaneous audit trails
- regular compliance testing, including subsidy control and best consideration, with findings and remedial actions reported to Audit Committee

Strengthening Asset and Property Strategy

- Finalise and implement a comprehensive Asset Strategy and in the meantime focus on the Asset Management Plan ensuring it is comprehensive and up to date
- Ensure alignment between:
    - asset management
    - financial strategy
    - corporate priorities

Assets Function

The Council is currently reviewing the capacity and capabilities of the Assets function and the supporting processes and systems.

We will be establishing an Asset Management Group which will focus on the Asset Management Plan priorities, providing clear governance, ownership and oversight of delivery.

The review will identify opportunities to strengthen capacity, standardise processes, improve data and systems, and ensure that asset management activity is aligned with the corporate landlord model, the Council's financial strategy and corporate priorities.

Acquisition Governance

- Working draft of Acquisitions Protocol in place
- Ensure parity of governance between:
    - disposals
    - acquisitions

    - Members commercial engagement protocol and Member Commercial Contact Checklist to provide clear guidance on the members obligations and record all representations made by third parties to elected members

Enhanced Decision-Making Evidence (Legal Best Practice)

- Ensure all transactions:
    - are supported by proper professional advice
    - clearly evidence best consideration and rationale
    - maintain full audit trails

Embedding the governance handbook and the formulation of process-mapping for decision making.

- Formulation and embedding of an Internal Constitution to provide clarity of decision making.

Appointment of specialist expertise to review published Council reports and delegated decisions to provide independent advice on areas for improvement. This will allow the formulation of constructive feedback and shaping continued training for officers.

Strengthening Subsidy Control and Best Consideration

- Formalise:
    - subsidy control assessments at point of decision
    - documentation of undervalue justification
- Ensure clear compliance with Section 123 LGA 1972

Culture, Behaviour and Role Clarity

- Continued programme of:
    - member and officer training. This will focus on embedding the decision making and the launch of the newly adopted constitution.
    - reinforcement of roles and responsibilities
- Embed Member–Officer Charter in practice
- Strengthen escalation and challenge culture
- Ensure statutory officers provide early challenge where role boundaries, due process or officer independence are at risk.
- Reinforce the Codes of Conduct and Nolan Principles, align them with the whistleblowing policy, and establish clear escalation routes for undue influence or pressure with zero tolerance for

retaliation. The Monitoring Officer should provide regular assurance on standards and conduct to Audit Committee.

- Formalise developer and third-party engagement during live transactions: all contact must be transparent, recorded and conducted through approved Council channels, with no use of personal accounts.

Effective Scrutiny

Anti-Bribery and Corruption: assess bribery and corruption risks at the outset of each property transaction; require declarations of actual or potential conflicts throughout the transaction; recognise financial and non-financial inducements; formally record developer interactions; provide regular training; and bring relevant third-party payments or charitable donations to non-Council events involving members within declaration requirements. Internal Audit should periodically test these arrangements.
Data Protection and Information Governance: reassess and clearly document the Council's decision on the incident involving special category health data relating to 178 residents and, if the UK GDPR reporting threshold is met, report it to the ICO. Require documented lawful basis, data minimisation and risk assessment for sensitive data sharing, mandatory regular training, and periodic Internal Audit compliance review.

- Further training for both members and officers.
- Embedding of the Scrutiny handbook.

Performance, Outcomes and Best Value Evidence

- Strengthen evidence framework for:
  - Economy (cost and value)
  - Efficiency (process and delivery)
  - Effectiveness (outcomes and impact)
- Link property decisions clearly to:
  - corporate plan
  - community outcomes

Corporate Landlord Maturity

- Further develop the corporate landlord model to:
  - integrate asset performance management
  - support long-term financial sustainability
  - align with regeneration and investment strategy

- confirms the social value that the Council provides to local and voluntary groups who support our local centres

5. **Overall Assessment**

The Council has transitioned from a position of:

- fragmented accountability
- inconsistent controls
- limited transparency

to a position where:

- accountability is centralised, clearly defined and implementing best practice policies
- processes are/will be formalised and standardised
- the revised framework is designed to produce auditable, evidence-based decisions; independent testing is required to confirm consistent operation in practice

The corporate landlord model, combined with governance reform, is intended to deliver a step change in control and accountability. Grant Thornton recognises the improvement work undertaken but has not yet provided assurance that the changes have addressed the weaknesses or changed governance culture and behaviours in practice.

Consistent with CIPFA best practice, the focus remains:

- embedding arrangements
- demonstrating consistent application
- evidencing outcomes and value

Conclusion

6. The Council has taken substantial action to address the weaknesses identified in the Grant Thornton report. Grant Thornton will test the revised governance arrangements as part of its 2025/26 VFM audit work and report its findings to the Audit Committee. In the meantime, the Council welcomes Grant Thornton's recommendation that it obtains its own independent assurance through Internal Audit or other means.

The current framework provides a robust foundation for governance, but sustained improvement depends on:

- discipline in applying controls
- continued external and internal assurance

- embedding cultural and behavioural change

Recommendation

7. The Audit Committee is requested to:

- Note the findings of Grant Thornton's final report and the actions taken to strengthen governance and control
- Accept Grant Thornton's key recommendations and improvement recommendations, and endorse the management action programme set out in this report
- Note that the Council's improvement work remains in progress and that the effectiveness of the revised arrangements must be evidenced through consistent application in practice
- Request Internal Audit to provide independent assurance on implementation and operating effectiveness, including periodic compliance testing, with findings reported to Audit Committee
- Request specific assurance on member-officer role boundaries and behaviours, developer engagement, data protection and information governance, subsidy control, and anti-bribery and corruption controls
- Note Grant Thornton's intention to test the revised governance arrangements through its 2025/26 VFM audit work and report its findings to Audit Committee



Chief Executive

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2023/24 Value for Money Assessment

Risk-based work relating to Wellington Road and other property disposals

1. Executive Summary

This report forms part of our 2023/24 Value for Money (VFM) work, undertaken in accordance with the NAO Code of Audit Practice, which requires auditors to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As part of our risk-based approach to VFM work, we reviewed concerns raised by both members of the Audit Committee and officers of the Council regarding the governance and decision-making arrangements applied to the proposed disposal of the Wellington Road site. Given the nature of these concerns, we considered it necessary to undertake more detailed risk-based VFM work to assess whether they were indicative of any significant weaknesses in the Council's arrangements for securing value for money more widely. This report sets out the findings of that work, covering the Wellington Road transaction and a wider sample of six property transactions undertaken between 2021 and 2024. It focuses on whether the Council's arrangements were effective in supporting good governance, transparency and value for money in property transactions of this kind.

Our findings are based on four strands of work:

- **Initial audit work** — officer interviews and document review across Wellington Road and five further property disposals from 2021 to 2024, which identified wider governance concerns.
- **Independent forensic review** — PwC was engaged by the Council to conduct a forensic review of emails and documentation across all six transactions. No evidence of fraud, bribery or personal financial benefit was found, but significant governance concerns were identified.
- **Legal advice** — the Council obtained independent legal advice on statutory compliance, subsidy control, data protection and anti-corruption matters, evaluated by us with support from our own external legal advisers. The Council's legal advisors held meetings with senior individuals including the Council Leader, Chief Executive and Principal Solicitor, to provide context and allow individuals to respond to matters identified.

Our work took place over an extended period, reflecting the complexity of the matters identified, the need for specialist expertise and delays caused by changes in statutory officer roles during 2025. Final clarification responses were received from the Council in late April 2026.

Key findings

We found no evidence of fraud, bribery or unlawful conduct. However, there were significant weaknesses in governance and internal control arrangements. In particular:

- Roles and responsibilities were not clearly applied, with senior elected members involved in operational matters, weakening officer independence.
- Behaviours that created pressure on officers and increased risks to transparency and public confidence. In our view, this dynamic created a risk that challenge would be suppressed in practice. A governance culture in which officers felt better supported to raise concerns at an earlier stage could have limited its reach. The Council's governance arrangements did not sufficiently guard against this influence.
- Property disposal controls were inconsistently applied, with gaps in documentation, incomplete audit trails and decisions not always supported by clear evidence.
- Information governance arrangements were weak, including inappropriate handling of sensitive personal data and use of informal communication channels.

- Subsidy control and anti-corruption controls were not consistently identified or applied at the point of decision-making.

Taken together, these issues increased the risk of property related decisions not being demonstrably transparent, compliant or achieving best value.

Recommendations

We have made three key recommendations to improve:

- governance and controls over property disposals;
- leadership behaviours; and
- data protection and information governance arrangements.

We also recommend improvements to anti-bribery and corruption arrangements.

Council progress

The Council has taken steps to address the weaknesses identified in this report. These include:

- introducing a new Property Disposal Protocol and Best Consideration Protocol, with clearer role boundaries between members and officers;
- making changes to the senior leadership team;
- implementing enhanced data protection controls and information governance arrangements; and
- broader improvements to governance processes and oversight arrangements. This includes the establishment of the independent Improvement Panel, the Oversight and Assurance Board governance structure, and the governance arrangements supporting pay cost control.

We recognise the scale of the work undertaken by officers to bring about these changes and the commitment shown to improving the control environment.

However, at this stage we cannot provide assurance that these changes are operating effectively or that they have addressed the weaknesses identified in this report. Assurance of that nature requires evidence of the arrangements working consistently in practice over time, which we have not yet been able to obtain. This is not unusual and it is entirely reasonable that these have not yet had time to be tested in practice.

We recommend the Council seeks its own independent assurance — through internal audit or other means — that the new arrangements are fully embedded and consistently applied.

We will be testing these governance arrangements as part of our 2025/26 VFM audit work. That work will provide evidence on whether the changes made have addressed the issues identified in this report, and we will report our findings to the Audit Committee in due course.

2. Background and Scope

Background

In March 2024, a local press article reported that the Council had agreed the sale of the former Dudley Leisure Centre site. However, the transaction had not reached contractual completion. Within a matter of weeks, the Council withdrew from the proposed sale in May 2024, and the collapse of the deal was subsequently reported publicly in June 2024.

We understand that the press article originated from information released by the developer. The Council's communications team have confirmed they were not involved in initiating the press coverage, nor in the Council Leader's response to the subsequent media inquiry.

This sequence of events took place shortly before the local elections held on 2 May 2024. While we have not seen evidence that the timing of the announcement was influenced by this, the proximity increases the importance of ensuring that public communications are appropriately controlled and only made when transactions are sufficiently advanced and contractually secure.

Members and officers of the Council raised concerns with us about the governance, decision-making and assurance arrangements applied to the transaction — in particular, about the robustness of controls over property disposals. Having regard to these concerns, we determined that this warranted further work and, on that basis, brought it within the scope of our 2023/24 Value for Money (VFM) assessment as part of our risk-based approach under the NAO Code of Audit Practice. This report sets out the findings of that work, covering the circumstances surrounding the failed disposal and whether they were indicative of wider weaknesses in the Council's arrangements for securing value for money.

Scope

Beyond the aborted Wellington Road disposal, concerns were raised about five further property disposals undertaken between 2021 and 2024:

- Wellington Road (former Dudley Leisure Centre)
- Dudley Museum and Art Gallery
- Centre for Equality and Diversity
- The Old Glasshouse
- Burton Road
- Brooke's Bar and Bistro

We considered whether the Council's arrangements were effective in securing value for money, with specific focus on:

- compliance with relevant laws and regulations;
- the operation of governance, decision-making and control arrangements;
- the risk of management override of controls. In other words, the bypassing of internal controls so a disposal can go through on favourable terms to a particular buyer, at an undervalue, or without proper scrutiny, even though the process looks correct on paper; and
- transparency and accountability in property transactions.

This VFM review does not assess the merits of individual disposal decisions or the Council's broader property strategy. It does not examine transactions outside the six sites listed above.

Timeline of the Review

Our work took place over an extended period because of the potential seriousness and complexity of the alleged matters, the need to engage independent forensic and legal expertise, changes in statutory officer roles during 2025 that caused delays in responses to audit enquiries, and the need to obtain further clarification from management before we could conclude. We received the final clarification responses from the Council in late April 2026.

The full timeline of the review is set out below:

- April 2024: The Council withdraws from the Wellington Road sale; the Audit Committee requests an auditor review.
- Mid-2024: Interviews were held with a range of Council officers who were in post during the relevant period in mid-2024. In several cases, the individuals interviewed have since left their roles. Those interviewed included the Chief Executive, Section 151 Officer, Interim Property Lead, Monitoring Officer, Deputy Chief Executive, Principal Solicitor, Director for Regeneration and Enterprise, and Head of Corporate Landlord Services.
- August 2024: Initial audit work identifies wider governance concerns beyond Wellington Road. We recommend the Council commission an independent forensic investigation.
- Late 2024 – January 2025: PwC conducts a forensic review and reports its findings.
- January 2025: We request further investigative steps, including legal advice and broader consideration of governance implications.
- First half of 2025: Responses to our requests are delayed due to changes in statutory officer roles.
- September 2025: Council's external legal advisor interviews Council Leader, Chief Executive and Principal Solicitor.
- November 2025: The Council shares advice from its legal advisor (subject to legal privilege).
- February 2026: The Council shares further legal advice from specialist counsel (subject to legal privilege).
- March 2026: We complete our independent legal review.
- April 2026: The Council provides final clarification responses, allowing us to conclude our work.
- May 2026: We share draft report with s151 officer and Monitoring Officer.
- June 2026: We share draft report with Chief Executive.
- July 2026: We share draft report with the Council Leader to give him the opportunity to comment on factual accuracy, provide additional evidence and request an interview.
- September 2026: The Council Leader confirms unable to produce, or direct us to, any such evidence, and declines to be interviewed.
- October 2026: Finalised report shared with the Council

3. Work Performed and Use of Specialists

This section sets out the stages of our review and the specialist expertise we drew on at each stage.

3.1 Initial Audit Work

Our initial work established that the Wellington Road disposal did not proceed because the prospective purchaser did not meet the Council's proof-of-funds requirements under its anti-money-laundering controls.

Officers raised concerns with us during interviews about governance surrounding the Wellington Road transaction and other previous disposals — including the extent of member involvement in operational matters. We concluded that further independent evidence was needed to assess whether there were weaknesses in the Council's property disposal arrangements across Wellington Road and the five other property transactions.

3.2 Forensic Review by PwC

The Council engaged PwC to carry out a forensic review of emails and documentation relating to the six property disposals.

PwC's work did not identify evidence of fraud, bribery, or personal financial benefit. It did, however, identify several concerns:

- sustained senior elected member involvement in live disposal processes;
- informal decision-making and communications outside formal governance channels;
- uneven engagement with developers during live disposals; and
- weaknesses in documentation, audit trails and information governance.

PwC concluded that, while its findings did not show unlawful activity, they created increased risk to the Council in terms of governance, transparency and public confidence.

3.3 Our Evaluation and Challenge

In line with auditing standards, we engaged our own forensic specialist to assess the competence and objectivity of PwC and the suitability of its work as audit evidence. Our forensic expert reviewed PwC's approach from start to finish – how they gathered their evidence, which transactions they looked at, and how they reached their conclusions. Our expert also went further and re-tested a sample of PwC's work directly, checking the underlying evidence for themselves to see whether they reached the same conclusions PwC did. We are satisfied that PwC's work was carried out to a professional standard, that their conclusions are properly supported by evidence, and that PwC acted independently in carrying out this review. We have not simply accepted PwC's findings. We have tested them and we concluded that the PWC forensic review provided a sound evidential base.

We identified that, while the PwC forensic review provided valuable analysis within its scope, it was not designed to fully assess questions of statutory compliance with specific legal regimes, the adequacy of preventative controls, or the broader implications for the Council's value-for-money arrangements. We therefore recommended the Council to commission further, more targeted advice and assurance to address these areas.

3.4 Legal Advice and Further Assurance

The Council obtained independent legal advice on compliance with property law, subsidy control requirements and other statutory obligations. We have taken that advice into account in forming our findings, which are set out in section 4. Legal privilege is maintained over that advice.

We challenged whether non-financial inducements and data protection risks had been sufficiently considered. The Council obtained further specialist legal advice over which legal privilege is maintained, which we evaluated with support from our own external legal advisers. We have taken these matters into account in forming our findings, which are set out in section 4.

3.5 Meetings with Key Individuals

The Council's legal advisors interviewed a small number of senior individuals, including the Council Leader, the Chief Executive and the Principal Solicitor.

The current Chief Executive recused herself from the Council's management of this review at the outset, to preserve her availability as a witness and to ensure the review could proceed without compromising her independence. Management of the Council's response to the review was therefore led by the s151 Officer and Monitoring Officer.

We found that the interviews were not designed as formal investigative interviews and did not test evidence in a structured or adversarial way. They were used to support understanding of the issues identified from documents and other evidence.

In the interview conducted by the Council's legal advisor, we understand the Council Leader refuted any suggestion of corruption or wrongdoing.

We have taken the information provided in these meetings into account where relevant. However, to be clear, our findings are based on wider documentary evidence (such as, email communications), the PWC forensic work and the legal analysis.

3.5 Information Governance and Data Protection

PwC's forensic review identified concerns about the handling of personal and special category data. As a result, we examined information governance and data protection arrangements as a separate strand of our VFM work. Although there were differing professional views on whether specific incidents were reportable breaches, there was broad agreement that the Council's information governance arrangements at the time were not sufficiently robust.

4. Audit Findings

This section sets out our findings across seven areas. The table provides a summary. Detailed findings follow in sections 4.1 to 4.7.

Our findings are based on documentary, forensic and legal evidence, supported where relevant by information obtained through meetings with senior individuals.

Summary of Audit Findings

Finding area	Summary finding
4.1 Officer and Member Roles	Senior elected members, particularly the Council Leader, were directly involved in operational property transactions in ways that went beyond strategic oversight. In our view, this blurred role boundaries, created pressure on officers and weakened the control environment. That pressure was not confined to direct member-officer interactions. Evidence indicates that it extended through the management structure, with officers experiencing pressure from colleagues as well as members. This points to a wider cultural effect in which the behaviours of senior elected members influenced how officers at multiple levels engaged with transactions and applied professional judgement.
4.2 Undue Pressure on Officers	In our view, officers faced undue pressure from the Council Leader that created a risk of departure from due process, and this dynamic extended through the senior officer structure — with colleagues at times placing pressure on others to comply with the Council Leader's wishes rather than adhere to process and exercise independent professional judgement.
4.3 Property Disposal Controls	Disposal controls were inconsistently applied. Marketing and approval processes were shortened or bypassed, decisions were poorly documented and public announcements were made before transactions were contractually secure.
4.4 Data Protection and Information Governance	Inappropriate sharing of personal and special category (health) data relating to 178 Dudley residents, with no clear lawful basis and use of personal email accounts.

4.5 Subsidy Control Compliance	Subsidy control requirements were not consistently identified or documented at the point of decision. The Old Glasshouse disposal was completed at undervalue of £55,000 without explicit recognition or recording of the subsidy at the time.
4.6 Anti-Bribery and Corruption	No corruption was identified, but preventative fraud arrangements were weak. Controls were largely reactive, with limited assessment of financial and non-financial inducement risks during live property transactions.
4.7 Gifts and Hospitality	One specific hospitality instance was reviewed. The Council provided adequate clarification and no finding of impropriety was made. The Council maintains a gifts and hospitality register.

4.1 Officer and Member Roles and Management of Controls

Senior elected members, particularly the Council Leader, were directly involved in operational aspects of property disposals in ways that went beyond their strategic role. In our view, this weakened officer independence and created conditions in which controls could be overridden.

Our initial inquiries into the Wellington Road transaction identified officer concerns about member involvement in operational decision-making, indicating blurred role boundaries and a broader governance weakness.

The PwC forensic review identified that the Council Leader was involved in negotiations and discussions that should normally be led by officers. PwC also found evidence of pressure being applied to officers, including challenge to professional advice, which in its view compromised officer independence and weakened the control environment.

PwC further identified weaknesses in how controls operated in practice, including:

- informal and unrecorded communications taking place outside formal channels;
- marketing and evaluation processes being shortened or bypassed; and
- incomplete documentation supporting key decisions.

Although formal governance frameworks were in place, they were not consistently followed and were susceptible to override, particularly in high-profile transactions.

Our work identified consistent themes across the transactions reviewed:

- roles and responsibilities between members and officers were not always clearly defined or consistently applied in practice;
- statutory requirements, including best consideration and subsidy control, were not consistently evidenced through clear documentation; and
- engagement with external parties sometimes took place outside established governance processes.

Across all strands of work, similar weaknesses were evident, including incomplete audit trails, limited transparency and reliance on informal processes and individual judgement. Further audit work identified that anti-bribery and corruption controls were largely reactive, with limited assessment of risks during live transactions. This is addressed in section 4.6.

The root cause, in our view, was the culture established by the behaviour of the Council Leader. Where that behaviour created pressure to comply rather than challenge, it undermined the effectiveness of the statutory officer safeguards on which the Council's governance framework relies. A further consequence of this dynamic is that, where challenge is suppressed, there is a greater risk that decisions are routed through urgency or delegated decision-making processes rather than through Cabinet and formal scrutiny. This reduces transparency, limits the opportunity for independent oversight and increases the risk that significant decisions are

taken without the level of member and public accountability that the governance framework is designed to provide. We found this dynamic did suppress challenge in practice.

While formal roles and responsibilities were defined, there were instances where behaviours and ways of working that did not align with those roles were not addressed sufficiently early or consistently. This allowed informal practices to develop and continue across several transactions.

In some cases, officer challenge and control processes did operate as intended. For example, in the Wellington Road transaction, the Council ultimately withdrew from the proposed disposal where due diligence requirements were not met. This demonstrates that controls could operate effectively, including in circumstances where there was pressure to proceed. However, across the wider set of transactions, similar behaviours and control weaknesses were observed to recur over time, suggesting that challenge was not consistently applied or sustained to prevent these behaviours becoming embedded in working practices.

Our findings are not based solely on whether influence resulted in a particular outcome — they reflect how governance and control arrangements operated in practice. Across the sample, there is evidence of both attempts to influence operational decision-making and instances where established processes were not followed or outcomes were reached without full adherence to expected governance standards. This includes examples of informal engagement with developers outside formal processes and decisions where the rationale was not fully supported by a clear and transparent audit trail. In at least one case, a disposal proceeded at a price that was not the highest offer received, without a fully documented rationale aligned to standard processes.

Overall, in our view, the separation between political leadership and operational management was not clearly defined or consistently applied, and controls were not sufficiently embedded to withstand override. The key issue is the impact on the control environment — reduced transparency, weaker audit trails and an increased risk of decisions being taken outside established processes, regardless of whether individual outcomes were ultimately changed. In our opinion, this increased both actual and perceived risks to governance, propriety and value for money.

Although we found no breach of laws or regulations, the cumulative effect of these issues is that:

- confidence in the objectivity and transparency of decision-making is reduced;
- the Council is exposed to avoidable legal, regulatory and reputational risks; and
- there is reduced assurance that resources were used economically, efficiently and effectively.

The Council's governance framework relies on officers exercising operational responsibility within agreed delegations. Where these boundaries are unclear or not consistently applied, decisions are more likely to be influenced outside formal processes, reducing assurance that outcomes represent the best use of public resources.

4.2 Undue Pressure on Officers

Officers raised concerns about member behaviour and pressure applied to them during decision-making. These pointed to weaknesses in the effectiveness of member-officer relationships.

The PwC forensic review found evidence of the following behaviours and actions:

- in their view, senior elected members, particularly the Council Leader, subjected officers to coercive and sometimes hostile behaviour — including criticism and implied threats — when officers sought to apply due process;
- Informal and selective engagement with certain developers created a perception of bias and preferential treatment, contributing to reputational risk, although no conclusive evidence of actual preferential treatment was identified.

- personal email accounts were used by members for Council business — including, in this case, the Council Leader. The Council Leader was involved in collaborating with developers on media activity during live transactions. While our work did not extend to a full review of the use of personal email accounts across all members, we understand that such use was permitted under Council policy at the time.
- public announcements were made before transactions had reached an appropriate stage of certainty, exposing the Council to reputational and legal risk.

PWC found no evidence of criminality. However, these behaviours created governance weakness and indicates a culture in which behaviours and attitudes increased the risk of potentially unlawful conduct, exposing the Council to significant governance and reputational risk.

These issues were not isolated. In our view, they pointed to a wider cultural weakness in which these behaviours and actions were always appropriately challenged or escalated.

The cultural weakness had a broader effect on the officer structure. Where behaviour by the Council Leader created an environment in which challenge was discouraged, there is evidence that this pressure was at times passed down through the officer structure rather than being resisted at the point at which it arose. This is a systemic governance concern rather than a finding about the conduct of individual officers. It demonstrates how a failure of standards at the most senior level can weaken the independence and effectiveness of professional challenge further down the organisation. It also points to a governance environment in which officers were not consistently supported — or did not consistently feel able — to exercise professional challenge at the point at which member pressure arose. Had that challenge been more forthcoming, the pervasive effects of this cultural weakness may have been more contained.

Our overall findings are that there was tolerance of informal developer engagement outside formal processes, and behaviours capable of giving rise to perceptions of favouritism or impropriety, even where decisions were legally compliant. Legal compliance alone is insufficient where behaviour undermines trust, transparency or fairness. Further audit work identified that interactions with developers during active transactions gave rise to perceived risks of non-financial inducement — including offers of positive media publicity (e.g. a developer claiming that were investing in Dudley after meeting the Council at MIPIM, which we do not believe to be correct) or reputational support. This is addressed more fully in section 4.6. In an interview held by the Council's legal advisor with the Council Leader, he provided explanations regarding the intent behind certain communications but the interview reinforced findings around governance weaknesses and perception risks.

Where officers are unable to exercise professional judgement and raise concerns without pressure or fear of reprisal, governance can weaken. This creates a heightened risk of poor decision-making, reputational damage, and loss of public trust.

4.3 Property Disposal Controls and Decision-Making

The Council's property disposal controls were inconsistently applied, insufficiently documented and vulnerable to override — particularly in high-value transactions. In several cases, the Council was unable to demonstrate that it had achieved best consideration — that is, securing the best price reasonably obtainable for taxpayers — or followed due process.

The Wellington Road transaction first raised questions about control discipline: the deal progressed to public announcement before contractual certainty was established, indicating weaknesses in sequencing and oversight.

PwC's forensic review identified a clear breakdown in the consistent application of controls across disposals:

- marketing and competitive processes were shortened or bypassed;
- negotiations took place informally, outside established governance arrangements; and
- documentation was insufficient to show how decisions were reached, how options were evaluated or how statutory requirements had been met.

PwC also found risks to best consideration: certain disposals progressed at potential undervalue despite officer advice to the contrary. Premature public communications compounded this, exposing the Council to reputational and legal risk.

Our work identified that the processes supporting decision-making lacked rigour and transparency. Specifically:

- statutory requirements — including best consideration and subsidy control — were often not clearly evidenced or documented;
- the Old Glasshouse disposal was completed at undervalue without the subsidy being explicitly identified or recorded (addressed further in section 4.5); and
- there were deficiencies in valuation evidence and the documentation of financial and legal considerations.

Further audit work confirmed additional weaknesses: incomplete audit trails limited assurance over how decisions were reached; and the control environment was reactive, relying on retrospective justification rather than contemporaneous documentation and challenge.

These control weaknesses are directly linked to the governance failures identified in sections 4.1 and 4.2. Informal decision-making, unclear role boundaries and pressure on officers together increased the risk of management override.

Where professional challenge and escalation by statutory officers was not consistently applied or sustained, the controls designed to prevent management override of the disposal process were less effective. In some instances, officer advice that should have been followed — including advice against proceeding with disposals at undervalue — was not given sufficient weight in the decision-making process. This points to a systemic weakness in how challenge was received and acted upon, rather than isolated failures in individual transactions.

Incomplete audit trails and inconsistent controls mean the Council cannot demonstrate with confidence that its assets were managed and disposed of effectively or that public resources achieved best value.

4.4 Data Protection and Information Governance

The Council's information governance controls were not effectively designed or consistently applied. Personal and special category data were shared without clear lawful basis, personal email accounts were used to conduct Council business and formal systems were bypassed. While professional views differed on whether specific incidents were reportable breaches, the cumulative evidence points to significant weaknesses with significant regulatory and reputational risk.

PwC's forensic review identified fundamental failures in information governance discipline:

- personal email accounts were used to transmit confidential and commercially sensitive Council information;
- informal and unrecorded communications were used, including with external parties outside corporate systems; and
- information was shared outside approved governance processes, undermining control, transparency and auditability.

Although policies and frameworks were in place, they were not followed in practice and could be readily bypassed.

Our work identified the following matters in respect of information governance arrangements:

- the lawful basis for sharing personal data was uncertain;
- entitlement to access sensitive information — particularly for elected members — was not clearly defined; and
- documentation was insufficient to show compliance with UK GDPR requirements.

A significant example involved the handling of special category health data. A Council officer sent a spreadsheet containing sensitive health data relating to 178 individuals to the Council Leader. We understand the Leader had requested only the cumulative figure, not the underlying individual-level data, and that the officer's disclosure of the full dataset was made in error. This was compounded by the fact that the officer sent the data to the Council Leader's personal email address, outside the Council's IT environment. Sending emails to personal email addresses was not a breach of email policy at the time but the incident involved multiple, distinct data protection control failure:

- no documented lawful basis or entitlement test was in place;
- data minimisation principles were not applied — excessive information was shared;
- non-secure communication channels were used; and
- no data protection impact assessment or contemporaneous risk assessment was carried out.

There was also inconsistency in how the incident was assessed. Legal advice indicated that the initial disclosure was likely to constitute a breach in the absence of a lawful basis. The Council assessed the matter as a governance issue rather than a reportable breach. Our GDPR specialist concluded that, given the volume and sensitivity of the data involved, the incident would likely meet the threshold for notification to the Information Commissioner's Office (ICO). We disagreed with the Council's assessment on this point.

This divergence exposed weaknesses in the Council's understanding of data protection responsibilities and in its escalation and decision-making processes for data breaches.

Local authorities are expected to safeguard sensitive personal data and demonstrate robust accountability. Weak information governance exposes the Council to regulatory action, remediation costs and reputational harm.

4.5 Subsidy Control Compliance

The Council did not consistently identify, assess, or document subsidy control considerations at the point of decision-making. Although all disposals within the scope of this review were ultimately found to be legally compliant, in at least one case the Council relied on retrospective justification and was not always able to demonstrate compliance through a clear and transparent audit trail.

PwC's forensic review of six transactions found that disposals were not consistently supported by clear, documented decision-making. Controls were inconsistent, documentation incomplete, and there was reliance on informal practices. There was limited evidence that disposals at undervalue had been systematically identified, assessed, or justified.

Within the sample reviewed, one transaction (the Old Glasshouse disposal) demonstrated these weaknesses. The disposal was completed at an undervalue of £55,000 and, while not in itself unlawful, the Council did not explicitly identify or document the subsidy. In this case, the undervalue appears to fall within the scope of the Secretary of State's General Disposal Consent, which permits disposals at less than best consideration where the Council reasonably considers that the transaction will contribute to the economic, social or environmental well-being of the area. While it is reasonable that this test could have been met in this case, the Council did not formally record this assessment or evidence the basis for its conclusion. As a result, there is insufficient documented evidence to demonstrate compliance with the Subsidy Control Act 2022 or the relevant consent framework at the time of decision-making.

More broadly, we identified:

- no clear documentation showing how statutory tests had been satisfied;
- no structured approach to identifying and assessing subsidy risk; and
- limited evidence of contemporaneous consideration of subsidy control requirements in decision reports and business cases.

These findings confirmed a significant weakness rather than isolated omissions. The Council over relied on post-hoc justification, lacked a defined framework for managing subsidy control risk, and could not consistently evidence compliance at the point decisions were made.

These deficiencies increase the risk of legal challenge, financial clawback and inefficient use of public assets, and reduce confidence that disposals were conducted in a transparent and compliant manner.

4.6 Anti-Bribery and Corruption Arrangements

No evidence of corruption or breaches of the Bribery Act 2010 was identified. In our opinion, however, preventative anti-corruption arrangements were not sufficiently robust, were not consistently applied and did not adequately address the risk of actual or perceived impropriety — particularly during property disposals, which are inherently high-risk activities.

PwC's forensic review identified behaviours that increased bribery and corruption risk, including perceived bias in favour of certain developers in property disposals, informal and unstructured communications outside formal governance processes, collaboration with developers on media activity during live transactions, and a blurring of boundaries between governance, political leadership, and commercial negotiation. In this context, "perceived bias" refers to the appearance that certain developers were favoured in the Council's approach to property transactions, rather than evidence of actual preferential treatment. While PwC found no evidence of bribery, these behaviours were considered capable of giving rise to perceptions of favouritism or improper influence.

Further audit work identified specific circumstances, which warranted closer scrutiny. Developers offered positive publicity or reputational support to the Council. These offers occurred during periods of active property negotiations, raising the possibility that they may amount to non-financial inducements prohibited under the Bribery Act 2010.

The Council's position is that no offence under the Bribery Act 2010 has been identified and that there is no evidence of financial or tangible advantage being offered or received. However, our work identified governance and documentation weaknesses.

From an audit perspective, our focus was on the adequacy of preventative arrangements — not solely on legal compliance. We found that:

- there was limited evidence of bribery and corruption risk assessment, particularly for high-risk activities such as land disposals;
- risks from financial and non-financial inducements — including reputational or political benefits — were not sufficiently understood or controlled; and
- interactions with developers during live transactions were not consistently governed by clear protocols.

These weaknesses were compounded by the broader governance failures identified across this report: informal decision-making, weak documentation, limited audit trails and insufficient role clarity. High-risk activities such as property disposals require proportionate preventative safeguards. Perceived impropriety erodes public confidence and weakens assurance over decision-making, even where no wrongdoing has occurred.

4.7 Gifts and Hospitality

As part of our work, we examined one specific instance involving hospitality invitations issued by a senior elected member to third parties involved in property-related activity. We considered whether the hospitality had been recorded in the Council's register, whether any benefit had been received or conferred, and whether appropriate regard had been given to the timing of the interaction given ongoing disposal processes.

The Council clarified that the event was organised by a third-party charity, that no public funds were involved and that the circumstances did not result in a registrable benefit to the decision-maker. On that basis, the absence of a register entry was reasonable and proportionate. No finding of impropriety arises from this instance. However, we

recommend the Council brings developers' payments or charitable donations to non-Council events involving members within its declaration requirements, particularly where these developers are involved in live property transactions.

5. Recommendations

This section sets out our three key recommendations and one improvement recommendation. Cross-references to the supporting findings are provided.

Key Recommendation 1 — Property Disposal Governance and Controls

(See sections 4.1, 4.3 and 4.5)

Key Findings

- In relation to six property disposals reviewed from 2021 to 2024, governance and control arrangements did not operate as intended. Members were involved in live transactions and influenced outcomes that should have remained officer-led, weakening independent decision-making and creating pressure on officers
- Key controls — including marketing, due diligence and approval — were shortened or bypassed, particularly in high-value transactions. Decisions were poorly documented, with weak audit trails and limited evidence of how statutory requirements, including best consideration, were assessed.
- Subsidy control risks were not identified or managed at the point of decision. Disposals at undervalue were not consistently recognised or assessed, and the Council relied on retrospective justification rather than contemporaneous assessment.
- Negotiations and communications with property developers took place outside formal channels, and public announcements were made prior to transactions being contractually secure.

Impact

- Reduced transparency and confidence in property disposal decisions.
- Increased risk of legal, regulatory and reputational challenge, including financial clawback for subsidy non-compliance.
- Weak assurance that disposals achieved best value and met statutory requirements.
- Greater risk of control override, particularly in high-profile transactions.
- Undermined officer independence and reduced ability to challenge decisions.

Recommendation

The Audit Committee must seek assurance from Internal Audit that the Council's property disposal framework — including the Disposal Protocol and Best Consideration Protocol — is operating effectively in practice and not being overridden. This should be supported by targeted retraining and reaffirmation of roles, responsibilities and required controls for both Members and officers, alongside enhanced internal scrutiny and periodic compliance testing. That assurance should confirm that:

- Members provide strategic oversight only, and officers manage transactions.

- All property disposals follow the full process, with no key steps — independent valuation, marketing, due diligence and approval — bypassed.
- Decisions are properly evidenced, with clear, contemporaneous records of valuations, options, risks and how statutory requirements (including best consideration and subsidy control) have been assessed and met.
- Subsidy risks are identified early, with disposals at undervalue formally recognised, assessed and supported by appropriate advice before decisions are made.
- Audit trails are complete, with all decisions and external engagement formally recorded.
- Approvals and public announcements are made only when transactions are fully supported and contractually secure.

Key Recommendation 2 — Nolans Principles of Public Life

(See section 4.2)

Key Findings

- Senior elected members, particularly the Council Leader, were involved in ways that went beyond their role. In our view, behaviour towards officers was at times pressurising and discouraged challenge, undermining officer independence and confidence to apply proper process.
- Informal and selective contact with developers, use of personal communication channels and collaboration on media activity during live transactions increased risks of perceived bias. Premature public statements further increased legal and reputational risks.
- In our view, this points to a risk that behaviours warranting challenge were, at times, tolerated rather than addressed.

Impact

- Reduced trust in the fairness and integrity of property decisions.
- Increased risk of reputational damage and challenge, even where decisions are lawful.
- Weakened officer confidence to challenge and apply proper process.
- Greater risk that decisions did not deliver best value due to perceived or actual bias.

Recommendation

- The Council must set clear expectations of behaviour by reinforcing the Council's Codes of Conduct and the Nolans Principles for both members and officers, with specific guidance for property transactions and external engagement, and align these expectations with, and actively promote, the Council's whistleblowing policy as a safe route for raising concerns.
- Statutory officers must provide early challenge on any undue influence or pressure from officer and members and reinforce role boundaries where necessary.
- The Council must protect officer independence by introducing clear escalation routes for concerns about undue influence pressure, including routes through the whistleblowing framework, with zero tolerance for retaliation.

- The Council must formalise all external engagement by requiring all contact with developers to be recorded, transparent and conducted through approved channels only, with no use of personal accounts.
- The Council must strengthen oversight and challenge by ensuring mechanisms exist to consider whether potential breaches of conduct are identified, reported and acted on promptly through the Council's governance and standards arrangements. This should be supported by regular monitoring controls, including the Monitoring Officer's annual report to the Audit Committee on standards and conduct matters, to test adherence to expected behaviours and protocols.

Key Recommendation 3 — Data Protection and Information Governance

(See section 4.4)

Key Findings

- Data protection and information governance controls were not working effectively. Controls were in place but were not consistently followed and could be bypassed using personal email accounts and unrecorded communications.
- Personal and special category data were not always handled in line with legal requirements. The legal basis, access rights and data minimisation were not clearly recorded at the time.
- A significant data incident involved the inappropriate sharing of sensitive health data relating to 178 individuals. The Council did not report this to the Information Commissioner. We disagreed with that assessment.

Impact

- Increased risk of regulatory action, including ICO involvement.
- Risk of harm to individuals through inappropriate handling of sensitive data.
- Reputational damage and reduced public trust.
- Weak assurance that UK GDPR requirements are consistently met.

Recommendation

The Council should reassess its decision not to report the data incident and, given the scale and sensitivity of the health data involved, report the breach to the ICO if the reassessment confirms that the UK GDPR reporting threshold is met, ensuring its rationale is clearly documented.

The Council must ensure that data protection and information governance controls are fully embedded and consistently applied. This should include:

- Reinforcing compliance: confirm that restrictions on personal email, access controls and monitoring are consistently followed in practice.
- Strengthening accountability: clearly define and enforce roles, responsibilities and access rights for handling sensitive information.
- Embedding good practice: require clear documentation of lawful basis, data minimisation and risk assessment for all sensitive data sharing.

- Improving breach management: apply consistent processes for identifying, assessing and reporting incidents, and keep prior assessments of incidents under review in the light of any further information that may emerge.
- Strengthening training: provide mandatory, regular training for all members and officers on UK GDPR requirements, including practical guidance on lawful basis, handling sensitive data and recognising reportable breaches.

Internal Audit should periodically review compliance with these arrangements to confirm that improvements are operating effectively and are sustained over time.

Improvement Recommendation 1 — Anti-Bribery and Corruption Controls

(See section 4.6)

Key Findings

- No wrongdoing was identified. However, preventative anti-bribery and corruption arrangements were weak — particularly for high-risk activities such as property transactions and regeneration.
- Controls were largely reactive. There was limited formal risk assessment, inconsistent oversight of developer engagement and insufficient recognition of risks from non-financial inducements such as reputational benefits.

Impact

- Increased risk of perceived improper influence.
- Reduced assurance that corruption risks are identified and managed proactively.

Recommendation

The Council should strengthen preventative anti-fraud and anti-corruption controls for property transactions. This should include:

- Assessing bribery and corruption risks at the start of each transaction.
- Ensuring independence is maintained and that all members and officers involved formally declare any actual or potential conflicts of interest at the outset and throughout the transaction.
- Setting clear rules for engagement with third parties during live transactions.
- Recognising and managing non-financial inducements, including reputational or political benefits.
- Ensuring all interactions with developers are transparent and formally recorded.
- Providing regular training to Members and officers on bribery and corruption risks, including how to identify and respond to potential inducements.
- Bringing third party payments and charitable donations to non-Council events involving members within its declaration requirements.

Internal Audit should periodically review these arrangements to confirm they are operating effectively.

6. Council Improvement Actions

This section sets out the actions the Council has taken in response to the weaknesses identified through this review. We recognise the significant work undertaken by officers since the period under review to strengthen governance, leadership and controls. These actions are noted for completeness and reflect the Council's commitment to improvement.

We are not in a position at this stage to provide assurance that these changes are operating effectively or that they have fully addressed the weaknesses identified in this report. That assurance requires evidence of the arrangements working consistently in practice over time. This is not unusual and it is entirely reasonable that these have not yet had time to be tested in practice. We will be testing these areas as part of our 2025/26 VFM audit work and will report our findings to the Audit Committee in due course.

In the meantime, we recommend the Council seeks its own independent assurance — through internal audit or other means — that the improvements described below are fully embedded and consistently applied. Our recommendations in Section 5 set out what further assurance is required to confirm that improvements are embedded and effective.

Property Disposal Framework

The Council introduced a Protocol for the Disposal of Council Land and Property and a Best Consideration Protocol. These are intended to:

- clarify roles and responsibilities between members and officers;
- ensure compliance with statutory requirements, including the duty to achieve best consideration; and
- establish clearer and more consistent audit trails for key decisions.

Subsidy control considerations have been incorporated into the Land Disposal Protocol, and legal advice is required for disposals at undervalue.

Leadership and governance arrangements

The Council has made changes to its senior leadership team during the period since the transactions under review. A constitutional review has also been undertaken, and the Council has commissioned external support from CIPFA on governance and financial management.

The Council has represented to us that these changes are intended to clarify member and officer roles and strengthen governance arrangements. We note these representations. However, we cannot provide assurance that the changes made have addressed the weaknesses identified in this report, or that the governance culture and behaviours that gave rise to those weaknesses have changed in practice.

Our 2025/26 VFM audit work will include specific consideration of whether governance arrangements — including the boundaries between member and officer roles — are operating as intended. We will report our findings to the Audit Committee.

Data Protection and Information Governance

The Council has introduced a range of technical, procedural and governance controls, including:

- disabling automatic forwarding of Council data to personal email accounts;
- enhanced monitoring of data flows and unauthorised activity;
- data classification, labelling and device restrictions;
- migration of councillors to managed devices or secure environments;

- multi-factor authentication and conditional access controls;
- data containerisation to prevent unauthorised sharing;
- full audit logging of data and email activity;
- an explicit prohibition on the use of personal email for Council data;
- strengthened breach management and escalation processes; and
- mandatory training for officers and councillors on data protection responsibilities.

These actions were introduced in response to issues identified through the investigation. Our recommendation in section 5 sets out what Internal Audit should confirm to provide assurance that these improvements are operating effectively.

Our position on these changes

We recognise the improvement work undertaken and the commitment shown by the current leadership team to addressing the weaknesses identified in this report. However, the existence of new policies, protocols and structures does not in itself constitute evidence that the underlying weaknesses have been resolved. Embedding cultural and behavioural change — in particular around member and officer role boundaries, escalation and challenge — takes time and requires sustained leadership commitment.

2023/24 Auditor's Annual Report

Dudley Metropolitan Borough Council

17 November 2026



Contents

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

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



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

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Executive summary

Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements.

This report was finalised in July 2026. Completion was delayed by our extended governance investigation into property transactions at the Council, which concluded in May 2026. Our findings therefore reflect arrangements in place during 2023/24, now two years ago. Our conclusions are summarised in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	One significant weakness identified, two key recommendations raised and one improvement recommendation raised.	R	Significant weakness from prior year relating to low levels of usable reserves remains outstanding. We issued a statutory recommendation in February 2024 due to heightened concerns over the Council's financial resilience.	⟷
Governance	R	Two significant weaknesses identified, three key recommendations raised and three improvement recommendations made.	R	Three new significant weaknesses identified. Four key recommendations and one improvement recommendation made. These cover failures in property disposal controls, senior elected member pressure undermining officers' independence, and the mishandling of sensitive personal data relating to 178 residents.	⟷
Improving economy, efficiency and effectiveness	R	One significant weakness in arrangements identified, five key recommendation and one improvement recommendation raised.	R	Significant weakness from the prior year relating to Housing Services remains outstanding. One new improvement recommendation raised.	⟷

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Executive summary

Financial sustainability

In our prior year report, presented to the December 2023 Audit and Standards Committee, we reported significant weaknesses in relation to the Council's medium-term financial sustainability and the organisation's financial governance arrangements. In February 2024, we issued a statutory recommendation relating to the Council's financial sustainability, which superseded previous key recommendations from the December 2023 report.

Servicing the forecast £55m budget gap for 2024/25 from unallocated general fund reserves will leave a balance of £2.2m in the unallocated general fund reserve. The Council is therefore forecasting to rely on the use of reserves in 2025/26 and have no more reserves to draw on for the remaining 2026/27 deficit. The Council is now pursuing an urgent review of the Council's operating model to avoid exhausting its reserves. We remain concerned over the scale of risk to the Council's financial sustainability over the medium-term position.

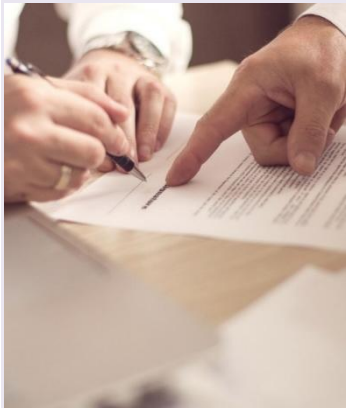
The Council are aiming to deliver £15.6m savings for 2024/25, having delivered £5m in 2023/24 (against a £7.8m target). The level of savings therefore appears to be ambitious within the context of the Council. This coupled with low levels of reserves, the consideration of Exceptional Financial Support earlier in 2023/24, Members who appear unwilling to make difficult decisions and a transformation programme that is in its infancy leads us to the view that there is significant risk in the Council's financial sustainability. Our statutory recommendation asked the Council to take urgent action to reduce the 2024/25 budget gap to reduce the reliance on reserves.

During 2023/24, there continued to be evidence that Members were not seriously considering the recommendations of officers in relation to the financial position. At this point, the Council continues to operate with a deficit and has not removed all non-essential expenditure, despite our statutory recommendation asking the Council to implement the likely steps needed in Section 114 notice were issued and taking measures to stop all non-essential spend immediately. The decision-making around Penn Meadow school is an example of Members going against the advice of the Section 151 officer and against the interests of the organisation's financial viability. Member's lack of willingness to take difficult decisions put the Council in the position of seeking Exceptional Financial Support (EFS) toward the end of last year in order to seek capitalisation direction and raise council tax beyond the referendum-limited rate. The request has since been withdrawn but is demonstrative of the fragility of the financial position. A capitalisation direction will not solve the underlying financial deficit and is a short-term solution to a long-term problem. This has been recognised by officers in the proposals for a new Target Operating Model though there are risks. We have concerns that the requisite savings to be realised as part of the Target Operating Model programme will not materialise in time for the Council to set a balanced budget for 2025/26. Our statutory recommendation therefore was in effect for the 2023/24 2023/24. It should be noted that our concerns over the Council's financial resilience have been addressed in subsequent financial years.

Furthermore, there is a cumulative deficit of £38.4m on the High Needs Block resulting in an overall Dedicated Schools Grant (DSG) deficit as at 31 March 2024 of £34.1m. The Council is dependent on the statutory override to continue setting a balanced budget. When the statutory override elapses, provided it is not extended, the Council does not have enough reserves to cover the cumulative deficit. Based on the risks surrounding the statutory override expiring and the potential impact on the General Fund, in key recommendation from 2021/22 and 2022/23 asking the Council to continue to ensure its progress in managing the DSG deficit remains outstanding. Members must not underestimate the impact that the DSG deficit could have on the overall financial health of the Council.

Financial Statements opinion

We expect to be able to issue an unqualified opinion on the Council's financial statements shortly after the Audit Committee on 22 July 2026.



Executive summary

Governance

We identified three significant weaknesses and one improvement recommendation. Our Wellington Road investigation reviewed six property disposals between 2021 and 2024, including the aborted disposal of the former Dudley Leisure Centre site at Wellington Road. We identified significant weaknesses in governance and control arrangements. Senior elected members, particularly the Council Leader, were directly involved in operational property transactions in ways that went beyond their strategic role, weakening officer independence and the control environment. Property disposal controls were inconsistently applied, with decisions poorly documented and statutory requirements — including best consideration — not consistently evidenced. We also identified failures in data protection and information governance, including the sharing of sensitive health data relating to 178 residents without a clear lawful basis.

Regarding risk management, internal audit and counter-fraud arrangements, we consider the Council to have appropriate arrangements in place. In our prior year report, we recommended the Council appoint two co-opted independent members to the audit committee. The Council accepted this recommendation at the Annual Council meeting on 16 May 2024 and appointments have since been made.

Improving economy, efficiency and effectiveness

We had previously raised a significant weakness in relation to the performance of the Council's housing service in 2021/22 and 2022/23. The Council was issued with a Regulatory Notice by the Regulator of Social Housing in April 2023 following a self-referral. The Council had found that gas, fire, electrical and asbestos safety checks may not have been completed for every property that needed one. As a high number of fire remediation in the communal areas of its block were overdue. Though good progress has been made, there continues to be a significant programme of backlog maintenance required and the Council cannot have the Regulatory Notice lifted due to the need for external validation of their data. Our significant weakness in this area and key recommendation remain outstanding until the Regulator Regulatory Notice is lifted. At this point, our findings will be reviewed.

We raised an improvement recommendation in 2020/21 encouraging the Council to improve the integrity of financial and non-financial information in its reporting to Members. The Council note that it's latest one-year plan is aligned to the Council's Fit for the Future programme and performance is presented monthly to CMT and Cabinet Policy Group alongside the monthly MTFS outturn reports to align reporting. We consider this improvement recommendation to be closed considering this. We have been made aware of cultural issues within the housing directorate relating to the management of the improvement programme in relation to the Regulatory Notice. We are conducting further work in this area.

We had previously raised an improvement recommendation in our prior year report encouraging the procurement function to report on a greater suite of indicators to Audit Committee. The Head of Procurement reported the number of waivers and exemptions to Audit Committee for the first time in several years in 2022/23. This report included full details of the reasons for exemptions and waivers. However, it was only in Q4 2022/23 that waivers began to be reported on correctly. The Council continue to aim to improve progress in this area but continue to be hampered by data quality issues. We, however, consider this improvement recommendation to be closed due to the increase in reporting and acknowledge the Council's continued efforts to improve in this area.

The Council continues to have effective partnership arrangements in place during 2023/24.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body, which need to be considered by the body and responded to publicly.	We raised a statutory recommendation in February 2024 on financial sustainability. The Council accepted it, and we have seen improved budget decision-making and financial performance in both 2024/25 and 2025/26.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

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New - Key Recommendation

Key Recommendation 1

Disposal of Council-owned properties

The Council should take the following urgent action:

- **Review and Approve the Protocol:** The Council should review and approve the newly created protocol for the disposal of its owned properties. It should ensure that the protocol establishes clear guidelines and procedures for the identification of surplus assets, marketing, and sale of properties, emphasising transparency, fairness, and compliance with governance and relevant legal requirements and regulatory standards.
- **Training and Awareness:** The Council should provide training and awareness programs to relevant staff members involved in the disposal process. This will ensure that employees understand and adhere to the revised protocol, promoting a culture of accountability and compliance within the Council.
- **Strengthen the Control Environment:** The Council should strengthen internal controls in relation to the marketing and sale of Council-owned properties.

Summary findings

In response to the significant weaknesses identified in the Council's policies and procedures related to the Wellington Road disposal, it is imperative that the Council takes immediate action to strengthen its processes and controls to mitigate potential risks and ensure compliance with relevant laws and regulations. The Council should consider implementing the actions outlined in the recommendation.

By taking these actions, the Council can significantly reduce the risks associated with inadequate policies and procedures for property disposals. Strengthening processes and controls will minimise the potential for financial loss, reputational damage, and non-compliance with regulatory requirements. Additionally, the Council's commitment to best practice in property disposals will enhance public trust and confidence, demonstrating responsible and transparent governance. Ultimately, these actions will contribute to the Council's ability to achieve the best value for its property assets while upholding legal and regulatory compliance.

Our work has also identified additional risks of a similar nature related to the disposal of Council-owned properties. This includes the involvement of members and corporate management in parts of the process that should be the domain of senior service managers and the extent to which this could impact the effectiveness of arrangements. As our work is still ongoing, we will continue to review these matters and report our findings in a subsequent report once our review is complete.

Criteria impacted

Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements to secure best value in the sale of Council-owned properties.

Management comments

New protocol was approved by the Audit & Standards Committee on 5th September 2024 and an action plan, which will form part of the Council's improvement programme, is being developed and will include improved training and guidance on roles, responsibilities and ethics, and the importance of compliance.

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New - Key Recommendation

Key Recommendation 2

The Audit Committee must seek assurance from Internal Audit that the Council's property disposal framework — including the Disposal Protocol and Best Consideration Protocol — is operating effectively in practice and not being overridden. This should be supported by targeted testing and reaffirmation of roles, responsibilities and required controls for both Members and officers, alongside enhanced internal scrutiny and post-completion reporting. That assurance should confirm that:

- Members provide strategic oversight only, and officers manage transactions.
- All disposals follow the full process — no key steps — marketing, due diligence, approval — are bypassed.
- Decisions are properly evidenced, clear, contemporaneous records of valuations, options, risks and how statutory requirements (including best consideration and subsidy control) have been assessed and met.
- Subsidy risks are identified early, disposals at undervalue are formally recognised, assessed and supported by appropriate advice before decisions are made.
- Audit trails are complete — all decisions and external engagements are formally recorded.
- Approvals and public announcements are made only when transactions are fully supported and contractually secure.

Summary findings

Governance and control arrangements for property disposals were not working as intended. Members were involved in live transactions and influenced outcomes that should have been officer-led, weakening independent decision-making and creating pressure on officers.

Key controls — including marketing, due diligence and approval — were shortened or bypassed, particularly in high-value transactions. Decisions were poorly documented, with weak audit trails and limited evidence of how statutory requirements, including best consideration, were assessed.

Subsidy control risks were not identified or managed at the point of disposal. Disposals at undervalue were not consistently recognised or assessed, and the Council relied on retrospective justification rather than contemporaneous assessment.

Negotiations and communications with property developers took place outside formal channels, and public announcements were made prior to transactions being contractually secure.

Criteria impacted

Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements to secure best value in the sale of Council-owned properties.

Management comments

The Council accepts this recommendation and has already implemented a number of measures to strengthen governance and oversight of property disposals.

Since the events considered by the auditor, the Council has developed and approved a Property Disposal Protocol and Best Consideration Protocol, which set out clear requirements for obtaining independent valuations, evidencing best consideration, assessing subsidy control implications, recording decision-making and maintaining supporting documentation for all significant property transactions. These protocols were approved by the Audit & Standards Committee in September 2024 and are now part of the Council's formal governance framework.

In addition, the Council has strengthened scrutiny and independent challenge through the appointment of Independent Members to the Audit & Standards Committee and has expanded the role of Internal Audit in reviewing governance compliance and control effectiveness. Property transactions are now subject to clearer governance routes, enhanced officer reporting requirements and improved record-keeping standards to ensure a robust audit trail exists throughout the transaction lifecycle.

Training has also been delivered to Members and relevant officers on governance responsibilities, decision-making requirements and standards expected in relation to significant transactions. The Council will continue to monitor compliance through Internal Audit reviews and Audit & Standards Committee oversight.

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New - Key Recommendation

Key Recommendation 3	The Council must set clear expectations of behaviour by reinforcing codes of conduct for members and officers, with specific guidance for property transactions and external engagement, and align these expectations with visible, active leadership. The Council's whistleblowing policy as a safe route for raising concerns. Statutory officers must provide early challenge on inappropriate conduct and enforce role boundaries where necessary. The Council must protect officer independence by introducing clear escalation routes for concerns about pressure or inappropriate behaviour, including cases through the whistleblowing framework, with zero tolerance for retaliation. The Council must formalise all external engagement by requiring all contact with developers to be recorded, transparent and conducted through approved channels only, with no use of personal accounts. The Council must strengthen oversight and challenge by ensuring potential breaches of conduct are identified, reported, and acted on promptly through the Council's governance and standards arrangements, and supported by regular monitoring controls including periodic reviews by Internal Audit or Compliance to test adherence to expected behaviours and protocols.
Summary findings	Behaviours by the Council leader increased risks to transparency and fairness in property transactions, though no bribery or corruption was identified. Senior elected members, particularly the Council leader, were involved in ways that went beyond their role in overview, behaviour towards officers was at times pressurising and discouraged challenge, undermining officer independence and confidence to apply proper process. Informal and selective contact with developers, use of personal communication channels and collaboration on media activity during live transactions created risks of perceived bias. Premature public statements further increased legal and reputational exposure.
Criteria impacted	Governance
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements to secure best value in the sale of Council-owned properties.
Management comments	The Council accepts this recommendation and has already undertaken significant work to strengthen governance, culture, accountability and professional standards. The Council has implemented a Governance Workstream as part of its wider improvement activity, which has delivered revised governance arrangements, enhanced Member and officer development programmes and strengthened support for statutory officers in exercising their independent responsibilities. Specific training has been delivered covering governance, ethical decision-making, standards of conduct and roles and responsibilities within the Council's constitutional framework. The Council has also strengthened its corporate governance framework through the review and updating of key governance policies, including whistleblowing arrangements, codes of conduct and decision-making procedures. The Whistleblowing Policy was revised in 2023/2024, with oversight arrangements in place to ensure concerns are reviewed appropriately and reported through established governance channels. To improve transparency and accountability, the Council has introduced requirements relating to declarations of interest, the use of corporate systems and formal reporting routes. The role of statutory officers in providing independent professional advice and challenge has been reinforced through governance arrangements and officer training. The focus now is on embedding these arrangements and monitoring their effectiveness through ongoing governance reviews and Audit & Standards Committee oversight.

New - Key Recommendation

Key Recommendation 4

The Council should assess its decision not to report the data incident, given the scale and sensitivity of the health data involved, report the breach to the ICO if the reassessment confirms that the UK GDPR reporting threshold is met, ensuring its rationale is clearly documented. The Council must ensure that data protection and information governance controls are fully embedded and consistently applied. This should include:

- Reinforcing compliance with the restrictions on personal email accounts and monitoring arrangements are consistently followed in practice.
- Strengthening accountability by clearly defining and enforcing roles, responsibilities and access rights for handling sensitive information.
- Embedding good practice requirements for documentation of lawful basis, data minimisation and risk assessments for all sensitive data sharing.
- Improving breach management by consistently assessing and recording incidents, and keeping prior assessments of incidents under review in the light of any further information that may emerge.
- Strengthening training by providing mandatory, regular training for all members and officers on UK GDPR requirements, including practical guidance on lawful basis, handling sensitive data and recognising reportable breaches.
- Internal Audit should periodically review compliance with these arrangements to confirm that improvements are operating effectively and are sustained over time.

Summary findings

Data protection and information governance controls were not working effectively. Controls were in place but were not consistently followed and could be bypassed through the use of personal email accounts and unencrypted communications.

Personal and special category data were not always handled in line with legal requirements. Lawful basis, access rights and data minimisation principles were not consistently evidenced.

A significant incident involved the inappropriate sharing of sensitive health data relating to 178 individuals. The Council did not report this to the Information Commissioner. We disagreed with that assessment.

Criteria impacted

Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements to meet legislative/regulatory requirements.

Management comments

The Council accepts this recommendation and has taken steps to strengthen information governance arrangements and organisational awareness of data protection responsibilities.

Following identification of the issues highlighted by the auditors, the Council reviewed the circumstances of the incident and documented the rationale underpinning decisions taken at the time. Lessons learned have subsequently informed improvements to information governance arrangements and staff awareness activities.

Mandatory Information Governance and Data Protection training continues to be delivered to officers and Members. Messages, supported by regular reminders regarding the use of corporate systems, data handling responsibilities and breach reporting requirements. The Council reinforced expectations regarding records management, the use of official communication channels and compliance with UK GDPR requirements, including lawful processing, data minimisation and appropriate retention of records.

Responsibility for information governance continues to be supported through established management, legal and governance arrangements, with Internal Audit providing independent assurance where appropriate. Compliance with information governance requirements forms part of the Council's wider governance and assurance framework.

Continuing – Statutory & Key Recommendations

Type	VFM criteria	Recommendation
Statutory	Financial sustainability	**Reduce reliance on and rebuild general fund reserves** Members should not underestimate the seriousness of financial position the Council now faces and must support officers in identifying sufficient and viable alternative proposals in form of council tax increases, investment, income generation as well as expenditure reductions to ensure that the Council maintains a minimum level of General Fund balances during 2024/25 to give it the best possible chance of avoiding a Section 114 notice. To address the seriousness of the financial position of the Council and to avoid a Section 114 notice being issued during 2024/25, the Council must now take urgent action to identify and deliver all available opportunities to reduce the current budget gap and reduce the reliance on General Fund reserves. The Council should: 1. Maximise the opportunity for positive movement in the 2023/24 Financial Outturn and 2024/25 budget, thereby reducing the indicative budget gap and the need to use General Fund balances in year. 2. Implement the likely steps it would need to take if the S151 officer was to issue a S114 notice if Commissioners were appointed by the Government. This includes strictly enforcing the existing spending controls already in place without exception and taking further measures to stop all non-essential spend immediately. For example, we suggest that the Council undertakes a comprehensive review of statutory services to determine the minimum level of service legally required. This approach will assist in providing a robust business case in case the Council need to apply for exception financial support. 3. Identify and develop additional expenditure reduction and income generation proposals to fully address the indicative budget gap in 2024/25 of £10.1m as well as the budget gap in the remaining years of the current Medium Term Financial Strategy. These may be temporary short-term savings, but it is important that where possible, these should be recurrent savings to address the forecast budget gap beyond 2024/25. 4. Create a prudent centrally-held contingency, which the S151 officer can deploy as necessary to manage any in-year pressures and fund the cost of change, by developing savings proposals that exceed the indicative budget gap.
Key	Financial sustainability	**Dedicated Schools Grant (DSG) deficit recovery plan** The Council must continue to monitor its progress in managing the Dedicated Schools Grant (DSG) deficit. Members must not underestimate the impact the DSG deficit could have on the overall financial health of the Council.
Key	Improving economy, efficiency and effectiveness	**Regulatory Notice issued by the Regulator of Social Housing (RoSH)** The Council must seek to settle the requirements of the Regulatory Notice issued by the Regulator of Social Housing with respect to the identification of a failure to meet minimum service standards. The Council should resolve the identified compliance concerns to ensure the removal of the Regulatory Notice.

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

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

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

Our commentary on the Council's arrangements in each of these three areas is set out on pages 19 to 23.

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting income on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated, demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how they respond to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. These powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

The Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape

Local context

Dudley Metropolitan Borough is part of the Black Country in the West Midlands. The Borough's population is 323,581 and 20% of the residents are aged 65 and over. Life expectancy for men in the most deprived areas of the Borough is 9.2 years lower than in the least deprived areas, and 8.6 years lower for women. The Borough is ranked 100th most deprived of 317 councils in England and 28% of its residents live in areas amongst the 10% most deprived in England.

82.4% of the Dudley population identified their ethnic group as White: English / Welsh / Scottish / Northern Irish / British. The next largest ethnic groups are Pakistani with 4.6% of the population, Indian with 2.4% and Other White with 1.9%.

As at Census day, 21 March 2021, based on people's assessment of their general state of health from very good to very bad 43.8% of Dudley residents said they were in very good health and a further 35.4% that they were in good health. 4.7% of Dudley residents said they were in bad health and 1.3% that they were in very bad health.

Of the Dudley population aged 16 and over in employment the week before the Census day, 21 March 2021, 29.6% worked part-time (30 hours or less a week) and 70.4% worked full-time (31 hours or more a week). The three largest occupation groups amongst the Dudley working population were Professional occupations with 16.8%, Skilled trade occupations with 12.4% and Associate professional and technical occupations with 12.12%.

Dudley Metropolitan Borough Council provides both county-level and district-level services, with some functions across the West Midlands provided via joint committees with the other West Midlands authorities, overseen by the combined authority and mayor. There are civil parishes in the borough which is an unparished area.

Elections are held three years out of every four, with a third of the council (one councillor for each ward) being elected each time for a four-year term of office. The 2021 election was won by the Conservatives and this administration remained in place until May 2024. The council has been under no overall control since May 2024.

Since the last boundary changes in 2004 the council has comprised 72 councillors representing 24 wards, with each ward electing three councillors. Elections are held three years out of every four, with a third of the council (one councillor for each ward) being elected each time for a four-year term of office.

Financial sustainability

We considered how the Council:

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

2023/24 budget and financial performance

Full Council approved the 2023/24 budget on 6 March 2023. The Council resolved to increase Council Tax by 4.99%. The budget set a target of £18.8m in savings for 2023/24. Several savings were removed from the budget between the December provisional report and the March budget at the request of Members. For example, the removal of the saving relating to support to community groups. The budget was set on the assumption that £4.2m of reserves would needed to be utilised to set a balanced position.

The budget was amended by the Council on 10 July 2023. The 2022/23 outturn report indicated that several savings had been reversed and removed, for example, the review of free surface car parks and overnight car parking charges. The removal of these savings would further deplete the Council's reserves balance.

Furthermore, during the year, the Council started to experience overspends particularly due to additional costs of adult's and children's care packages due to demand and price increases. These pressures were driving an increase in the forecast use of reserves at the end of the year, unless mitigated.

In October 2023, the Council started to recognise the pressure on reserves. It decided to introduce spending controls aiming to reduce the current financial year deficit. The proposal was that the controls remain in place until the Council's unringfenced reserves returned to 20% of net revenue spend. As at 31 March 2023, the reserves stood at 19% of net revenue spend, before spending controls were in place.

As per the March 2024 revenue budget monitoring report, the Council was exploring the use of the Flexible Use of Capital Receipts as a means of providing one off savings.

This flexibility has been offered by central government since 2016/17 and it was recently announced that the flexibility would be extended to March 2030. This allows Councils to fund revenue transformation projects (that qualify) with capital receipts.

In March 2024, the Council also revised the spending controls that had been originally approved by Cabinet in October 2023 to refine them to ensure they are fit for purpose but also maintain the aim of ensuring that the budget is managed effectively. The spending controls have proven to have had some effect as the deficit reduced from £15.2m forecast in October 2023 to £14.1m in March 2024.

The Council presented the 2023/24 provisional outturn to the July Cabinet meeting. The outturn is provisional until the final audited accounts are presented to the Audit and Standards Committee later in 2024. The report shows the Council to be reporting a £7.9m overspend against the General Fund revenue budget which is going to be serviced by reserves.

In 2023/24, 64% of the target savings were delivered. The Council set a target of delivering £7.8m savings but only managed to deliver £5m.

Financial sustainability

2024/25 budget and financial performance

The Council approved a 2024/25 preliminary budget in January 2024, which was updated in February 2024. The report noted that the Council was technically able to set a lawful budget for 2024/25 but that there was little scope to meet unexpected pressures or cover the costs of change to address the forecast budget gaps in later years.

The 2024/25 budget set the council tax increase at 4.99% for the year. The February budget forecast the need to deliver savings of £7.7m for 2024/25, although this increased to £15.6m in the final budget.

In February 2024, we raised a statutory recommendation which asked Members not to underestimate the seriousness of the Council's financial position and to address the seriousness of the 2024/25 budget pressures and difficult medium-term position.

The Council's latest budget monitoring forecast from August 2024 showed a budget gap of £5.6m which is set to be serviced by unallocated earmarked reserves. Based on the latest budget monitoring report, the Council is forecasting £9.6m favourable variance which is set to reduce the call on reserves at year-end to £5m. This would bring the unallocated balance to £13.8m as at 31 March 2025.

The Corporate Risk Register recognises the risk that the Council may be unable to set or manage its budget to meet statutory obligations. This risk has been allocated a rating of 20 which is Very High.

The medium term

The Council's Medium Term Financial Plan (MTFP) was approved in February 2024 by Full Council.

The report forecasts the following savings target for the next three years:

	2024/25 £'m	2025/26 £'m	2026/27 £'m
Savings	15.6	16.7	17.4

Source: February 2024 budget

The Council is forecasting the need to find £55.5m of savings for 2024/25 to 2026/27, which will leave only £22m in the unallocated general fund reserve. The Council is then forecasting to entirely deplete this reserve in 2025/26 and have no more reserves to draw on for the remaining 2025/26 deficit. The Council acknowledges that this position is unsustainable unless additional income or savings are identified. The Council is now pursuing an urgent review of the Council's operating model to secure a financially sustainable model.

An application for Exceptional Financial Support (EFS) was made to the Ministry of Housing, Communities and Local Government (MHCLG) for a capitalisation direction of up to £10m for 2024/25. The Council asked MHCLG to consider allowing the authority to set a higher council tax rate for April 2025 without the need for a referendum. In February, the Council opted to withdraw its application for EFS following conversations with Members.

At March 2024, the Section 151 noted that, based on the forecasts at the time, there may need to issue a Section 114 notice under the Local Government Finance Act 1988 if the risks present in the budget materialised and mitigating actions were not taken. This was in reference to the 2025/26 budget.

The Council has been working to identify savings in advance of the formal budget cycle due to the low level of reserves and significant concerns regarding the Council's medium term financial sustainability. As per the August 2024 monitoring report, the Council managed to identify new savings of the following:

	2024/25 £'m	2025/26 £'m	2026/27 £'m
New savings identified	1.3	2	2

Source: August 2024 budget monitoring

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Financial sustainability

The Council's unringfenced reserves as a proportion of net revenue spend has fallen from 19% as at 31 March 2022 to only 9% as at 31 March 2024. This demonstrates that the Council has been running down reserves and the reserves now available to support emergencies and financial pressures is disproportionately low when compared to similar size authorities.

As outlined in our prior year report, it is evident that the Council is still unable to devise a credible plan to remove its reliance on reserves to fund services. This is particularly evident by the fact that the Council (a) considered Exceptional Financial Support (EFS) from central government and (b) is forecasting the exhaustion of reserves during 2025/26. The Council's reserves are critically low and do not provide the protection necessary to withstand future financial shocks.

The Council, positively, are aiming to rectify this position as far as is possible with the development of the Target Operating Model. A first round of functional reviews has commenced and additional Cabinet and Council meetings were added for August to approve and accelerate further savings. There are concerns surrounding whether this will be developed in time for the necessary savings to be realised before the authority needs to issue a Section 114 due to the inability to set a balanced budget for 2025/26. The Council continues to propose and approve additional ongoing savings in an attempt to meet the budget deficit (for example, the introduction of green waste charging). Savings are RAG rated monthly in terms of achievability.

We remain concerned that the Council's medium-term position is significantly risky. The Council are aiming to deliver £15m in savings for 2024/25, having delivered £5m in 2023/24 (against a £7.8m target). The level of savings therefore appear to be ambitious within the context of Dudley Council. This coupled with low levels of reserves, the consideration of an application for Exceptional Financial Support, members who appear unwilling to make difficult decisions and a transformation programme that is still in infancy leads us to the view that there is significant risk in the Council's medium term position. Our key recommendation in this area, asking the Council to 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, is closed and superseded by our statutory recommendation. Our statutory recommendation from February 2024 was in place during 2022/23 and reflected our concerns surrounding the medium term position at that time. It should be noted that the Council's finance performance in 24/25 and 25/26 has helped to address our concerns over financial resilience.

The Dedicated Schools Grant (DSG)

The majority of Special Educational Needs and Disability (SEND) services are met from the High Needs Block within the Dedicated Schools Grant (DSG). In common with many other councils, the Council has been experiencing significant financial pressures in increasing demand for children that require additional educational support.

At 2023/24 budget setting, the forecast cumulative deficit on the High Needs Block was £27.3m resulting in an overall DSG deficit of £31.7m as at 31 March 2023.

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

The statutory override only provides temporary relief for councils to manage their DSG deficits. When the statutory override expires, councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from unringfenced general reserves. The risk arises where many councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many councils have become dependent on the statutory override to continue setting a balanced budget. With the statutory override expiring in 2025/26, there is intense pressure for councils to devise a plan to manage the DSG deficit to mitigate the risk of funding the deficit from reserves and risk fully depleting the general reserves balance.

Dudley has been participating in the Delivering Better Value in SEND programme which aims to support local authorities to improve the delivery of SEND services and ensure services are sustainable. The programme is optional and is currently providing support to 55 local authorities. The Council was awarded £1m grant to support this improvement.

The programme is demonstrating effectiveness as the Council is experiencing a slowing of the increase rate in spend against the HNB and reduction of the EHCP Needs Assessment requests. The Council has also completed a redesign of the specialist services which has resulted in some saving to the DSG.

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Financial sustainability

The Council is continuing with its sufficiency reviews which are due to complete in 2024 and this should have an impact on activities for young people in SEND.

Although a high-level recovery plan has been agreed, there is a cumulative deficit of £38.4m on the High Needs Block resulting in an overall DSG deficit at 31 March 2024 of £34.1m. Monitoring of the DSG Deficit Management Plan continues internally and is reported to Budget Working Group and Schools Forum regularly.

The Council is forecasting the DSG deficit to be £40.3m as at 31 March 2025. The Council's forecast earmarked and unallocated reserves balance as at the same date is approximately £15m. The Council is forecasting to have a reserves balance below £5m as at 31 March 2026. These forecasts demonstrate that the Council is wholly independent of the statutory override to continue setting a balanced budget. When the statutory override lapses, provided it is not extended, the Council does not have enough reserves to cover the cumulative deficit. The statutory override is therefore providing a temporary solution to a long-term problem.

In 2021/22, we raised a key recommendation on the Council's medium term plan which was split into two parts (A) and (B). The part (a) of the recommendation related principally to the Council's general fund position and this part is superseded by our statutory recommendation from February 2024. The part (b) asked the Council to monitor its progress in managing the DSG deficit and asked Members not to underestimate the DSG deficit and its relationship to the overall health of the organisation. This portion of our key recommendation remains outstanding and the significant weakness in relation to the DSG deficit persists.

Target operating model and transformation

The MTFS agreed in March 2024 set out the need for the Council to significantly change due to the deterioration of the financial position. Councils across the country are having to make difficult decisions about how they will be configured to continue to meet their statutory duties and set balanced budgets. Dudley has historically low reserves, low unit cost, is one of the lowest taxing councils in the country and average performance in respect of delivering savings. The Council's reserves are critically low, with unringfenced reserves representing 9% of net revenue spend as at 31 March 2024 with a forecast to drop to 4% by 31 March 2025.

To address the financial gap over the next three years, the Council has identified that it would require further savings of 10% from the total net budget of which only 3% is currently identified in the MTFS.

The Council has identified the need for radical organisational change. The Council's latest 1-year Council Plan from March 2024 stated the commitment to develop new ways of working, reshaping services and delivering a new operating model.

Between December 2023 and May 2024, the Council undertook work under the Fit for the Future Programme looking at overall organisational transformation. The Turnaround case for change and operating model blueprint has been developed and presented to Cabinet in July 2024.

Our statutory recommendation from February 2024 asked the Council to undertake a comprehensive review of statutory services to determine the minimum level of service legally required. The LGA use of resources review of Adult Social Care has been undertaken as at May 2024 and the CIPFA review, currently underway, is expected to include recommendations on the potential for savings by matching best practice in statutory functions. The CIPFA review was commissioned by the Deputy Chief Executive to assess the organisation's financial sustainability. At this point, the Council continues to operate trading functions at a deficit and has not removed all non-essential expenditure, despite our statutory recommendation asking the Council to implement the likely steps needed if a Section 114 notice were issued and taking measures to stop all non-essential spend immediately.

The Council is taking the right approach by acknowledging the shortcomings of the current operating model and working to radically rethink the configuration to support functioning within its financial envelope in the future. We have previously commented that the organisation has not always shown a willingness to embrace change. We can see evidence that officers are directing effort toward developing and creating radical changes but this requires buy-in and support from Members in order to be effective. The reversal of savings from the budget, for example, indicates that Members do not always have the financial position of the authority at the forefront of decision-making.

We have concerns that the requisite savings to be realised as part of the Target Operating Model programme will not materialise in time for the Council to set a balanced budget for 2025/26. The Council clearly shares some of our doubts as is evident by the consideration of EFS from MHLCG to provide cushioning to the new operating model is developed. The Section 151 has also continually flagged warnings surrounding the importance of replenishing reserves to enhance financial resilience.

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Financial sustainability

Member decision-making

In our prior year report, we raised a significant weakness relating to financial governance. We noted that the Chief Finance Officer had been making efforts to communicate the seriousness of the financial risks to Members and put forward options for resolving the deficit. For the 2023/24 budget, several savings proposition were proposed to help close the gap and relieve the pressures on reserves but these were either agreed initially then later rejected or just outright rejected by Members with no credible alternatives proposed. We continue to raise concerns that Members are not adequately focused on meeting the financial challenge.

At July 2023, further planned use of reserves of £0.80 was approved and the £7.9m £7.9m adverse variance has resulted in a further depletion of the unallocated reserves balance. This was partly influenced by the reversal of savings and therefore a decision by Members. This means that while the Council had forecast to have £16.6m of unallocated reserves as at 31 March 2024 – the actual outturn is showing the Council to have only £8.8m. This represents 9% of the 2023/24 net revenue budget.

Our statutory recommendation from February 2024 urged Members to not underestimate the seriousness of the financial position. We asked the Council to identify and develop additional expenditure savings and income generation proposals to address the indicative budget gap for 2024/25.

The January 2024 preliminary MTFP included a provision to service debt for building a new Pens Meadow School replace the current split site. The forecast debt charges rise to £1m per year from 2026/27 onwards. The report asked Cabinet to weigh the benefits of building the site against the financial position and decide whether to approve the override of the spending controls to permit the project to proceed. The preliminary MTFP was very clear that "the contract for the new build at this time would not meet the criteria of spending controls." The Section 151 officer even took the extraordinary step of writing a separate supplementary report which had the following:

'Paragraph 4 of the MTFS report asks Members to decide whether to override the spending controls that it approved in October so as to allow the project to replace the Pens Meadow School to proceed. Advice has been given to members privately. However, we reflect on the advice of the Director of Finance and Legal is that Cabinet should not override the spending controls in relation to this project or any other project that does not meet the criteria. The Council's financial viability is at serious risk and the Pens Meadow School new build should be deferred until such time as the finances are secure. For avoidance of doubt, the spending controls apply even where a budget has previously been approved.'

The Director of Children's Services endorsed the views of the Section 151 Officer. Members resolved to approve the Pens Meadow proposal despite the advice of the Section 151 Officer and the extraordinary steps he has taken to make clear to Members that this decision would not be in the interests of the organisation's financial viability.

Capital

The Council's Capital Programme complements the revenue budget in achieving the Council's priorities. It is constructed and developed in accordance with the principles outlined in the Council's approved Capital Strategy. The Council has a rolling Capital Programme which sets out detailed capital investment plans for each Directorate funded from a number of sources. This is supported by a Capital Strategy and Capital Investment and Disposal Guide. The Council complies with CIPFA's Prudential Code for Capital Finance and reports to Members, where necessary.

In our prior year report, we raised an improvement recommendation asking the Council to consider how it sets its capital budget to set more realistic budgets going forward. The Council notes that since our report in December 2023, the capital programme has been revised to reflect a more realistic timetable for delivery and the cash flow impact has been reflected in the revenue budget. The Council aim to keep this under review and a number of projects have been deferred beyond the three-year period.

The Capital Programme set in February 2023 forecast £151m expenditure in 2023/24. The Council's capital expenditure in 2023/24 totalled £98.7m. This shows £52.3m underspend (35%). This is owing to slippage, reprofiling and deferring of projects. The Council do not consider any of the changes to be out of the norm. We still consider there to be a significant underspend against plan and, therefore, this improvement recommendation remains outstanding.

Financial sustainability

Borrowing

The Council's average value of long-term borrowings for 2023/24 was £622.2m. Based on the CIPFA Financial Resilience Index, Dudley benchmarks as higher risk in two indicators relating to its borrowing: (1) ratio of interest payable to net revenue expenditure and (2) gross external debt. The Council's borrowing is dictated by the Treasury Management Strategy which was approved alongside the budget in March 2024. The Council also uses Link Asset Services as its external treasury management advisers value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council maintains the quality of the service with its advisors by holding regular meetings and tendering periodically for the provision of treasury management advice.

Officers are aware of the risk regarding the Council's borrowing position and are seeking to control it where possible. For example, the Pens Meadow school debate focused on the £1m annual revenue implications of taking on the borrowing and the Section 151 was advising against this proposal, in recognition of the level of interest payable in reference to the net revenue expenditure. However, Members were against the Section 151 officer's advice and approved the capital expenditure and associated borrowing for Pens Meadow School.

Conclusion

We have identified significant weaknesses in the Council's financial sustainability arrangements. Due to mounting concerns over the Council's reserves position, we exercised our wider powers by issuing a statutory recommendation in February 2024.

The Council has been depleting reserves over several years to address revenue budget deficits and is now forecasted to fully deplete the reserve balance in 2025/26. The development of the Target Operating Model is seen as the means to remedy this, but there are concerns about the Council's ability to recognise the level of savings necessary to set a balanced budget for 2025/26.

In 2023/24, there was evidence that Members were not seriously considering the recommendations of officers regarding the financial position. The decision-making around Pens Meadow school serves as an example of Members going against the advice of the Section 151 officer and the interests of the organisation's financial viability.

Additionally, there is a cumulative deficit of £38.08m on the High Needs Block, resulting in an overall DSG deficit of £34.1m as of 31 March 2024. The Council is in the statutory override to continue setting a balanced budget. When the statutory override elapses, provided it is not extended, the Council will not have enough reserves to cover the cumulative deficit. Based on the risks surrounding the statutory override expiring and its potential impact on the General Fund, our improvement recommendation from 2020/21 asking the Council to ensure there is a robust and realistic plan to reduce the DSG deficit and closely monitor progress remains outstanding.

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Governance

We considered how the Council:

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

Risk management

The Council has arrangements in place to identify strategic risks, understand them, record them within the body's risk management system and assess/score them. The risk management arrangements are appropriately designed. Risk management is governed by the Risk Management Framework which was implemented in April 2021.

Risks are reported to Strategic Executive Board (SEB) and Audit and Standards Committee where risks are reviewed and discussed and allocated to Risk Owners. The latest available risk register shows there to be 20 risks reported as at April 2024. The risk registers have captured the risks surrounding the financial position, for example. For each risk reported, key controls are set out, the agreed RAG-rated, allocated to a member of officer and the direction of travel is shown.

During 2023/24, internal audit supported compliance with the Council's Risk Management Framework by providing training to officers, supporting officers with the identification and management of risks, launching the Risk Management Dashboards, facilitating the completion of Risk Assurance Statements by Directors for 2022/23 and ensuring quarterly risk and mitigating action updates have been provided by officers.

Internal audit's lack of resources available due to usually high sickness in 2023/24 impacted its ability to undertake further work to embed the Risk Management Framework. It was identified that limited progress had been made in the identification of sources of assurance against risks and this is aiming to be rectified during 2024/25.

Fraud and corruption

The Audit and Standards Committee has a key role in relation to risk management. The Committee must monitor the effective development and operation of risk management at the Council and monitor progress in addressing risk-related issues reported to the Committee.

Our work identified that improvements should be made to strengthen the Council's arrangements to prevent and manage bribery and corruption risks. The Council's approach relied too heavily on reacting to issues rather than managing risks proactively. For example, we found limited evidence that bribery and corruption risks were formally assessed at the outset of property transactions, despite these being high-risk activities. Controls over engagement with developers were inconsistent, with informal and unrecorded contact taking place outside established governance processes. This reduced transparency and oversight.

We also identified a gap in the Council's consideration of non-financial inducements, such as offers of positive publicity or reputational support during property transactions. While no direct link to decision making was established, these interactions created a risk of perceived improper influence.

Overall, the Council could not demonstrate that anti-bribery and corruption risks were consistently identified, assessed and managed through a structured control framework. Preventative arrangements were not sufficiently embedded, and assurance over their operation was limited.

We have raised an **improvement recommendation** to strengthen preventative anti-fraud and anti-corruption controls. This includes requiring up-front risk assessment for property transactions, clearer rules for engagement with third parties, better recognition of non-financial inducement risks, and regular training for members and officers.

Governance

Internal audit and counter-fraud

The Council has an adequate and effective internal audit function in place to monitor and assess the operation of internal controls in 2023/24. The function is run by Audit Services.

The Head of Audit and Risk Management Services presented the annual internal audit report for 2023/24 to the July 2024 Audit and Standards Committee.

Internal audit provided a 'limited' assurance opinion on Dudley's framework of governance, risk management and internal control for 2023/24. The report noted that a high proportion of audits continued to receive negative assurance opinions (minimal or limited). This has been the case since 2020/21. This has been previously discussed with senior management, Audit and Standards Committee and was highlighted in the LGA Corporate Peer Review.

Audit actions are not being addressed by management on a timely basis and in line with agreed timescales. This is evidenced through follow up reviews undertaken by internal audit and reports to Audit and Standards Committee.

Internal audit completed 86% of the audit plan as at 31 March 2024 which is a decline in performance compared to 93% the previous year. The decline is due to exceptional sickness absence being experienced in the year that placed a great strain on an already stretched team and impacted achievement.

Public Sector Internal Audit functions are required to have an external assessment to confirm compliance with the Public Sector Internal Audit Standards every five years.

The last assessment was undertaken by Business Risk Solutions (external assessor) in April 2020. The external assessor concluded that Dudley MBC Internal Audit Division is delivering a service to a standard that meets the Public Sector Internal Audit Standards. We will expect the Council to commission a new assessment in the next six months.

The LGA Peer Review from September 2023 stated that there was evidence of good work from internal audit but that there was an urgent need to ensure internal audit recommendations were acted upon to improve the control environment. The Council needs visibility on and a strengthened approach to responding to internal audit and increasing the profile of internal audit recommendations. The Council is pursuing these recommendations in response to the LGA report.

The Council maintains a fraud risk register that is updated on a regular basis. It is benchmarked against the registers held by other local authorities. Risks are reported to the Corporate Management Team (CMT) on a bi-annual basis, including risks relating to fraud. The Council maintains a Fraud Register (Corporate Fraud Log) and Tenancy Fraud Register that lists all perceived frauds that have been brought to the attention of the Fraud Team. Information on significant fraud is included in the Interim Performance Reports that are presented to Audit and Standards Committee

An Annual Fraud Report and Fraud Action Plan is presented to Audit and Standards Committee in April of each year. A risk report is normally presented to Audit and Standards Committee in November/December and March/April.

The Head of Audit and Risk Management is responsible for creating an environment where fraud is not tolerated. Reporting to the Head of Audit and Risk Management is a Corporate Fraud Manager who is dedicated to ensuring fraud is prevented, detected, investigated and resolved. He is supported by other members of the Audit Services Team, as required. There are also other teams who identify and respond to fraud risks, such as Housing Tenancy Fraud, The Corporate Fraud Manager would support these teams, if appropriate. The Council has an Anti-Fraud and Corruption Strategy and an Annual Fraud Report and a Fraud Action Plan are presented to Audit and Standards Committee each year. There is an online fraud awareness course (mandatory to complete) and various tools and resources on the Audit Services' intranet site (Connect). Audit Services will regularly share good practice across the Council, including specialised training, as well providing advice on how to prevent fraud occurring.

A Fraud and Enforcement Group is held on a regular basis.

Audit Services co-ordinates the investigation of the matches identified through the National Fraud Initiative (NFI) and other internal and external data matching initiatives.

The Audit Committee

In our prior year report, we raised an improvement recommendation for the Council to consider appointing two co-opted appropriately qualified independent members to the audit committee. At the Annual Council meeting on 16th May 2024, the Council accepted the recommendation. The recruitment process was initiated. This recommendation has been addressed in subsequent years when independent members were recruited although we note that one of these members has since left the Council and needs replacing.

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Governance

The CIPFA guidance Audit Committees – Practical Guidance for Local Authorities and Police (2022 Edition), (CIPFA, 2022) recommends that audit committees report annually on their effectiveness and performance. The Head of Audit Risk Management Services performed a self-assessment of Dudley's compliance with the CIPFA best practice and resolved to produce an annual report of the Audit Standards Committee which was presented to July 2024 Full Council. The Council are therefore in compliance with CIPFA's recommendation in this area.

Standards and compliance

Our work on the above Wellington Road property disposal identified significant weaknesses in compliance with legislative and regulatory requirements. These weaknesses reduced assurance that legal obligations were fully complied with in practice.

Senior elected members, in particular the Council leader, were involved in ways that went beyond their role, and officers were at times subject to pressure, which discouraged challenge and weakened independent decision-making. Informal and selective engagement with developers, use of personal communication channels, and premature public statements created risks of perceived bias and reduced transparency. These behaviours were not consistently challenged or escalated.

In relation to data protection and information governance, controls were not consistently applied. Personal and special category data was shared without clear evidence of lawful basis, and personal email accounts were used to conduct Council business outside secure systems. A significant incident involving sensitive health data highlighted failures in applying core GDPR principles, including data minimisation and secure handling. There was also inconsistency in how breaches were assessed and escalated, indicating gaps in organisational understanding of regulatory requirements.

Taken together, these findings show that appropriate leadership behaviours and regulatory compliance were not sufficiently embedded in practice. This increased reputational risk and reduced confidence in the integrity of decision-making.

We have raised two key recommendations to address these issues:

- A recommendation to reinforce codes of behaviour, strengthen oversight, and ensure all member and officer interactions—particularly with developers—are transparent, recorded and subject to challenge.
- A data protection and information governance recommendation to ensure controls are fully embedded, including clear accountability, consistent application of GDPR requirements, improved breach management, and mandatory training for members and officers.

These actions are needed to ensure that high standards of behaviour are maintained and that the Council can demonstrate full compliance with its legal and regulatory responsibilities.

Outside of these concerns, the Council has adopted a written Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Council has Codes of Conduct for Employees and Members. Employees are required to formally accept the Code of Conduct and declare any interests. Members are provided with training on ethical behaviour and the Code of Conduct.

The Council has a Whistleblowing Policy that was updated in October 2023. An annual report on whistleblowing is presented to Audit and Standards Committee. All whistleblowing referrals (if meet definition) are independently investigated. Whistleblowing referrals relating to fraud are investigated by Audit Services. The Monitoring Officer is made aware of all whistleblowing referrals and they are recorded and monitored centrally.

The Council has a Supplier Code of Conduct which has been brought to the attention of all significant suppliers. Audit Services maintain a Fraud and Whistleblowing Hotline which is widely publicised. Staff have several ways to raise fraud or whistleblowing concerns, anonymously if required. Audit Services regularly audits governance processes including the acceptance of the Code of Conduct, declaration of interests and the recording of gifts and hospitality.

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Governance

Budget setting and budgetary control

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

The draft budget is presented to Cabinet for review and approval in February before being taken to full Council for approval.

Whilst in-year budget reporting arrangements are adequate, we are aware that CIPFA are performing a review of budget monitoring arrangements and the Council should seek to address recommendations raised by CIPFA. We raise no new recommendation asking the Council to liaise with CIPFA to remedy the recommendations raised.

Informed decision making – property disposals

Our work identified significant weaknesses in how the Council made and evidenced decisions on property disposals. These weaknesses affected the quality of information available to decision-makers and limited effective challenge and oversight.

Key decision-making processes were not applied consistently. Reviews, established steps such as marketing, due diligence and formal approval were shortened or bypassed. Decisions were often not supported by clear documentation, with limited evidence showing how options were considered or how conclusions were reached. This reduced transparency and meant decisions could not be easily scrutinised or challenged.

We also found that statutory requirements, including achieving best consideration and complying with subsidy control rules, were not consistently evidenced at the point decisions were made. While disposals were generally lawful in outcome, the Council often relied on retrospective justification rather than clear, contemporaneous analysis. This weakened assurance that decisions were properly informed at the time.

In addition, governance weaknesses affected the integrity of decision-making. Member involvement in operational matters went beyond appropriate strategic oversight and, in some cases, created pressure on officers. This limited the ability of officers to present independent advice and reduced effective challenge within the decision-making process.

Overall, the Council could not demonstrate that decisions were consistently supported by robust evidence, taken through proper processes, or subject to sufficient transparency and challenge.

We have raised a key recommendation to strengthen property disposal governance and controls. This focuses on ensuring that decisions follow the full approved process, are supported by clear and timely evidence (including valuation, risk and statutory compliance), and are subject to appropriate oversight and challenge.

Conclusion

We have identified three significant weaknesses in the Council's governance arrangements and have raised four key recommendations as a result.

First, we identified significant weaknesses in governance and internal control arrangements over the disposal of Council-owned properties. Our Value for Money investigation reviewed six property disposals between 2021 and 2024. Senior elected members, particularly the Council Leader, were directly involved in transactions in ways that went beyond their strategic role, weakening officer independence and the control environment. Property disposal controls were inconsistently applied, decisions were poorly documented, and statutory requirements — including best consideration — were not consistently evidenced. We have raised two key recommendations addressing property disposal controls and governance oversight.

Second, we identified that officers were subject to pressure that discouraged challenge and undermined independent decision-making. Informal and selective engagement with developers, use of personal communication channels, and premature public statements created risks of perceived bias. We have raised a key recommendation requiring the Council to reinforce codes of conduct, protect officer independence, formalise external engagement, and strengthen oversight and challenge.

Governance

Third, we identified a significant weakness in data protection and information governance. Sensitive health data relating to 1787 residents was shared with a clear lawful basis. Controls were in place but were not consistently followed and could be bypassed through the use of personal email accounts. The Council did not report the incident to the Information Commissioner's Office, we disagreed with that assessment. We have raised a key recommendation requiring the Council to reassess the reporting decision, embed controls consistently, and provide mandatory training for members and officers.

The Council has appropriate risk management, internal audit, counter fraud arrangements in place. We raised an improvement recommendation asking the Council to revisit its risk framework to determine whether changes in processes would allow it to identify risk in a more timely manner. The Council has informed us that this recommendation will be addressed through the Further Faster Programme and remains outstanding.

In our prior year report, we raised an improvement recommendation for the Council to appoint two co-opted independent members to the audit committee. The Council accepted this recommendation at the Annual Council meeting on 16 May 2024 and appointments have since been made. We consider this recommendation closed.

We also raised an improvement recommendation for the Council to revisit its strategic goals to ensure alignment between financial, operational and political agendas. Given the governance concerns identified and the issues surrounding Pens Meadow School, we do not consider this recommendation to have been resolved. It remains outstanding.

Whilst in-year budget reporting arrangements are adequate, CIPFA performed a review of budget monitoring arrangements. We raised an improvement recommendation asking the Council to liaise with CIPFA and address the recommendations raised.

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Improvement recommendations

Improvement Recommendation 1	The Council should strengthen preventative anti-fraud and anti-corruption controls for property transactions. This should include: • Assessing bribery and corruption risks at the start of each transaction. • Ensuring independence is maintained and that all members and officers involved formally declare any potential conflicts of interest at the outset and throughout the transaction. • Setting clear rules for engagement with third parties during live transactions. • Recognising and managing non-financial inducements, including reputational or political benefits. • Ensuring all interactions with developers are transparent and formally recorded. • Providing regular training to Members and officers on bribery and corruption risks, including how to identify and respond to potential inducements. • Bringing third party payments and charitable donations or to non-Council events involving members within its declaration requirements. Internal Audit should periodically review these arrangements to confirm they are operating effectively.
Summary findings	No wrongdoing was identified. However, preventative anti-bribery and corruption arrangements were weak — particularly for high-risk activities such as property transactions and regeneration. Controls were largely reactive. There was limited formal risk assessment, inconsistent oversight of developer engagement and insufficient recognition of risks from non-financial inducements such as reputational benefits.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify weaknesses in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council accepts this recommendation and has strengthened its control environment for property transactions through both governance reforms and existing counter-fraud arrangements. The introduction of the Property Disposals Protocol and Best Consideration Principle has established clear requirements around independent valuation advice, documented decision-making, declarations of interest, segregation of responsibilities and supporting audit trails for property transactions. These arrangements provide greater transparency and reduce opportunities for inappropriate influence or unmanaged conflicts of interest. The Council has also reinforced its Anti-Fraud and Corruption Strategy, Whistleblowing Policy and Code of Conduct through training, awareness raising and governance reviews undertaken as part of the Council's improvement activity. Internal Audit has strengthened its assurance role and the Audit & Standards Committee now benefits from enhanced independent challenge through the appointment of independent Members. These measures provide a stronger framework for preventing, identifying and responding to fraud and corruption risks associated with significant property transactions. Ongoing assurance will be provided through the Council's risk-based Internal Audit programme and governance oversight arrangements.

Improvement recommendations

Improvement Recommendation 2	The Council should work with CIPFA to address the recommendations raised in CIPFA's review, particularly regarding improvements to budget monitoring arrangements.
Summary findings	Whilst in-year budget reporting arrangements are adequate, we are aware that CIPFA are performing a review of budget monitoring arrangements and the Council should seek to address recommendations raised by CIPFA. We raise an improvement recommendation asking the Council to liaise with CIPFA to remedy the recommendations raised.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify weaknesses in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council commissioned CIPFA to do a review and recommendations coming out of that work will be incorporated into the Council's improvement plan with a clear timeline for implementation.

Progressing the actions management has identified to address these recommendations should support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations the external auditor can make is explained in Appendix B.

Improving economy, efficiency and effectiveness

We considered how the Council:

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

Performance

The Council Plan for 2022-25 dictated performance for 2023/24 until it was suspended in February 2024. The Council Plan for 2022-25 had four key priorities:

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

In March 2024, the Cabinet received the proposed new one-year Council Plan for 2024/25. This focuses on the priorities and projects that will prevent higher cost, deliver cost reductions, increase income and support the delivery of the Council's overall improvement and sustainability programme.

The previous plan was expected to run until March 2025 but was suspended at the February 2024 Council meeting. The suspension meant all projects and priorities were reconsidered and only those that met the criteria within the spending controls or those that supported the delivery of the Council's Improvement and Sustainability Programme were put forward for 2024/25.

The new plan has five key priority areas, three inward facing and two outward facing:

1. Financial sustainability, efficiency and providing best value
2. Governance and control
3. Leadership and culture
4. Delivering for our customers, residents and communities
5. Supporting businesses and the local economy

The key priorities will be measured by performance indicators, actions and projects aligned to the Improvement and Sustainability Programme. Progress will be monitored through the Improvement and Sustainability Programme governance.

Reporting against the previous Council Plan 2022-2025 consists of all quarters of 2022/23 and Q1, Q2 and Q3 of 2023/24 until the plan was paused early for the development of the one-year plan.

As per the Q3 report for 2023/24, the Council reported against a total of 45 KPIs in the year. 45 are reported quarterly, 8 annually and 1 bi-annually. 21 were reported to be exceeding target, 2 at target tolerance, 13 below target and 9 with no target set. In our view, this is very promising performance with the majority of KPIs being above or exceeding target. The three Council Plan priorities with the lowest performance for KPIs were 'Safe and Healthy Borough', 'Borough of Opportunity' and 'Destination of Choice'.

The Council's latest performance report for 2024/25 from May 2024 shows mixed performance with 3 KPIs exceeding target, 3 within tolerance, 3 below target and 4 with no target set.

The LGA Peer Review from December 2023 noted that the Council's organisational structure and 'siloed' working was impacting on the successful delivery of the Council's priorities. The Council aim to tackle this issue in the development of the new Target Operating Model.

Improving economy, efficiency and effectiveness

The peer review also found that the approach to corporate performance would benefit from further attention to ensure it is strategic and embedded to effectively support continuous improvement. The data could be better used to demonstrate how performance is driven across the Council and outcomes secure.

We had previously raised an improvement recommendation in 2020/21 encouraging the Council to improve the integration of financial and non-financial information in its reporting to Members. The Council's latest one-year plan is aligned to the Council's Fit for the Future programme and performance is presented monthly to CMT and Cabinet Policy Group alongside the monthly MTFS outturn reports to aid reporting. We consider this improvement recommendation to be closed considering this.

Service performance - housing

In March 2023, Housing Services identified several data quality issues affecting the Council's ability to consistently and robustly evidence compliance with housing stock. A self-referral was made to the Regulator of Social Housing and a Regulatory Notice was issued. A detailed recovery programme was put in place to rectify identified issues and to provide assurance to customers, Members and the Regulator that the root cause of the issues is understood and remedied to ensure they do not occur. The Council had found that gas, fire, electrical and asbestos safety checks may not have been completed for every property that needed one. Also, a high number of fire remedial actions in the communal areas of blocks were overdue.

The Regulatory Notice referenced the Home Standard which relates to the quality of homes and statutory health and safety compliance.

As per the July 2023 budget monitoring report, the Council has estimated the full cost of the recovery programme to be in the region of £100m depending on the level of immediate investment in homes identified through the stock condition surveys. The anticipated recovery costs would be met through reallocated existing HRA budgets, predominantly by diverting spend on planned and cyclical maintenance. Capital receipts from the disposal of high investment void properties will be utilized to fund the capital costs associated with the recovery programme.

Since the Council's self-referral to the regulator, the Council has been meeting monthly with the Regulator to discuss progress. The Council has been open about the intention to wait for full robust stock condition data before setting a new detailed capital investment programme to ensure the focus is on homes that are not meeting the Decent Homes Standard.

In response to the regulatory notice, the Council launched a housing compliance recovery programme. This programme is supported by an internal governance board which is held to account for delivery of the plan. The governance board has monthly meetings with the Regulator. The Council notes that there has been significant improvement in their compliance data which resulted in the authority writing to the Regulator in March to inform them of the progress and request a review of the Regulatory Notice in this area. A revised approach to regulation along with refreshed Regulatory Standards came into force on 1st April 2024.

There has also been a change in the Senior Regulatory Engagement Manager overseeing the Council's progress since the regulatory notice was issued. The Council is now required to ensure compliance with the revised Home Standard, now called the Safety and Quality Standard, before the regulatory notice will be reviewed. The Regulator is seeking external validation of the Council's figures for the compliance data and will use this information to feed into the assessment of the Regulatory Notice. The Council commissioned an external review and is now working on an action plan. There is confidence surrounding the level of improvement.

There continues to be a significant backlog in terms of maintenance liability due to the age of the Council's housing stock, however, officers are confident that the immediate safety concerns have been rectified. The Council commissioned Savills to perform a root cause analysis and are using this to inform the response in the recovery programme. A Housing Assurance Board was introduced to provide a tighter housing focus. Two external non-executive directors have been appointed to this Board as well as the Director of Finance.

The Council are making good progress against the demands of the Regulatory Notice. We had previously identified a significant weakness in this area and this remains outstanding until the Regulatory Notice is lifted. Our key recommendation therefore remains outstanding.

Within the performance reporting, the Council have a key performance indicator relating to percentage of homes that do not meet the Decent Homes Standard. As at May 2024, performance against this indicator was within target tolerance.

Improving economy, efficiency and effectiveness

We have noted a number of issues with the housing directorate relating to housing maintenance, the reporting of performance and recruitment practices arising from internal audit investigations. We have considered these findings in the context of the effort to address the concerns of the housing regulator.

Procurement and contract management

The Council has arrangements in place to monitor the performance of key service providers. There are Contract Standing Orders in place within the Council's Constitution. The Council have a Procurement Strategy in place that relates to 2022 to 2025. The procurement function plan to update the strategy after the Procurement Act 2023 comes into effect.

The Council reports to procurement at various levels. Reporting and approvals to procurement goes through the Procurement Management Group and Spending Control Group (if they are over the £12k threshold). This also applies to all extensions and new contracts. Proposals go through PMG which has endorsement power to push the proposal to SCG which then has approval power to progress the proposal to go forward with the procurement. Once the contract has been approved for procurement and gets to contract award stage, it must go back through PMG.

The Council currently reports all exemptions and waivers to Audit and Standards Committee annually. The CEKAT has also recently asked for these to be reported a monthly (or quarterly) basis – discussions are still underway on this. The procurement team also report on savings. As at May 2024, the team had just reviewed their KPIs and started differentiating between cashable and non-cashable savings.

The aim of the review was to ensure that there was a more robust and clear methodology for how savings were calculated and reflected.

The Council track procurement cashable and non-cashable savings via the performance reporting system. The indicators do not have targets against them but are tracked through the system. To determine cashable savings, procurement compare the new contract value against the previous contract value. If there is no previous contract, procurement compare the value of the winning bid to the medium bid or benchmark if there are no other bids. These savings release cash back into the budget. Non-cashable savings are quantifiable financial benefits which do not release cash back into the budget. The cost of the output stays the same but the effectiveness of spend increases. They could be from cost avoidance, price protection or value add.

We had previously raised an improvement recommendation in our prior year report encouraging the procurement function to report on a greater suite of indicators to Audit Committee. The Head of Procurement reported to the number of waivers and exemptions to Audit Committee for the first time in several years in 2022/23. This report included full details of the reasons for exemptions and waivers. However, it was only in Q4 2022/23 that waivers began to be reported correctly. Up until this point there had been confusion around the waiver process. The next report to July committee included the full corrected details on waivers and we expect to start to provide the direction of travel for the Council that was previously not possible due to lack of data. This reporting will enable plans to be put in place, however, due to the limited amount of data it is expected that this may take up to 12 months before meaningful plans can be put in place.

A requirement for any waiver presented is for a plan to be included to address it and to bring it into compliance as quickly as possible.

The Council currently do not have a dedicated centralised contract management support function. It is expected that contracts are managed within the service line. The procurement function at Dudley is smaller than at comparative spending councils based on the organisation's own benchmarking. The team does not have the capacity to manage contract management support alongside business as usual procurement demands. It will be very difficult for the Council to consider expanding the procurement team due to the wider organisational financial sustainability concerns.

There has been considerable turnover at the Head of Procurement level which has resulted in a lack of stable leadership and consistency at the leadership level. This undoubtedly would have had an impact on the strategic direction of the function.

The finance system does not currently link to the procurement system. This means that reconciliation between contracts and expenditure needs to be done manually which can result in a whole host of risks as well as use of officer time spent fulfilling manual processes. The lack of interaction between the systems also means contract monitoring on contracts is more difficult. At present, the Council does not have a formal mechanism to track contract spend which presents a value for money risk. We raise an improvement recommendation in this area.

Improving economy, efficiency and effectiveness

Partnership working

The Council continues to have effective partnership arrangements in place during 2023/24. The Council works closely with the West Midlands Combined Authority, Black Country Chamber of Commerce, Black Country LEP, WEP, Midlands Growth Company, Homes England and private developers within Dudley. The Council works extensively with regional partners to secure funding for projects, for example funding was received from MHLCG, Historic England, the Heritage Lottery Fund during 2023/24. Some examples of partnership working in 2022/23 include securing funding for three Changing Places toilets at Black Country Living Museum, Dudley Zoo and the Corbow Shopping Centre, with a further allocation for Stourbridge Town Hall.

The LGA Peer Review from December 2023 identified that there were strong partnership relationships in place with some good examples of outcomes from joint work. The Council was viewed positively for the strategic leadership it provides in the area. The Peer team wanted to encourage the Council to maintain these relationships and not lose sight of the benefits of partnership working.

It was noted in the LGA Peer Review that the Council's previous Council Plan 'Forging a Future for All' was widely supported by partners who were keen to play a proactive role in making the vision a success. However, partners were looking in clarification from the Council on their role in producing outcomes and focusing on delivery.

Conclusion

We previously made an improvement recommendation in 2020/21, encouraging the Council to enhance the integration of financial and non-financial information in its reporting to Members. The Council notes that its latest one-year plan is aligned with the Council's Fit for the Future programme, and performance is presented monthly to CMT and Cabinet Policy Group alongside the monthly MTFS MTFS outcomes to alter reporting. We consider this improvement recommendation to be closed considering this.

The Council is making good progress against the demands of the Regulatory Notice relating to compliance with the Decent Homes Standard. We had previously identified a significant weakness in this area, and it remains outstanding until the Regulatory Notice is lifted. We have been made aware of cultural issues within the housing directorate related to the management of the programme. Further work is underway in this area to investigate these concerns.

In our prior year report, we raised an improvement recommendation encouraging the procurement function to report on a greater suite of indicators to the Audit Committee. The Head of Procurement reported on the number of waivers and exemptions to the Audit Committee for the first time in several years in 2022/23. This report included full details of the reasons for exemptions and waivers. However, it was only in Q4 2022/23 that waivers began to be reported on correctly. The Council continues to aim to improve progress in this area but continues to be hampered by data quality issues. We consider this improvement recommendation to be closed due to the increase in reporting and acknowledge the Council's continued efforts to improve in this area.

The Council continues to have effective partnership arrangements in place during 2023/24.

Improvement recommendations

Improvement Recommendation 3	The Council should explore linking the finance system to the procurement system to ensure greater oversight of cost.
Summary findings	The finance system does not currently link to the procurement system. This means that reconciliation between contracts and expenditure needs to be done manually which can result in a number of risks as well as inefficiencies in fulfilling processes. The lack of interaction between the systems also means contract monitoring can be more difficult. At present, the Council does not have a formal mechanism to track contract spend which presents a value for money risk.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Accepted and will form part of the Council's improvement programme and worked linked to the Unit 4 to provide greater oversight and management of contracts and spend.

Progressing the actions management has identified to address these recommendations will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate to encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed in 2023/24?	Further action?
Outstanding 2020/21 recommendations					
Ensure that the current review of estates delivers the expected environmental and financial benefits whilst meeting future needs of the Council.	Improvement	June 2022	The Council introduced a agile working policy in 2022 to reflect the changes arising from the pandemic and to formalise a more flexible approach to when and where staff go about their work. Consequently, the use of the Council's office accommodation has reduced. This continued pressure on financial resources means that the Council's current office accommodation has been subject of a review. The review recommended that retaining the Council Estate should be seen as a corporate priority and that office buildings could accommodate future requirements and that other buildings could subsequently be released to save public money and to also act as a catalyst for the regeneration of Dudley – it does not simply generate capital receipts, but also stimulates and delivers wider benefits such as building new homes, creating new jobs and attracting new businesses to Dudley. The project reflects a programme of work that will rationalise assets over a 3-5 year timeline – realising 'quick wins' at the outset of the programme and longer term, strategic objectives over its whole duration. It is proposed that the following accommodation be retained: • Health and Social Care Centre, Venetia Way, Brierley Hill, its lease expiry in 2032; • Ladies Walk, Sedgley until its lease expiry in 2026; • Council House, Dudley; • 3/5 St James Road, Dudley; • Corbyn Road, Russells Hall. It is further proposed that the following accommodation be released, disposed and disposed: • Saltwells EDC, Netherton; • Dudley Court (offices) and Mary Stevens Park, Stourbridge; • Priory Hall, Dudley (subject to review of commercial activity); • Ward House, Himley; • Wollescote Hall, Stevens Park, Pedmore; • 4 Edmund Road, Dudley. The release of the accommodation listed will assist to realise capital receipts in the region of £600,000-£1,000,000 and revenue savings of approximately £900,000 per annum. The proposal will also negate the need for future expenditure of £3.5m of backlog maintenance. Whilst this figure is not currently budgeted for, this level of investment would be required at some point should the assets be retained. The potential disposal of the assets to be released will form part of a wider disposals programme. This includes 77 sites and has potential to generate gross receipts of £10m over 3-5 years. The capital programme has been amended to dispose of Corbyn Road and acquire Cable Place to accommodate Children's Services staff - this enables the Council to better manage its exposure in terms of loan guarantees and the underwriting of grant to the Resonance Music Institute.	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed in 23/24?	Further action?
Outstanding 2020/21 recommendations					
Ensure that there is a robust and realistic plan to reduce the DSG deficit and ensure progress against this is closely monitored.	Improvement	June 2022	DSG Budget monitoring continues. Our EHCP numbers are stabilising (supported by increased cessation activity in year), however the cost of independent placements and transport costs continue to increase due to increases in the complexity of some children requiring placement and inflationary costs across the system. Our in-year budget of £348m is expecting an overspend in year of £11m with forecasted position in March 25 of £359m. It should be noted that whilst this overspend exists the rate at which the overspend is rising has slowed given the activities and mitigations that have been put in place through the DVB programme and work of the SEND team. We anticipated £8.1m of DBV savings, at this point our forecast for year end is £7.7m (against the unmitigated projections provided by Newton Europe), due to the successful mitigation work in SEND teams, although we are unlikely to achieve a due to rising costs despite EHCP numbers stabilising.	No	This recommendation is superseded by our key recommendation from 2021/22 and 2022/23
The Council should consider making the post of Monitoring Officer a director appointment	Improvement	June 2022	The Fit for the Future Programme will consider the future operating model of the Council, including through the Governance Workstream. An organisational wide restructure is in scope, which will consider this recommendation.	No	Outstanding
Improve the integration of financial and non financial information in reporting to Members and other users.	Improvement	June 2022	Work on refining our approach to performance management continues, the new operating model signals the need for improved governance, underpinned by robust evidence based decision making. The Fit for the Future Programme has established a governance workstream which will address the key issues coming out of external reports and alongside further training a focus on what effective governance, risk and performance management needs to be in place. We have selected 14 corporate operational indicators to provide the executive and members identify emerging risks and improvements in financial sustainability, quality of service and regulatory issues. Since the beginning of the FY, these are discussed monthly at the executive team meeting and at Cabinet Policy Group. Individual directorates have additional operational KPIs and measures that they manage. This is improving executive and member understanding on performance and strategies in areas outside of their immediate portfolio, breaking down silos, and generating broader range of recommendations.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed in 23/24?	Further action?
	2021/22 and 2022/23 recommendations					
2	(A) The Council should: Revisit financial plans with the sustainability of reserves in mind to ensure medium-term financial plans demonstrate a realistic plan to replenish reserves where one-off use is expected to cover budget gaps; Review the setting of savings schemes to ensure decisions are based on robust analysis and the use of realistic, evidence-based targets rather than optimistic ones that may not be achievable in practice. Introduce a single, consolidated and regularly-updated mechanism that tracks its savings plans. This should include the savings that have been agreed, how they will be monitored and the extent to which they have been achieved. These savings should also be built into the authority's annual budget and its medium-term financial plan. (B) The Council must continue to monitor its progress in managing the Dedicated Schools Grant (DSG) deficit. Members must not underestimate the impact the DSG deficit could have on the overall financial health of the Council.	Key	December 2023	Part (a) of this recommendation is superseded by our statutory recommendation from February 2024. Part (b) of this recommendation remains outstanding. The Council have provided this update: DSG Budget monitoring continues. Our EHCP numbers are stabilising (supported by increased assessment activity in year), however the cost of independent placements and transport costs continue to increase due to increases in the complexity of some children requiring placement and inflationary costs across the system. Our in-year budget of £338m is expecting an overspend in year of £11m with forecasted position in March 25 of £39m. It should be noted that whilst this overspend is the rate at which the overspend is rising has slowed given the activities and mitigations that have been put in place through the DVE programme and work of the SEND teams. We anticipated £8.3m of DBV savings, at this point our forecast for year end is £7.7m (against the unmitigated projections provided by New Economy), due to the successful mitigation work SEND teams, although we are unlikely to achieve all due to rising costs despite EHCP numbers stabilising.	No	Part A superseded. Part B remains outstanding.
3	Members should recognise the scale of the Council's financial challenge and act accordingly to support the Council's officers in developing realistic and deliverable savings plans in the short to medium term.	Key	December 2023	*Superseded by statutory recommendation*		

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed in 23/24?	Further action?
	2021/22 and 2022/23 recommendations					
2	We recommend a reset in relationships between officers and members, where poor conduct will not be tolerated and action is taken to restore trust and respect towards officers. This could be achieved through the development of a charter, which sets out the way in which all members are expected to behave towards officers. Moreover, we believe that the tone from the top will be important in setting the standard for appropriate behaviour. A joint statement from the leader and leader of the Opposition calling out previous poor behaviour and a commitment to improve standards of conduct going forward would be a helpful start. By taking these steps, we are confident that the Council can begin to rebuild trust and respect between members and officers and create a more productive and collaborative working environment for all.	Key	December 2023	Our review of the aborted Wellington Road transaction and other historic property transactions identified significant concerns relating to officer/member relationships. A new key recommendation has been raised on page 9 of this report.	No	Yes – see key recommendation on page 9.
3	The Council must seek to settle the requirements of the Regulatory Notice issued by the Regulator of Social Housing (RoSH) with respect to the identification of a failure to meet minimum service standards. The Council should resolve the recommendations to ensure the removal of the Regulatory Notice.	Key	December 2023	Compliance recovery programme implemented, with progress reported in monthly liaison meetings with the Regulator of Social Housing (RoSH). Letter submitted to RoSH in March 2024 requesting a review of the Regulatory Notice, providing evidence of delivery of the recovery action plan and compliance with the Home Standard (renamed the Safety and Quality Standard from 1st April 2024). External audit of compliance commissioned and commenced at the request of RoSH to support the request for a review. This external assurance work will be completed and reported to RoSH in June 2024, at which point the review of the Regulatory Notice will be undertaken.	In progress	Remains outstanding

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed 23/24?	Further action?
2021/22 and 2022/23 recommendations					
The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.	Improvement	December 2023	The capital programme has been revised to reflect a more realistic timetable for delivery and the cash flow impact has been reflected in the revenue budget. This will be kept under review. Several projects have been deferred beyond the 3-year MTFS period.	No	Remains outstanding
The Council should revisit its strategic goals to ensure there is alignment between financial, operational and political agendas. There should be a clear link and corporate ownership of the medium-term financial plan and savings commitments. There should also be clear links to the objectives of key partnerships and the role that they will play in supporting the Council's agenda. The Council should also develop a transformation plan to support the revised strategy.	Improvement	December 2023	Following the LGA Corporate Peer Review, the Council Plan for 2022-25 was suspended and replaced with a one year plan for 2024-25. This plan has priorities and key performance indicators focused on improving the council's financial sustainability and efficiency and is aligned to the Council's Fit for the Future Programme. This was communicated to partners. Performance is presented on a monthly basis to Corporate Management Team and Cabinet Policy Group alongside the monthly MTFS outturn reports. Work on refining our approach to performance management continues, the new operating model signals the need for improved governance, underpinned by robust evidence based decision making. The Fit for the Future Programme has established a governance workstream which will address the key issues coming out of external reports and alongside further training in focus on what effective governance, risk and performance management needs to be in place. In addition, work to confirm the overall Vision and Strategy will be developed through consultation with our communities, members and key partners to ensure the Council focus is on those issues that impact the residents we serve the most. UPDATE: Lead director identified, working with CfGG to take findings and translate into next steps, give a clear direction and identify specific actions to deliver the future reset.	We consider this to be in progress	Remains outstanding

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed in 23/24?	Further action?
2021/22 and 2022/23 recommendations					
The Council should revisit its risk framework to determine whether changes in its processes would allow it to identify and respond to risk in a timely manner.	Improvement	December 2023	The Fit for the Future Programme will scope a project to improve Risk within the governance workstream. Phase 1 of this workstream identified priorities across changes to formal meetings, capacity review of democratic services, review of the constitution and investment in Member Officer training, which have delivered actions and measurable outcomes. Phase 2 of this workstream will be developed during September/October in consultation with Members, which will include prioritisation of this action, beginning with a deep dive of the governance workstream at the Fit for the Future Scrutiny.	No	Remains outstanding

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed in 23/24?	Further action?
2021/22 and 2022/23 recommendations					
The Council should appoint two co-opted appropriately qualified independent members to the audit committee.	Improvement	December 2023	At the Annual Council meeting on 16th May, 2024 the Council accepted the appointment of up to 2 Independent Members as per the Audit recommendation. The Council has successfully appointed two independent members. However, recently one of these members has left. Therefore, the Council now needs to recruit a replacement.	In progress	Remains outstanding
The Council must report on a greater suite of procurement indicators to Audit Committee. These indicators should include the value and number of waivers to the Contract Standing Orders, inclusion of details of patterns including reasons why waivers were raised and directions of travel in terms of plans for reductions of use of waivers will bolster this tracking.	Improvement	December 2023	The Head of Procurement reported on the number of waivers and exemptions to Audit Committee for the first time in several years in 22/23. This report included full details of the reasons for exemptions and waivers. However, it was only in Q4 22/23 that waivers began to be reported on correctly. Up until this point there had been confusion around the waiver process. The Head of Procurement is taking the next report to Audit Committee on the 8th July 24. This will include full details of all Waivers and Exemptions. This will also start to provide additional information such as the direction of travel that had not been possible before due to a lack of data from previous years. This will then enable plans to be put in place, although due to the still limited amount of data it is expected to take another 12 months before meaningful plans can be put in place. A requirement for any waiver presented is for a plan to be included to address it and to bring it into compliance as quickly as possible.	Yes	No

Follow-up of previous recommendations

Recommendation	Date raised	Progress to date	Addressed in 23/24?	Further action?
Statutory recommendation	February 2024			
Members should not underestimate the seriousness of the financial position the Council now faces and must support officers in identifying sufficient and viable alternative proposals to form of council tax increases, investment, income generation as well as expenditure reductions to ensure that the Council maintains a minimum level of General Fund balances during 2024/25 and to give it the best possible chance of avoiding a Section 114 notice. To address the seriousness of the financial position of the Council and avoid a Section 114 notice being issued during 2024/25, the Council must now take urgent action to identify and deliver all available opportunities to reduce the current budget gap and reduce the reliance on General Fund reserves. The Council should:				
Maximise the opportunity for positive movement in the 2023/24 financial outturn and 2024/25 budget, thereby reducing the indicative budget gap and the need to use General Fund balances in year.	Accountancy staff reviewed all requests for earmarked reserves year end and provided challenge prior to final approval by Corporate Management Team. The draft outturn for 2023/24 is a deficit of £13.0m (a £2.4m improvement on the forecast at the worst point in the year).	No. Savings continue to be reversed at the last minute.	Remains outstanding
Implement the likely steps it would need to take if the S151 officer was to issue a S114 notice or if Commissioners were appointed by the Government. This includes strictly enforcing the existing spending controls already in place without exception and taking further measures to stop all non-essential spend immediately. For example, we suggest that the Council undertakes a comprehensive review of statutory services to determine the minimum level of service legally required. This approach will assist in providing a robust business case in case the Council needs to apply for exceptional financial support.	The revised spending controls and associated improved processes were approved by Cabinet in March and implemented from April. Functional reviews have commenced and a number have reported informally. Formal decisions will be taken through Cabinet and Council in the summer. An LGA use of resources review of Adult Social Care has been undertaken. The CIPFA review report is expected to include recommendations on the potential for savings by changing best practice in statutory functions. However, at this point the Council is continuing to operate trading functions at a deficit and has not removed all non-essential expenditure.	No	Remains outstanding
Identify and develop additional expenditure reduction and income generation proposals to fully address the indicative budget gap of £10.1m as well as the budget gaps in the remaining years of the current Medium Term Financial Strategy. These may be temporary short-term savings, but it is important that where possible, these should be recurrent savings to address the forecast budget gaps beyond 2024/25.	The Council has approved additional ongoing savings (most significantly the introduction of green waste charging) as well as one-off savings resulting from spending controls (mainly vacancies). A first round of functional reviews has been commenced and additional round of Cabinet and Council meetings has been added in August to accelerate approval and delivery of savings. Where accelerated in-year delivery is possible, savings will be presented to Cabinet in June and Council in July. Directors have been challenged to identify £5m of additional in-year savings to offset emerging pressures and seek to underspend the budget for 2024/25.	No	Remains outstanding
Create a prudent centrally-held contingency, which the S151 officer can deploy as necessary to manage any in-year pressures and fund the cost of change, by developing savings proposals that exceed the indicative budget gap.	Actioned. The contingency set aside was £3.3m per year.	Yes	No

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and 2025 and its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

The audit of the Council's 2023/24 financial statement was largely completed by October 2024 but completion has been delayed due to the Wellington Road review. This review was concluded in May 2026.

We expect to be able to issue an unqualified opinion on the Council's financial statements shortly after the Audit Committee on 22 July 2026.



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Opinion on the financial statements

Timescale for the audit of the financial statements

- The Audit Plan was issued to the 24 April 2024 Audit and Standards Committee
- The planning and interim visit took place in February 2024 and fieldwork started in July 2024.
- Most of our audit work was completed by October 2024. The completion of the audit was delayed by the Wellington Road review, which did not conclude until May 2026.
- The Council provided draft financial statements in line with the national timetable

Findings from the audit of the financial statements

We identified four adjustments totalling £69.3m to net assets, though none affected usable reserves. The most significant were:

- A £21.5m uplift to land and buildings following correction of an incorrect BCIS rate used in depreciated replacement cost valuations
- A £100.9m pension adjustment, removing a defined benefit surplus from the balance sheet following an IFRIC 14 assessment that restricted the asset to zero
- A £10.6m reclassification of 156 council dwellings incorrectly held as PPE rather than assets held for sale
- A £0.5m reduction to correct an overvaluation at Stourbridge Town Hall

We also identified a material misclassification of £18.8m of grant income within Note 6, which required a prior period adjustment of £15.5m.

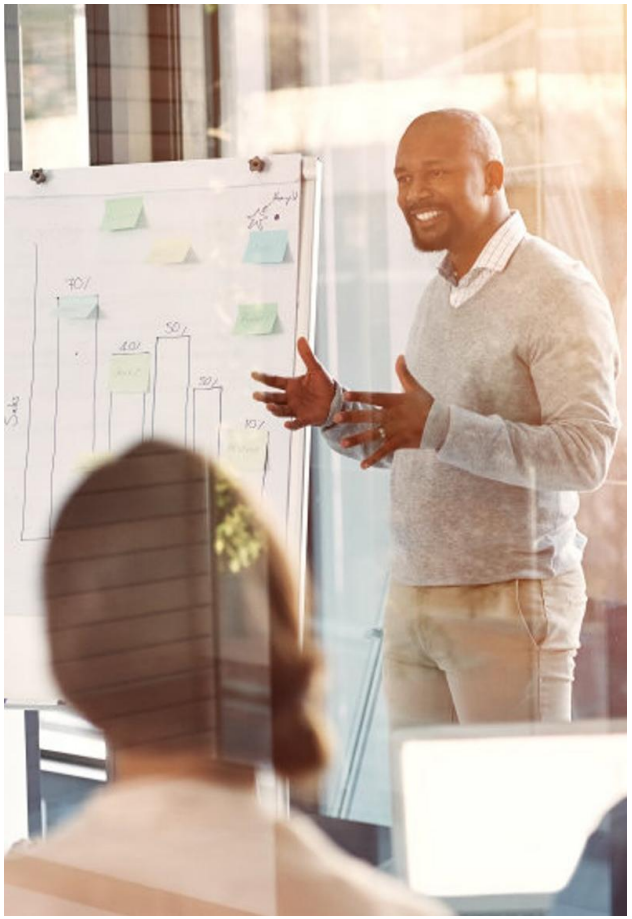
Three recommendations were raised (journal authorisation controls (high priority), payroll NI accuracy, and fixed asset register housekeeping). Both prior year recommendations were fully implemented.



Other reporting requirements

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A draft version of our report was presented to the Audit Committee on 24 June 2026.



Appendices

Appendix A: Responsibilities of the Council

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

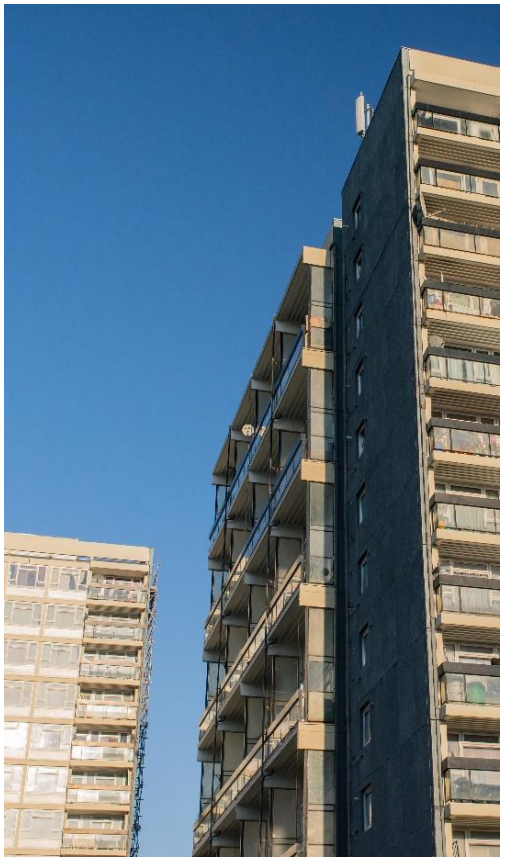
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B: An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No – but statutory recommendation from February 2024 still outstanding	39
Key	The NAO Code of Audit Practice requires that where we identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes – key recommendation from the prior year remains outstanding. Three new key recommendations raised.	7 to 10 35 to 36
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	26, 27, 32 to 34, 37 to 39



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Dudley Metropolitan Borough Council

Auditor's Annual Report
Year ending 31 March 2025

17 November 2026



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

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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Dudley Metropolitan Borough Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

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Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council has been subject to extensive external scrutiny in recent years, including peer reviews by the Local Government Association and CIPFA, alongside findings from previous external audits that identified significant weaknesses in its arrangements. These assessments highlighted issues in governance, financial sustainability, and internal controls, resulting in statutory recommendations and the creation of an Improvement and Assurance Board. In response, the Council is implementing a comprehensive improvement plan and restructuring its operating model to mitigate risks, strengthen governance, and ensure long-term financial resilience. In July 2025, the Ministry of Housing, Communities & Local Government (MHCLG) issued a Best Value Notice to the Council, raising concerns about its ability to meet its Best Value duty. The notice outlined eight expected actions for the Council to implement.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

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02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. While challenges remain, we are pleased to acknowledge an overall improvement in our assessment. In recognition of the progress made by the Council to improve its financial position and prevent issuing a s114 notice; we have removed the Statutory Recommendation raised in February 2024.

Criteria	2023/24 Assessment of arrangements		2024/25 Risk assessment	2024/25 Assessment of arrangements	
Financial sustainability	R	Three significant weaknesses in arrangements identified in relation to reserve balances and budget gaps, DSG deficit and the disposal of Council owned properties. Statutory recommendation issued.	Two risks of significant weakness identified in relation to the medium-term financial outlook and the DSG deficit.	R	We have downgraded the Statutory Recommendation to a Key Recommendation. However, significant weaknesses remain in respect of arrangements for financial resilience and the DSG deficit. We also raise three improvement recommendations relating to cash balances, savings and the Housing Revenue Account.
Governance	R	Three significant weaknesses identified relating to failures in property disposal controls, senior elected member pressure undermining officers' independence, mishandling of sensitive personal data.	Three risks of significant weakness identified in relation to the disposal of Council owned properties, senior elected member pressure undermining officers' independence and GDPR compliance.	R	Three prior year significant weaknesses remain but Council has taken some steps to improve arrangements. A new significant weakness identified in arrangements relating to finance team capacity and preparation of financial statements. Five improvement recommendations reported to support improvement of arrangements in relation to risk management, internal audit, oversight of Council-owned companies, Audit Committee effectiveness and data protection.
Improving economy, efficiency and effectiveness	R	Significant weaknesses in arrangements identified in relation to a housing regulatory notice and an improvement recommendation raised in relation to procurement.	One risk of significant weakness identified in relation to the ongoing housing regulatory notice.	R	Significant weakness in arrangements identified relating to the Housing Regulatory judgement. Two improvement recommendations made to support the Council in improving arrangements for engaging with the Local Government & Social Ombudsman and contract management.

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendation(s) made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

The Council has made notable progress in improving arrangements to support its financial sustainability; delivering a £17m surplus outturn in 2024/25 which was significantly better than forecast and enabled the Council to increase its General Fund reserves balance. In recognition of the work undertaken by the Council, we have closed the Statutory Recommendation raised in February 2024. However; significant challenges remain. The 2025/26 budget did not require a net contribution from General Reserves but relies upon delivery of a challenging savings target. We note that financial reporting at period 7 records that 88% is assessed as delivered or on track.

Earmarked reserves continue to be significantly below sector benchmarks and the Dedicated Schools Grant (DSG) deficit is growing which poses a major risk to the Council's financial sustainability should the statutory override end in 2028.

We have raised two Key and three Improvement recommendations in this area.

Governance

Prior significant weaknesses remain in place. The Chief Executive and Monitoring Officer have represented to us that relationships between Officers and Members have improved. While we note these representations, the Council should seek independent assurance that the changes made following our Wellington Road review have been effective in addressing the significant weaknesses identified

We have raised a new key recommendation in this area. The accounts were published within the statutory timeframe, but our audit identified significant errors and omissions at an early stage. Consequently, the Council was required to revise its draft financial statements, which were not provided until early November. This delay has had a material impact on the progress of the audit and we have been unable to advance our audit. We have made additional recommendations aimed at strengthening governance arrangements and improving the overall quality of financial reporting.

Improving economy, efficiency and effectiveness

The Council has confirmed that significant progress has been made in responding to the recommendations made within the Housing Regulatory Judgement and has made a formal request that the Regulator of Social Housing review its position. However, until the regulator confirms the removal of the judgement, the Key recommendation is retained.

The Ministry of Housing, Communities and Local Government (MHCLG) issued a Best Value Notice to the Council in July 2025 raising concerns about the Council's ability to meet its Best Value Duty. We provide further details within our report but have not raised an additional improvement recommendation in this area.

We have made additional improvement recommendations to improve engagement with the Local Government & Social Care Ombudsman (LGO) and ensuring contract management activity and procurement arrangements are robust.

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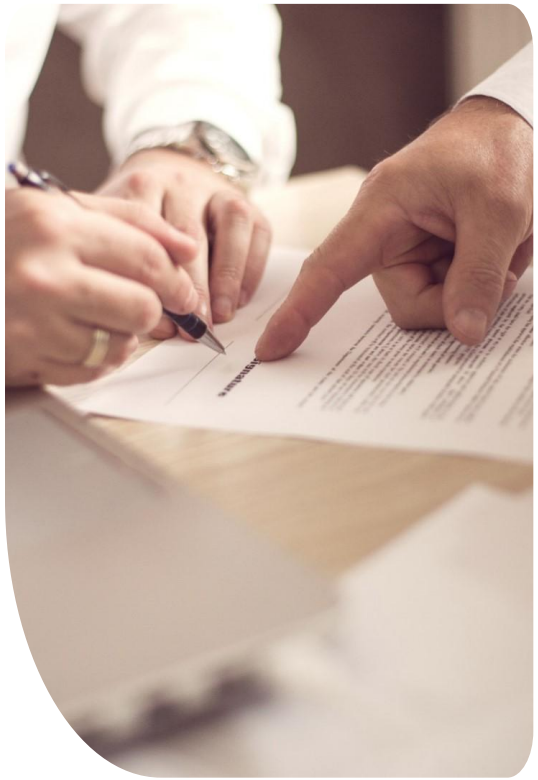
Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2024/25 outcome
Opinion on the Financial Statements	We have completed our audit of your 2024/25 financial statements and expect to issue a disclaimed audit opinion following the Audit Committee meeting on 22 July 2026.
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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03 Opinion on the financial statements and use of auditor's powers

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We expect to issue a disclaimed opinion on the Council's financial statements. This was because we were unable to complete the audit by the statutory backstop of 27 February 2026. Specifically, we were unable to complete the work on the valuation of the Council's operational land and buildings, right of use assets and liabilities as well as several post-draft accounts adjustments made by the Council

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council submitted draft accounts by the 30 June 2025 national deadline, but they were incomplete. The pension liability, land and buildings valuations, and journals required under IFRS 16 (leases) had not been finalised. We also identified several quality issues requiring resolution by the finance team.

The delays and quality issues were primarily caused by staffing changes within the finance team. A revised set of accounts was received on 5 November, but IFRS 16 postings remained outstanding.

The financial statements audit could not be concluded by the backstop date of 27 February 2026, as the Wellington Road investigation continued until May 2026

Audit Findings Report

The detailed findings from our audit are set out in our Audit Findings Report. This report was presented to the Council's Audit Committee on 24 June 2026. Requests for this Audit Findings Report should be directed to the Council.

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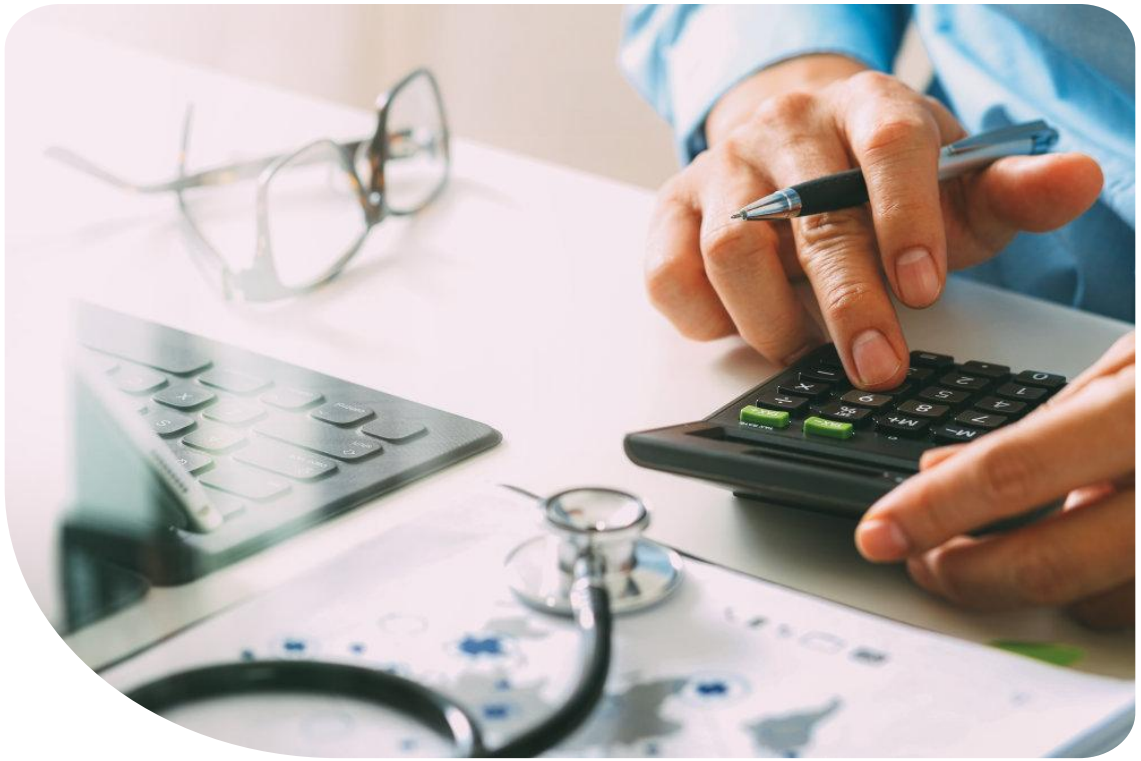
Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Because of the significance of the matter described in the basis for disclaimer of opinion, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.



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Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We did not issue any statutory recommendations to the Council in 2024/25.

We issued a statutory recommendation to the Council in February 2024 relating to financial sustainability. We have concluded sufficient progress has been made to remove the statutory recommendation but three key recommendations have been made.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a report in the Public Interest with regard to arrangements at the Council for 2024/25.

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04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	In February 2024, we issued a Statutory Recommendation highlighting the urgent action which needed to be taken by the Council to improve its financial position and prevent the need to issue a S114 notice. The Council delivered a £17.0m surplus outturn in 2024/25 which was significantly better than forecast and largely attributable to an unexpected dividend received from Birmingham Airport. The surplus was used to strengthen General Fund reserves balances; however, Ear-marked Reserves still remain significantly below the sector average. We have removed the Statutory Recommendation to recognise the action taken by the Council but conclude a significant weakness in arrangements remains. If the 2025/26 position worsens or there is significant reliance on reserves, we will re-consider if a new statutory recommendation is required. **Key Recommendation 1**. In February 2025, the Council approved a balanced budget for 2025/26 alongside a Medium-Term Financial Plan (MTFP) covering the period to 2029/30. The MTFP forecasts future costs and income to determine the scale and timing of financial pressures over five years. The Council's long-term financial sustainability is exposed to a range of risk factors including a growing DSG deficit. The cumulative deficit was £39.9m at the end of 2024/25 and forecast to increase to £55.7m. If the statutory override is lifted on 31 March 2028 the DSG deficit may need to be met from reserves. We have retained our prior year key recommendation in this area. **Key Recommendation 2**. Minimal cash balances are maintained by maximising internal borrowing for capital expenditure. However, financial planning documents do not address cash levels, and there is no evidence of routine cashflow forecasting to ensure liquidity. This is an area for improvement as reported in **Improvement Recommendation 1**. Additionally, the Council should review the affordability of its Housing Revenue Account capital programme, where financing costs exceed 40% of net revenue streams. Further detail is provided in **Improvement Recommendation 2**.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council has demonstrated good capability for the identification of savings schemes, having developed plans that addressed funding gaps ahead of both the 2024/25 and 2025/26 financial years; with the majority of savings classified as recurrent. Stakeholder consultation has also informed the development of these proposals. However, in respect of arrangements for delivering savings in 2024/25, there was limited evidence of robust arrangements despite the Council achieving 91% of its £15.8m savings target. For example, there was no evidence provided that responsible officers were allocated to all savings workstreams or monitored below reporting to Cabinet as part of the quarterly financial monitoring reports (high level reporting only by directorate, the target, actual to date and forecast, with RAG rating of delivery to date) which is the information provided to Improvement & Assurance Board. The 2025/26 budget, approved in February 2025, is balanced without requiring a net contribution from General Reserves. It includes net savings proposals of £41.7m for 2025/26 and the Council plans to deliver £61.1m of savings in 2025/26 overall. This is over four times the savings achieved in 2024/25. However, we acknowledge that Financial reporting records that at period 7, 88% of the total £61.1m is delivered or on track. This does present a challenge for the Council's financial sustainability which is set out in **Improvement recommendation 3.**	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Previous external reviews highlighted the need for stronger alignment between financial planning and strategic objectives. In June 2023, CIPFA's review of finance and governance recommended that the Council ensure its MTFP and savings plans are clearly linked to Council strategies and assessed for their overall impact. A follow up review by the Local Government Association in July 2024 reported ongoing uncertainty among officers and members about how these links were being coordinated and what outcomes were being achieved. Following our review of the Council's most recent MTFP, approved in February 2025, we conclude that financial planning is appropriately aligned with strategic priorities, such as leadership restructuring and discretionary spending reviews, and plays a central role in delivering both the Improvement Plan and the 2025/26 Council Plan. A September 2025 update to the Improvement Panel confirms that financial resilience remains a key objective for the Council, with priorities including the development of a long-term financial sustainability plan.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's MTFP is aligned with strategic plans for estates, climate action and the Dudley Improvement Plan, ensuring resources support leadership, service delivery, and transformation. Capital plans reflect priorities such as asset rationalisation, staffing changes, and technology investment, guided by robust project selection principles. Funding from the West Midlands Combined Authority supports net zero ambitions, while Flexible Use of Capital Receipts underpins delivery of the Improvement Plan. Treasury management is governed by an approved strategy covering borrowing, investment, and risk.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council identifies risks to financial resilience through structured financial planning, performance monitoring, and governance oversight, with mitigation actions targeted to address emerging pressures. In 2024/25, Cabinet received regular budget reports that highlighted forecast variances, tracked savings delivery, and flagged cost pressures, particularly within social care. Although the 2024/25 revenue budget included a £5.5m financial risk expected to be funded from reserves, the Council ended the year with a £17m surplus, which was instead used to strengthen reserves, improving capacity to manage future risks. The 2025/26 budget includes £11.9m in contingency funding, comprising allocations for general financial risk, social care pressures, and wider contingency. While the Council acknowledges risks to the delivery of its MTFP and revenue budget, there is an opportunity to enhance risk reporting by quantifying potential impacts and likelihoods, and by setting clear timeframes and accountabilities for mitigation. Further audit insight is provided on the following pages of the report.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability (continued)

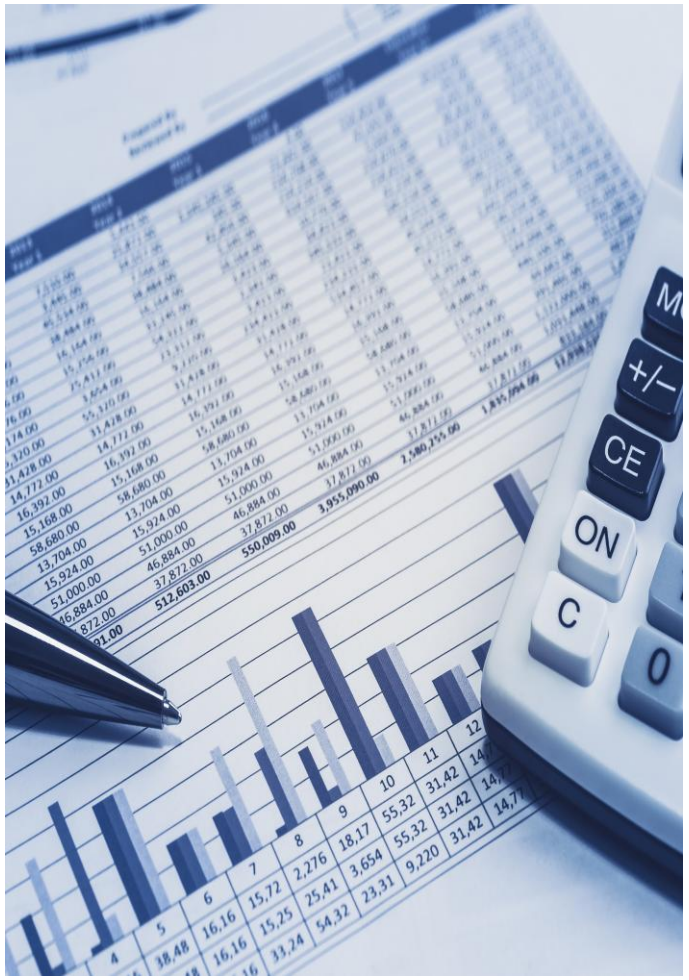
Significant weakness identified in relation to reserve balances

Key Finding: The Council's level of reserves remains significantly below the sector average and is insufficient to provide robust financial resilience. However, an increase in 2024/25 moved the General Fund balance to around 5.8% of net revenue expenditure for 2025/26.

Evidence: Historic reliance on reserves to balance budgets reduced the Council's General Fund balance to critically low levels. At the end of 2023/24, the Council's General Fund balance was £10.8m, representing 3.2% of the 2024/25 net revenue budget. A favourable outturn of £17.0m in 2024/25 enabled an increase in the balance to £21.2m. However, earmarked reserves fell by £6m in 2024/25, leaving a balance of £21.2m at the end of 2024/25 which is significantly low. Total un-ringfenced general fund reserves at the end of March 2025 were £42.3m, equivalent to 11.5% of the 2025/26 net revenue budget. This is significantly below the Metropolitan Borough Council average of around 20%, leaving the Council with the lowest level of un-ringfenced reserves among authorities of its type.

The MTFP 2025/26 - 2029/30 records that the Section 151 Officer considers the level of Reserves insufficient, and commits annual contributions of £5 million to the General Fund from 2025/26 onwards. As at the end of August 2025, the forecast outturn for 2025/26 showed a £5 million overspend against the net revenue budget. The forecast position had improved to a £1.3m deficit by the end of September 2025, but this worsened to a £3.0m deficit by the end of October 2025. Continued revenue overspends could prevent the planned contributions to the General Fund.

Impact: If General Fund reserves are not rebuilt to a sustainable level, the Council faces a heightened risk of financial instability and potential inability to sustain operations during future shocks or adverse variances and would compromise the Council's ability to deliver statutory services and meet its financial obligations.



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Financial sustainability (continued)

Key recommendation 1

The Council must continue to prioritise rebuilding its reserves balances to a level that provides adequate financial resilience and aligns more closely with sector benchmarks.

To do this, the Council must:

- Maintain strict adherence to planned contributions of at least £5m per year to the General Fund reserves, as set out in the MTFP 2025/26 – 2029/30.
- Ring-fence any future windfall gains (e.g. one-off receipts) for reserves rather than applying them to offset recurrent expenditure.
- Continue to undertake regular reviews of reserve adequacy against emerging risks and sector benchmarks, and increase contributions where financial performance permits.



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Financial sustainability (continued)

Significant weakness identified in relation to the Dedicated Schools Grant deficit

Key Finding: In our previous year's Auditor's Annual Report, we raised a key recommendation in respect of the Council's DSG deficit; which we have retained. The Government has extended the DSG statutory override until March 2028. High Needs Block (HNB) deficits are an issue nationally, which the Department for Education (DfE) has been addressing through Safety Valve and Delivering Better Value in SEND (DBV) programmes. The Council was part of the DBV programme from 2023 to 2025. However, the Council's DSG deficit has continued to escalate, and we are concerned the DSG management plan will not address the deficit.

Evidence: All core milestones of the DBV programme were achieved across four workstreams, with the exception of the Independent Travel Training project, which has been extended. A key success was the EHCP ceasing initiative, saving £1.6m and closing over 500 EHCPs through more effective demand management. Most DBV workstreams have now transitioned to Business as Usual, supported by performance monitoring through a dedicated DBV KPI dashboard and monthly SEND Improvement Plan progress reports to the SEND Improvement Steering Group. Governance oversight is maintained by the Schools Forum, SEND Strategic Partnership Board, and Children's Directorate Leadership Team.

In 2024/25, the in-year DSG deficit was £11.8m, compared to a planned deficit of £2.8m. The cumulative deficit was £39.9m at the end of the year, equating to 92% of total usable reserves. The planned in-year deficit for 2025/26 was between £3.3m to £14.4m (depending on the success of mitigations implemented), but latest forecasts suggest a likely deficit of £15.7m for the year, and a cumulative deficit at the year end of £55.7m, more than the forecast balance of usable reserves of £43.4m.



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Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability of the Council's Dedicated Schools Grant deficit

Looking further ahead, the Council's DSG management plan (as at November 2024) projects that the cumulative deficit will increase to between £91m and £235m by the end of 2030/31 (although this does not take into account any additional unplanned overspends in 2024/25 and 2025/26, which would increase the cumulative deficit further).

Impact: If the statutory override is lifted on 31 March 2028, the DSG deficit will need to be met from the Council's reserves, which may not be sufficient and the Council may need to consider its options for example, borrowing or whether issuing a S114 notice would be required.

Key recommendation 2

The Council must take further action to ensure the DSG deficit trajectory is brought under control, with a continued focus on strengthening transformation outcomes, robust financial forecasting and developing clear metrics to track the impact of SEND reforms.

The Council must include the impact of funding the DSG deficit on its cash balances as part of Treasury management work.

Grant Thornton insight

Reducing DSG deficits

Cumulative deficits in DSG, particularly those arising from high costs associated with delivering Special Educational Needs and Disabilities (SEND) services funded through the High Needs Block, are a widespread challenge across the country.

Local authorities have adopted a range of strategies to address these pressures, including:

- Capital investment to expand in-house SEND provision and increase capacity within special schools.
- Enhanced support for SEND pupils in mainstream settings, through increased staffing and targeted resources.
- Investment in demand management initiatives, such as digital tools to streamline Education, Health and Care Plan (EHCP) processes and reduce unnecessary EHCP requests.
- Collaborative development of SEND system action plans, working closely with partners including health services to improve outcomes and system efficiency.

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Financial sustainability (continued)

Area for Improvement identified: Cash balances

Finding: The Council operates a policy of maintaining minimal cash balances by maximising the use of internal borrowing to fund capital expenditure. However, neither the MTFP or the financial monitoring reports provide visibility over the level of cash balances held. Furthermore, there is no evidence that cashflow forecasting is routinely undertaken to ensure the Council maintains adequate liquidity to meet its financial obligations.

Evidence: The Council's MTFP, approved in February 2025, does not reference cash balances or the arrangements in place for their management. Similarly, routine financial monitoring reports do not provide visibility over cash holdings.

The Council was unable to provide a cashflow forecast as at the end of 2024/25 and has not confirmed the arrangements in place for cashflow monitoring during either 2024/25 or 2025/26. The Council used short-term borrowing to manage cash flow pressures in 2024/25.

The Council is carrying an unfunded deficit on the Dedicated Schools Grant (DSG), which must be supported through its available cash and investment balances. In 2025/26, the estimated cash requirement to fund this deficit is £15.7m. However, the Council's cash and short-term investments balance at the end of 2024/25 was only £5.9m, indicating a potential shortfall in liquidity unless alternative funding arrangements are identified.

Impact: The absence of cashflow forecasting and limited visibility over cash balances in key financial documents significantly increases the risk that the Council may not be able to meet its short-term financial obligations. This is particularly concerning given the Council's policy of maintaining minimal cash reserves and its reliance on internal borrowing. Without strengthened cashflow management and monitoring arrangements, the Council's financial resilience and ability to respond to emerging pressures may be compromised.

Improvement Recommendation 1

The Council should strengthen its cashflow management arrangements by:

- Developing and maintaining regular cashflow forecasts to ensure sufficient liquidity is available to meet financial obligations, particularly in light of the unfunded DSG deficit.
- Incorporating cash balance information and liquidity risk assessments into the MTFP and routine financial monitoring reports to improve transparency and support informed decision-making.
- Establishing formal procedures for cashflow monitoring, including clear roles and responsibilities, to ensure proactive management of short-term funding pressures.

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Financial sustainability (continued)

Area for Improvement identified: affordability of housing revenue account capital programme

Finding: The Council has a high ratio of financing costs to the net revenue stream for capital investments in the Housing Revenue Account (HRA).

Evidence: The Council's Treasury Management Strategy 2025/26 states that the ratio of financing costs to net revenue stream is estimated to be above 40% for the HRA capital programme over the medium term. This is higher than usually seen in the sector, where ratios of 15% to 20% are typically seen.

Impact: A high financing cost to net revenue stream ratio may indicate affordability risks, reduced financial flexibility, and exposure to interest rate volatility.

Improvement Recommendation 2

The Council should undertake a comprehensive review of its financing strategy for the HRA, with particular focus on affordability, sustainability, and risk exposure. This should include:

- Stress-testing financing ratios under various interest rate and revenue scenarios.
- Benchmarking against comparable authorities to assess relative performance and identify practices.
- Reviewing capital programme prioritisation to ensure alignment with long-term financial capacity.
- Assessing the impact on rent affordability and tenant outcomes.



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Financial sustainability (continued)

Area for Improvement identified: efficiency savings

Key Finding: The Council has arrangements in place to develop savings plans and bridge funding gaps, but the savings requirement in 2025/26 has increased significantly when compared to 2024/25 delivery.

Evidence: In 2024/25, 91% of the £15.8m savings target was achieved, but there is limited evidence of formal arrangements supporting delivery. For example, the Council underachieved against its Adult Social Care savings target in 2024/25 with £4.6m delivered of £6.7m planned despite the introduction of spending controls in pay and non-pay expenditure (across all areas of the Council). In May 2025; Internal Audit confirmed that a planned review of Project and Programme Management Assurance; to provide assurance that the governance established over Council Projects and Programmes including the use of the Dudley Portal (Verto) is effective, had been cancelled due to there being only one member of staff in the Corporate Programme Management Office. We therefore concluded that there was little PMO arrangement supporting the delivery of savings schemes.

The 2025/26 total savings requirement is £61.1m. This includes £41.7m identified for 2025/26 and savings that were agreed in the prior year as part of the 2024/25 budget setting process, starting in 2025/26. This is more than four times the 2024/25 savings outturn as demonstrated in the graph overleaf, and equivalent to 17% of the Council's Net Revenue Budget. Since the MTFP was approved in February 2025, additional budget gaps of £30.4m were identified for the period to 2029/30. The MTFP presented to Cabinet in December 2025 shows savings requirements from 2026/27 to 2030/31 totalling £12.91m over the 5 year period.

From our review of period 7 reporting we noted:

- £53.6m (88%) of the total £61.1m target savings for 2025/26 is assessed as delivered and/or on track and £6.1m is assessed as amber and forecast to be delivered.
- £1.5m is assessed as red. Mitigations are in place for the short term with the exception of Digital which is contributing to £0.6m overspend.

The Council has improved accountability arrangements in 2025/26, with the establishment of an Accountability Framework and Finance drop-in sessions to support delivery managers and a savings tracker. The tracker and example pro-forma provided that documentation is in place which confirms a responsible delivery manager and some mitigations are recorded in the savings tracker but only against 15 of the 157 savings schemes and excludes the £4.8m of savings across 25 schemes that were included in the 2023/24 MTFP. Cabinet reporting has improved in 2025/26 compared to the high-level reporting we observed in 2024/25, but our review found that improvements were needed to clearly outline details of forecast outturns, scheme-level risks, and mitigation actions, better supporting effective oversight and challenge. The September 2025 financial monitoring report to Cabinet shows a RAG rating for each saving scheme and a value but it is not clear whether the value is the plan or forecast saving, or how amber or red schemes will be mitigated.

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Financial sustainability (continued)

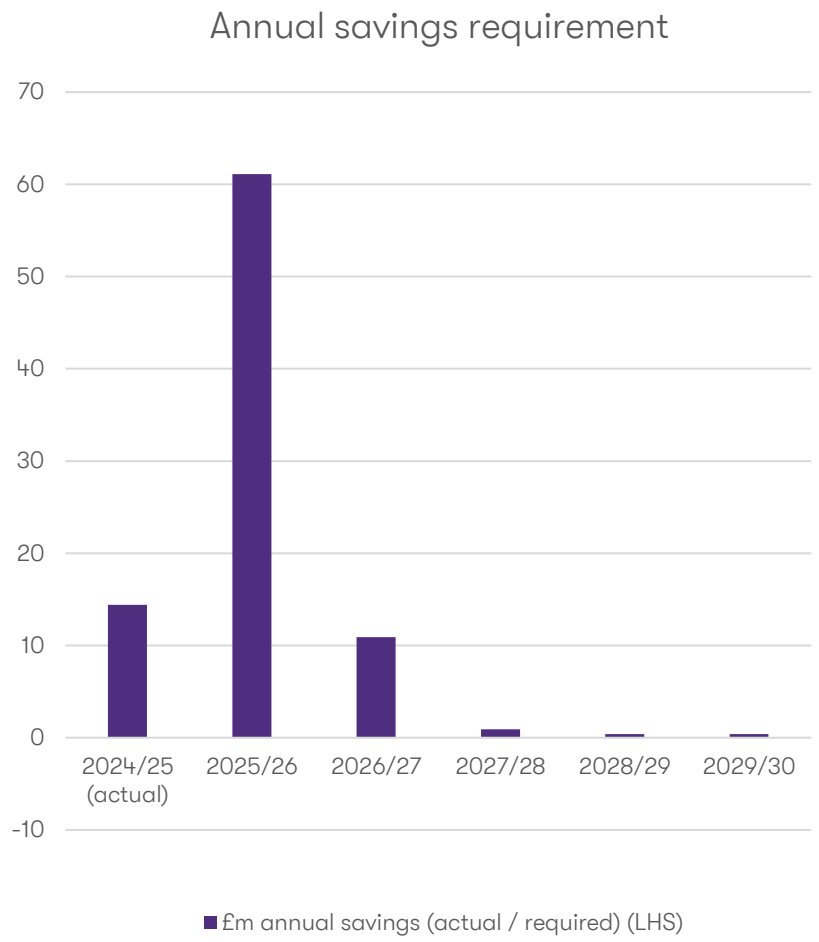
Area for Improvement identified: efficiency savings

Impact: Without robust arrangements for delivery, monitoring, and oversight, there is a risk that the Council may not achieve its challenging savings targets for 2025/26. This poses a threat to financial sustainability, increasing the risk to the Council's Reserves balances and limits the effectiveness of governance and decision-making processes.

Improvement recommendation 3

The Council should further strengthen its arrangements for the delivery and oversight of savings by:

- Enhancing the savings tracker to ensure all schemes include complete documentation, including responsible officers, delivery status, risk ratings, and mitigation actions.
- Improving reporting to Cabinet by providing clearer information on forecast outturns, scheme-level risks and progress against savings targets, to support effective oversight and challenge.
- Ensuring adequate assurance coverage, including reinstating internal audit reviews of key governance processes such as project and programme management and spending controls.
- Monitoring high-risk areas, particularly Adult Social Care, where savings targets have historically been underachieved, and ensuring realistic delivery plans are in place.



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Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of its approach to identifying and managing financial risks, but could challenge itself to go further, based on the arrangements we see across the sector



What the Council is already doing

- The Council currently identifies and reports financial risks through regular budget monitoring and planning processes. Risks are flagged in monitoring and planning reports, with some narrative on mitigation actions.



What others do well

Councils enhance transparency and accountability by:

- Quantifying risks in terms of financial impact and likelihood of occurrence.
- Assigning ownership and clear accountability for each risk and its mitigation.
- Setting timeframes for delivery of mitigation actions and tracking progress.
- Using risk dashboards or RAG-rated summaries to provide a clear visual overview.
- Linking risks to strategic objectives and service outcomes to contextualise financial implications.
- Integrating risk reporting into both financial and performance management frameworks.



The Council could consider

- Introducing quantitative assessments of financial risks, including cost ranges and probability ratings and links to service delivery and strategic objectives
- Defining and publishing clear ownership and timelines for mitigation actions
- Developing a standardised financial risk reporting format with RAG ratings, impact assessments and progress updates

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council's Risk Management Policy was last updated in April 2023. Corporate risks are reviewed by the Corporate Management Team and presented to the Audit Committee twice per year. Deep dive reviews requested by members of specific risks are also conducted supporting strategic oversight. The Annual Governance Statement acknowledges weaknesses in the Risk Management Framework identified through external reviews. A planned review was not completed due to the departure of the previous Section 151 Officer. We were informed that the interim Director of Resources and the Monitoring Officer are in the process of working with an external company to undertake a review. The lack of resource is noted as having a negative impact on the promotion and embedding of the Risk Management Framework. We have raised an improvement recommendation in relation to strengthening risk management arrangements. Please see **improvement recommendation 4**. The Council's Audit and Risk Management Service (ARMS) faced some resourcing challenges during 2024/25. The Principal Auditor post has remained vacant since August 2022 despite multiple recruitment attempts and additionally, the Head of Audit and Risk Management left the Council in July 2025. Interim arrangements are in place and recruitment for a new Associate Director of Audit, Assurance, and Controls is underway. Despite staffing pressures, 85% of the 2024/25 plan was completed by March 2025, with the remaining work being finalised. Regular progress reports are not provided to the Audit Committee throughout the year. Instead, the Committee receives an interim report during the year and a comprehensive annual report at year-end. The Head of ARMS issued a Limited Assurance opinion for 2024/25 suggesting the Council needs to address the gaps identified within Risk Management, Governance and the Internal Control Framework. Since 2021, a high proportion of audits have resulted in minimal or limited assurance ratings. Continued overleaf..	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Continued: The Annual Report highlights that this trend has persisted for several years, and despite being raised with Senior Management and the Audit Committee, there has been limited improvement made. Audit follow-up processes prioritise high and critical priority actions. In 2024/25, 178 high-priority actions were followed up, with 64% confirmed as implemented. However, capacity constraints have caused delays in some follow-ups. The Audit Committee raised concerns about outstanding recommendations, leading to escalation to the Chief Executive and Cabinet for further action. See **improvement recommendation 5.** Fraud investigations have increased year-on-year, with 49 cases in 2024. The time spent on fraud work rose by over 50% in year, impacting assurance capacity. A mandatory Fraud Awareness course has been completed by over 7,500 staff. Employees who have not yet completed the course in 2025 are required to do so as soon as possible. The Council's Whistleblowing Policy was refreshed in October 2024, with a noted increase in referrals and ongoing awareness efforts. A whistleblowing register is maintained with oversight by the Counter Fraud Manager and the Monitoring Officer. Although the Council is in the early stages of reviewing its Whistleblowing processes and the impact is yet to be determined, we have provided an audit Insight to aid the embedding of whistleblowing arrangements. In our 2023/24 report, we identified weaknesses in the Council's arrangements to prevent and manage bribery and corruption risks. The Council's approach was reactive rather than proactive. Bribery and corruption risks were not formally assessed at the outset of property transactions, engagement with developers was inconsistent and often unrecorded, and non-financial inducements were not adequately considered. We raised an improvement recommendation covering upfront risk assessment, clearer third-party engagement rules, and regular training for members and officers. This improvement recommendation was not formally reported until 2026, after the 2024/25 year had concluded. We are not aware of any changes made by the Council during 2024/25 that address it. **The improvement recommendation is therefore retained.** We will assess progress as part of our 2025/26 value for money assessment.	A

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The 2025/26 budget setting process was clearly structured, allowing adequate time for engagement with budget holders, elected members, the public, and other stakeholders. It included Star Chamber sessions, Scrutiny Committee review and Cabinet consideration prior to Council approval. Budget holders completed assurance statements confirming commitment to budget delivery and identifying risks, controls, and training needs. Improvement priorities for 2025/26 include strengthening the process further, with plans to introduce a standard operating procedure and a refreshed budget challenge review for 2026/27.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council has established processes for budget setting and in-year monitoring, supported by regular reporting to Cabinet. Forecasts and variances are analysed at directorate level, with commentary provided to explain significant movements. While some non-financial information is included within narrative commentary, there is scope to strengthen the integration of relevant non-financial metrics and treasury updates to better inform decision-making. The June 2024 CIPFA review identified several recommendations to enhance financial management, which have been incorporated into the Dudley Improvement Plan and implementation is ongoing. The Council met the statutory deadline for publishing draft accounts; however, the initial draft contained significant errors and omissions. This highlights weaknesses in financial capacity and oversight following significant staff turnover. We have raised a key recommendation in this area. See **key recommendation 3**. If improvements are not made, we will consider the use of Auditor's Powers which may escalate this to a statutory recommendation. We note that there is limited evidence of robust financial monitoring and reporting arrangements for investments in companies such as BCIMO, Dudley Zoo and Connect2Dudley; although not material, this presents a risk to providing effective oversight. I**mprovement recommendation 6**.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	In our 2023/24 Auditor's Annual Report, we identified significant weaknesses in property disposal governance and in relationships between officers and members. Due to the Wellington Road investigation, these findings were not reported until 2026 — after the 2024/25 year had concluded. Our findings identified that key decision-making processes were not consistently followed, decisions lacked clear contemporaneous documentation, and statutory requirements including best consideration and subsidy control were not consistently evidenced. Member involvement in operational matters went beyond appropriate strategic oversight and, in some cases, created pressure on officers that limited independent advice and effective challenge. The Council has since introduced revised disposal protocols , undertaken a constitutional review, restructured its senior leadership, and commissioned external support from CIPFA. The Chief Executive and Monitoring Officer have represented to us that relationships between officers and members have improved. We recognise the improvement work undertaken. We have closed one of the key recommendations raised in the prior year relating to the disposal protocol. We are not, however, in a position to provide assurance that these changes have addressed all the weaknesses identified. **As a result, the other three prior year key recommendations are retained**. We will test these arrangements as part of our 2025/26 value for money work and report to the Audit Committee. We have recommended the Council seeks independent assurance — through internal audit or other means — that improvements are fully embedded and consistently applied. The Audit Committee's governance arrangements demonstrate active oversight and escalation, as evidenced by the Audit Committee Chair raising with the Chief Executive the issue of delayed internal audit actions. Attendance and declarations are published online. However, the Committee did not undertake a formal self-assessment during 2024/25 in line with CIPFA guidance to evaluate its effectiveness. The Annual Report could also be strengthened by including meeting frequency and attendance data. Limited engagement with a skills and knowledge questionnaire led to targeted training under the Fit for the Future Plan, including group sessions and individual support. We have also recommended introducing a structured training programme for Audit Committee members. Further detail is provided in **improvement recommendation 7**.	R

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour Continued overleaf ..	In our 2023/24 Auditor's Annual Report, we identified significant weaknesses in compliance with legislative and regulatory requirements. Due to the prolonged investigation, these findings were not reported until 2026 — after the 2024/25 year had concluded. Senior elected member involvement in property transactions went beyond appropriate boundaries, officers were subject to pressure that discouraged challenge, and informal engagement with developers reduced transparency. These behaviours were not consistently challenged or escalated. On data protection, personal and special category data was shared without clear lawful basis, personal email accounts were used for Council business, and a significant incident involving sensitive health data highlighted failures in applying core GDPR principles. Breach assessment and escalation was inconsistent. We raised two key recommendations: one to reinforce the code of conduct and strengthen oversight of member and officer interactions, particularly with developers; and one to embed data protection controls, including clear accountability, consistent GDPR compliance, improved breach management, and mandatory training. The Council has since introduced a range of technical and procedural data protection controls, undertaken a constitutional review, and restructured its senior leadership. The Chief Executive and Monitoring Officer have represented to us that relationships between officers and members have improved. We recognise the improvement work undertaken. We have closed the key recommendation relating to the property disposal protocol, as this has been implemented. **The key recommendations on regarding senior member involvement in property transaction and data protection protocols remain open**. We cannot provide assurance that the changes made have addressed the underlying weaknesses identified. The Council should seek independent assurance — through internal audit or other means — that improvements are fully embedded and consistently applied. We will test these arrangements as part of our 2025/26 value for money work and report to the Audit Committee.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	During the year one non-IT-related breach occurred when a third party's name and indirectly identifiable information were disclosed during a telephone conversation, the breach was notified by the complainant. The Information Commissioner's Office (ICO) reviewed the incident and found the Council had not met its data protection obligations. While no formal regulatory action was taken, the ICO recommended that the Council reinforce staff awareness on verifying recipient details prior to sending correspondence to prevent similar incidents. See **improvement recommendation 8**. Financial Regulations and Contract Standing Orders are current and regularly updated, with delegated authority for annual revisions. The Procurement Strategy is being updated for the Procurement Act, with preparatory work and staff training completed. Waiver reporting is now embedded, with the first full year of data captured in 2024/25. In 2023/24, there were 12 waivers totalling £63m, while in 2024/25 there were 11 waivers with a total value of £5.9m. Although the overall value of waivers has decreased, the number of waivers is similar. The Procurement Service is working with directorates to bring more contracts into compliance and reduce reliance on waivers. The focus is on improving transparency and scrutiny, supported by ongoing analysis to ensure waivers are used appropriately and to inform further improvements. Further detail is provided in **improvement recommendation 9**.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance (continued)

Significant weakness identified in relation to capacity and resilience of finance team

Finding: The Council is suffering from a lack of capacity in the finance team.

Evidence: Since April 2024, the Council's finance team has experienced significant staffing changes across all levels, including the Section 151 Officer and Head of Finance, as well as junior staff. There have been four Section 151 Officers in post since April 2024, with three interim appointments made. As a result, the Council has been reliant on a substantial number of temporary staff to maintain core financial functions, at both senior and junior levels of the team.

There were significant issues noted in the preparation of the draft Statement of Accounts for 2024/25. Although the draft was published by the statutory deadline of 30 June 2025, the financial statements audit identified multiple errors and omissions early in the process. A revised draft was submitted in November 2025; however, this remains subject to further revision, further delaying the audit of the financial statements.

The conclusion of the Value for Money audit has also been delayed due to slow response times from the finance team and significant challenges in obtaining information relating to the 2024/25 period. This underscores the adverse impact of limited capacity and recent team restructuring on the Council's ability to support critical assurance processes.

Impact: High reliance on temporary staff may lead to inconsistent practices, loss of institutional knowledge and reduced continuity in financial management.

Capacity constraints may hinder timely budget monitoring, forecasting, delivery of financial improvement actions and the Council's ability to respond to external challenge and demonstrate financial sustainability. Delays in producing a final draft statement of accounts have already impacted the audit timeline, potentially affecting statutory reporting deadlines and public accountability. In addition, there is an increased risk that accounts audit may hit statutory backstop dates in future unless this issue is urgently addressed

Key Recommendation 3

The Council must:

- Prioritise the recruitment and retention of permanent finance staff across all levels
- Introduce a formal quality assurance process for the preparation of the Statement of Accounts, including peer review, senior sign-off, and early engagement with external auditors to identify and resolve issues before publication
- Establish clear protocols and timelines for responding to audit queries, supported by dedicated resources to ensure timely and accurate information is provided throughout the audit process
- Create a workforce plan for the finance function that includes succession planning, skills development, and contingency arrangements to manage future capacity risks.

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Governance (continued)

Area for Improvement identified: Risk Management

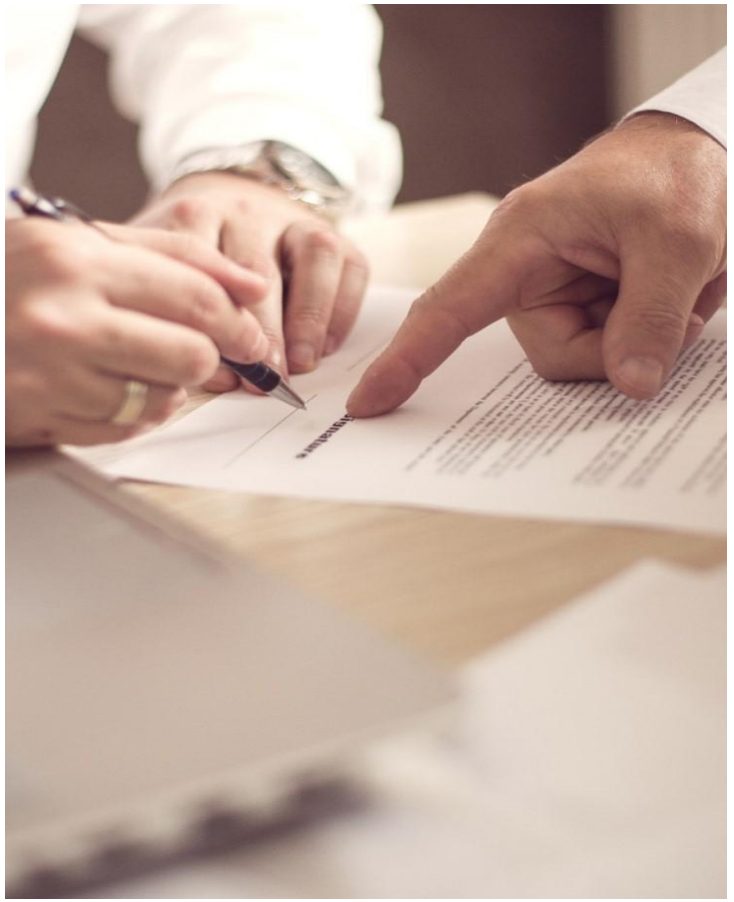
Key Findings: External reviews by the Local Government Association, CIPFA, and External Audit have highlighted weaknesses in the Council's Risk Management Framework. The Annual Governance Statement for 2024/25 acknowledged these issues.

Evidence: The Risk Management Policy was last updated in April 2023, but its current status and alignment with the new organisational structure are unclear. A planned corporate review of risk management did not take place during the year due to leadership changes and responsibilities for risk management which are due to be under the new Associate Director role for Audit, Assurance and Controls, which is currently being recruited.

Impact: The Council is at risk of not having effective risk management processes in place because the Risk Management Policy is outdated and the planned review of existing arrangements has not been completed to ensure that processes remain effective.

Improvement Recommendation 4

The Council needs to update the Corporate Risk Management Policy and undertake a review of risk management to confirm clear ownership of processes within the revised structure and ensure that risk management arrangements remain effective.



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Governance (continued)

Area for Improvement identified: Internal Audit recommendations

Key Findings: Members have expressed concern about outstanding Internal Audit recommendations and the need for stronger accountability.

Evidence: The Council has processes in place to follow up on audits with Minimal Assurance ratings and high-priority actions within six months. These follow-ups are intended to provide assurance to the Audit Committee on the timeliness and effectiveness of management action. The Spectrum audit system tracks all audit actions and provides dashboards for each Directorate, enabling real-time monitoring by managers and directors. Despite these tools, delays have occurred due to limited resources. In 2024/25, 178 high-priority actions were followed up, with only 64% confirmed as implemented. Audit Committee minutes show concerns about unimplemented recommendations, leading to escalation to the Chief Executive and Cabinet.

We also note that the Limited Assurance opinion provided by the Head of Audit and Risk Management Services for the past two years, on the effectiveness of the control environment has been raised as a concern by the service to Senior Management and the Audit Committee.

However, we did note that Internal Audit progress reports are not presented to every Audit Committee; instead, an interim report is provided during the year and an annual report at year-end. Increased reporting to provide an overview of ongoing control issues and outstanding recommendations will increase accountability and challenge.

Impact: Infrequent reporting limits the Audit Committee's ability to track unresolved actions or receive assurance that weaknesses within the framework of internal control are being adequately addressed. This reduces the effectiveness of scrutiny and may weaken assurance over whether key risks are being addressed in a timely and consistent manner.

Improvement Recommendation 5

The Council should ensure that:

- The Council and Audit Committee liaise with the Internal Audit provider to agree the level of detail it requires to gain assurance that gaps in the control framework are being addressed and Internal Audit recommendations are implemented in accordance with agreed actions.
- Follow-up reviews for all minimal assurance audits and high priority actions are completed within the specified six-month timeframe, with updates recorded in the system and consistently reviewed and validated.

Grant Thornton insight

Embedding Good Governance Through Strengthened Internal Audit Oversight

A strong internal audit function is a cornerstone of effective governance. Strong internal audit processes are vital to upholding good governance. Internal audit provides independent assurance that systems of control, risk management, and governance are functioning effectively and aligned with statutory duties and strategic objectives.

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Governance (continued)

Area for Improvement identified: oversight of investments in external companies

Finding: There is limited evidence that the Council has robust arrangements in place to monitor financial risks relating to investments in companies.

Evidence: The Council holds investments in several external entities, including Birmingham Airport, Dudley Zoo, Connext2Dudley and, until July 2025, the Black Country Innovative Manufacturing Organisation (BCIMO) which entered administration in June 2025 due to rising costs and a shortfall in anticipated funding, resulting in cash flow difficulties.

The Council identified a £1.516 million impairment relating to BCIMO in 2023/24 which contributed to an overspend on the corporate budget. A further £1 million loan impairment was reported as a budget variance in December 2024.

Although we recognise that the overall exposure to the Council is not material; there is limited reporting on Dudley Zoo, BCIMO, or Connect2Dudley within the 2024/25 revenue budget monitoring reports.

Impact: Unanticipated impairments or loss of income may undermine the Council's ability to deliver its MTFP and savings targets. Weak oversight of investments may reduce the Council's financial resilience. Failures such as the administration of BCIMO may damage public and stakeholder confidence in the Council's financial governance and decision-making.

Improvement Recommendation 6

The Council needs to establish and implement robust arrangements for monitoring financial risks associated with investments in companies, including:

- Maintaining a centralised register of all financial interests and exposures.
- Introducing regular financial and governance reporting to Cabinet and Audit Committee.
- Ensuring that ongoing due diligence procedures are robust and that impairments, dividend expectations, and financial performance are consistently reflected in budget monitoring reports.
- Conducting periodic risk assessments of each investment, with clear escalation routes for concerns.
- Reviewing lessons learned from the BCIMO case to strengthen future investment governance and oversight.
- Appropriate governance through a Shareholder Committee (or an equivalent level of governance).

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Governance (continued)

Area for Improvement identified: Audit Committee Effectiveness

Key Finding: The Audit Committee's governance arrangements lack consistency in self-assessment and member development. While an Annual Report was produced in 2023/24 following a self-assessment, the results were not shared with the Committee and there is no evidence of a self-assessment in 2024/25. The Annual Report also omits key transparency features such as meeting frequency, attendance records, member roles, training undertaken, and a reflective assessment of the Committee's impact. In addition, member engagement with training has been limited, with only one response to the initial skills questionnaire in July 2024, indicating gaps in participation and awareness. Targeted training sessions were later delivered under the Fit for the Future Plan which was launched in 2023/24 (and transitioned into the Improvement Plan) however, records remain incomplete, and a structured approach is lacking.

Evidence: The self-assessment referenced in the July 2024 Council report was not shared with the Committee, and there is no evidence of its completion during 2024/25. The Annual Report provides oversight of audit, governance, risk, and financial reporting; however, it lacks transparency features and an impact assessment. An initial skills questionnaire issued in July 2024 received only one response. Although subsequent training sessions were delivered in June and September 2025 with LGA support, engagement and documentation remain inconsistent.

Impact: The absence of a documented self-assessment and limited training engagement reduces the Committee's ability to demonstrate effectiveness and fulfil its oversight responsibilities. This weakens transparency and assurance for stakeholders during a period of organisational and financial change.

Improvement Recommendation 7

To enhance Audit Committee effectiveness and governance, the Committee should:

- Undertake an annual self-assessment in line with CIPFA guidance and embeds a structured training programme into its processes.
- Report the results of the self-assessment in the Annual Report, which should also set out the Committee's role, key activities, attendance, training, and contribution to strengthening governance, risk management, and internal controls.
- Ensure the training programme includes skills assessments, scheduled training sessions with tracked attendance, and tailored development based on knowledge gaps identified within the Fit for the Future Plan.

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Governance (continued)

Area for Improvement identified: Data Breaches

Key Finding: During the year, a non-IT-related data breach occurred when a third party's name and indirectly identifiable information were disclosed during a telephone conversation with a member of the public. The incident was reported to the ICO, which reviewed the matter and concluded that the council had failed to meet its data protection obligations. Although no formal regulatory action was taken, the ICO issued a recommendation to reinforce staff awareness and ensure recipient details are verified before issuing correspondence.

Evidence: The breach highlights a weakness in staff compliance with data protection protocols, particularly around verifying recipient details prior to sharing information. Although outside of the reporting year, another breach was identified internally involving the incorrect inclusion of personal information in correspondence sent to an unintended recipient and has been now referred to the ICO and awaiting a formal response. This indicates that existing controls and training may not be sufficiently robust to prevent accidental disclosures.

Impact: The Council is at risk of not meeting data protection obligations which exposes it to reputational risk and potential regulatory scrutiny. Although no enforcement action was taken, similar breaches could lead to fines or sanctions. The ICO's recommendation highlights the need for improved staff training and stronger process controls.

Improvement Recommendation 8

The Council should strengthen staff and Member awareness of data protection requirements through targeted training and reminders. Additionally, a structured lessons learned process should be introduced following any data breach to ensure continuous improvement and reduce the likelihood of similar breaches in the future.



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Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of whistleblowing, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Council is already doing

- The Council has reviewed, updated, and approved its Whistleblowing Policy, ensuring clear guidance on how staff can raise concerns and providing assurance that whistleblowers will not face harassment or victimisation.
- The Council has introduced measures to monitor and promote whistleblowing arrangements, including central logging of incidents, awareness campaigns through newsletters and posters, and the development of a Whistleblowing Project Initiation Document to improve procedures.



What others do well

- Other organisations strengthen whistleblowing policies by clearly outlining how they will ensure whistleblowers do not suffer detriment and by embedding processes to share themes and lessons learned from investigations across the organisation.
- The most effective whistleblowing arrangements we see include regular reporting of anonymised whistleblowing data and thematic findings to the Audit Committee, supported by staff awareness surveys and indicators of organisational culture change, to demonstrate transparency and continuous improvement.



The Council could consider

- Prioritising the implementation whistleblowing project initiation document to strengthen the policy and include how themes and identified learning from whistleblowing investigations will be shared across the organisation.
- Improve the quality of whistleblowing reporting to provide clear assurance to members on activity, trends, and the impact of improvements.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Council has an established Corporate Performance Framework to monitor delivery against its strategic priorities and drive continuous improvement. Financial and performance information is used to track progress and identify areas for improvement. Monthly reporting via a live Power BI dashboard tracks 13 KPIs, reviewed by the Corporate Management Team, Cabinet Policy Group, and Overview and Scrutiny Committee, supporting effective decision-making. Benchmarking is used where national data is available, with Dudley comparing itself to similar Councils via LG Inform. Local measures are assessed using historical trends and contextual analysis. Services also conduct independent benchmarking and share practice. Significant progress has been made across all five priorities in the 2024/25 Council Plan, with many initiatives continuing into 2025/26, aligning with the Government's Value themes and the next phase of the Dudley Council Improvement Plan. The Council could enhance scrutiny by integrating benchmarking data directly into the dashboard. The embedding of strong data quality controls ensure accurate, consistent, and auditable performance reporting. Measures such as defined indicators, spot checks, and secure systems underpin the reliability of performance reporting and support effective decision making.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	The Local Government Association (LGA) Follow-Up Peer Review in June 2024 found the Council had made limited progress on previous recommendations, with leadership challenges remaining a key barrier. Although the Council's self-assessment rated most actions as on track, the review team considered this overly 'optimistic'. In response, the Council launched the Fit for the Future Programme and commissioned CIPFA to support improvements in financial resilience and governance. A comprehensive Improvement Plan approved in January 2025, is driving transformation across key areas including Adult Social Care, technology, and workforce. Strengthened governance and financial controls are supported by staff engagement and oversight from the Improvement Panel, with regular reporting to Cabinet and scrutiny. The Council was issued a Regulatory Notice by the Regulator of Social Housing (RoSH) in April 2023 following a self-referral over housing safety failures. We raised a key recommendation in our 2023/24 Auditor's Annual report that the Council should resolve the recommendations to ensure the removal of the Regulatory Notice. The Council confirmed that significant progress has been achieved in delivering the compliance recovery programme introduced by the Housing Directorate in response to the notice. Most actions in the programme are now complete, and the assurance provided to RoSH has resulted in meetings moving from monthly to bi-monthly. An external compliance audit was completed in May 2025, and its findings were presented to RoSH on 13 June 2025. RoSH has recognised the progress made, and the Council is preparing to submit a formal request for the notice to be lifted. However, while recognising the progress made; we have retained the key recommendation until such time we can evidence the notice is lifted by the regulator. **Key recommendation 4.** Continued overleaf..	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	Continued: During the year, the Council prepared for a CQC inspection, developing a self-assessment tool and reviewing complaints data, which showed improvement. Overall, the Council has adequate arrangements for quality oversight and regulatory compliance with CQC standards. In 2024/25, the Local Government Ombudsman (LGO) received 121 complaints about the Council. We identified an opportunity for the Council to strengthen its approach to resolving complaints at an early stage, reducing escalation to the Ombudsman and improving overall customer satisfaction. We provide further details in **Improvement recommendation 9.** In July 2025, the MHCLG issued a Best Value Notice to the Council, raising concerns about its ability to meet its value duty. The notice outlined eight expected actions for the Council to implement. We have included commentary pon the following pages of our report. We have not raised additional Improvement recommendations in this area, but the Council needs to ensure it make measurable progress against the MHCLG actions.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council has established a strategic framework through the Dudley Borough Vision 2030: Forging a Future for All, developed in collaboration with key partners and communities. This vision is supported by a refreshed 3-year Council Plan for 2025/26, which includes a dedicated theme on Partnerships and Community Engagement. Key statutory partnerships, including the Dudley Health and Wellbeing Board and Community Safety Partnership (Safe & Sound), continue to operate within their legal frameworks and report through Cabinet and Scrutiny. Other strategic partnerships, such as the Dudley Employment and Skills Board and Dudley Economic Growth Board, are currently paused pending the introduction of a new Placemaking Board, which will align future partnership activity with the Economic Regeneration Strategy. To strengthen governance and engagement, the Council is developing a live dashboard in 2025/26 to track progress against objectives, monitor risks and financial strategy, and gather resident feedback. This is overseen by the Overview and Scrutiny Committee. Community engagement remains active through initiatives such as Your Home, Your Forum and digital platforms like My Dudley. While the Council is clearly committed to improving partnership working and stakeholder engagement, we have provided an Insight piece to enhance reporting on partnership activity. This will provide greater assurance that joint initiatives are driving continuous improvement and support further strengthening of the Council's governance framework.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Council's contract management processes have become more standardised, particularly through the introduction of tiered contract segmentation, increased training, and planned centralisation efforts. However, key gaps remain in system integration, performance monitoring, and consistent data management. We raised an improvement recommendation in 2023/24 for the Council to explore linking the Unit 4 finance system to the procurement system, this was accepted by management but our review of arrangements for 2024/25 confirm that this was not actioned and was an area of concern raised by the Director of Procurement. To support continued improvement, we have made a revised recommendation for the Council to further strengthen its central contract management capacity, develop a formal strategy, and implement tools such as a KPI tracking system and finance integration to ensure contracts deliver intended outcomes effectively and ensure there is greater oversight over high value waivers. See **improvement recommendation 10.** The organisational restructure presents an opportunity to embed contract management more strategically across the Council. The Council actively engages in collaborative procurement, particularly with neighbouring local authorities. Examples of current joint efforts include the Urban Traffic Control contract, led by Wolverhampton City Council, and the joint procurement of road salt for winter gritting with Sandwell MBC. These initiatives demonstrate a practical, needs based approach to working together with other councils. The upcoming restructure aims to further strengthen collaboration and create a more integrated approach to procurement across the organisation.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to the Regulatory Notice

Key Finding: The Council self referred to the Regulator of Social Housing (RoSH) whereby it was issued a Regulatory Notice in April 2023 due to failure to meet minimum service standards. We raised a Key recommendation in 2023/24 that the Council must seek to settle the requirements of the Regulatory Notice.

Evidence: The Housing Directorate has progressed its compliance recovery programme and assurance meetings with the Regulator have been reduced, reflecting improved confidence in compliance performance. Two external reviews commissioned by the Council in May 2024 and May 2025 provided substantial assurance and findings were shared with key governance bodies, including the Housing Assurance Board and RoSH. A formal request was submitted to the Regulator of Social Housing on 27th November 2025 to review its position. A panel will review the evidence and determine whether the notice should be lifted.

While recognising the progress made; we have retained the key recommendation until such time we can evidence the notice is lifted by the regulator.

Impact: The Council remains at risk until the Regulatory Notice is lifted. Embedding ongoing oversight and assurance processes is critical to sustain compliance, proactively manage risks, and prevent recurrence.

Key Recommendation 4

The Council must ensure there is an embedded and continuous assurance process within its Building Safety Framework, supported by detailed process maps and ongoing assurance auditing, to strengthen delivery, maintain compliance, and enable proactive risk management.



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Improving economy, efficiency and effectiveness (continued)

Area for Improvement: Engagement with the Local Government & Social Care Ombudsman (LGO)

Key Finding: The 2024/25 LGO Annual Letter highlights the Council failed to provide sufficient evidence of compliance with recommendations agreed in two related cases investigated by the LGO resulting in concerns about transparency and accountability.

Evidence: As a result, the Council's compliance rate is 87%, compared to the 100% average for similar authorities. Despite ongoing contact, the LGO felt progress was drifting and registered a further complaint to investigate. The review found that although the Council failed to respond appropriately, it had subsequently taken reasonable steps to address the situation, though the complainant's desired outcome was not achieved. the LGO considered these as exceptional circumstances but suggests opportunity for improvement in engaging with the LGO.

The LGO received 121 complaints about the Council. Of these, 50 were either outside the Council's remit or not ready for investigation. The LGO assessed and closed 53 complaints without a full investigation. A total of 18 complaints were investigated, of which 78% were upheld. This is slightly below the average rate of 81% for similar authorities. The LGO also reported that in none of the 14 upheld cases did the Council provide a satisfactory remedy before the complaint reached them, resulting in a 0% satisfactory remedy rate compared to an average of 13% for similar authorities..

Impact: Timely, transparent, and accurate engagement with the LGO is essential to demonstrate a commitment to learning, continuous improvement, and delivering fair outcomes for residents.

Improvement Recommendation 9

The Council should ensure there are clear arrangements for timely and accurate responses to the LGO enquiries, appropriate signposting of complaints, and effective tracking and reporting of actions taken to meet agreed recommendations supported by staff training, defined responsibilities and regular performance oversight.



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Improving economy, efficiency and effectiveness (continued)

Area for Improvement: Best Value Notice

Key Finding: MHCLG issued a Best Value Notice to the Council in July 2025. A Best Value Notice is a formal intervention by Central Government under the Local Government Act 1999 when there are serious concerns about a Council's ability to meet its Best Value Duty – the legal obligation to secure continuous improvement in the way functions are exercised, having regard to economy, efficiency and effectiveness.

Evidence: The letter from MHCLG recognised the improvements already made by the Council, but noted that the Council needed to continue to address the serious issues identified through external audits, CIPFA and the LGA, at sufficient pace. MHCLG expectations include (but not limited to):

- Continue taking urgent steps to improve its financial sustainability, delivering against its agreed MTFP and savings plans.
- Continue drawing on external support and challenge, strengthening the role of the independent improvement board where appropriate, making full use of the board's expertise and responding to its recommendations.
- Continue to increase senior officer capacity and stability, by making permanent appointments in a robust and timely manner and taking steps to reduce staff turnover in the longer term
- Deliver at pace against the agreed improvement plan, meeting the set milestones, measuring the impact of change and ensuring that it is embedded into day-to-day operations throughout the organisation.
- Ensure that it has effective governance and scrutiny processes that are understood and adhered to by both officers and members, in response to the recommendations from recent external reviews.
- Continue delivering against the requirements of the Regulatory Notice issued by the Regulator for Social Housing in April 2023, which remains a risk of significant value for money weakness identified by the external auditor.
- Ensure that culture change is having the desired impacts at all levels of the council, with focus on: relationships between officers and members, ensuring clarity of roles and responsibilities; and effectively managing poor behaviour so that it does not affect the council's ability to deliver.
- Engage with the department at official level throughout the period of the notice to discuss progress, on at least a quarterly basis.

We have not raised an improvement recommendation in this area as the issues highlighted are being addressed through the Council's Improvement Plan which is overseen by the Improvement Panel and Cabinet. Findings and recommendation raised as part of our report also address these issues.

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Improving economy, efficiency and effectiveness (continued)

Area for Improvement: Contract management

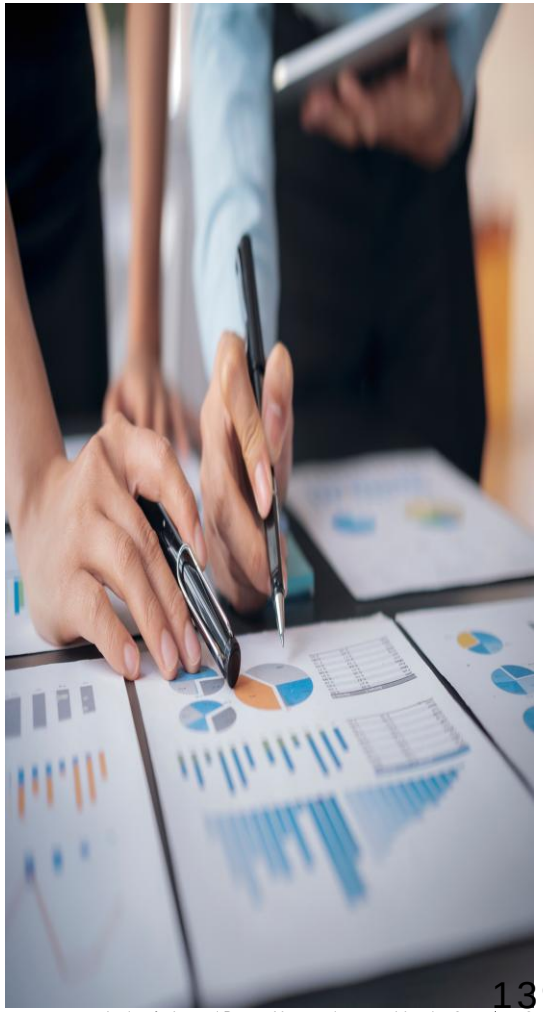
Key Finding: The Council has effective central oversight of initial procurement activity. However, there is limited visibility and control over post-award contract management. We raised an improvement recommendation in 2023/24 that the Council should explore linking the finance system to the procurement system to ensure greater oversight of cost. The recommendation was accepted and was to form part of the Council's improvement programme and the worked linked to the move to Unit 4 to provide greater oversight and management of contracts and spend. However, in 2025/26 we confirmed that this remains outstanding and was highlighted as a key concern in our discissions with the Head of Procurement for accurate reporting.

Evidence: The Council's procurement team set up the approval of new contracts and post-award contracts are managed by the relevant service. Contract management within the Council is currently decentralised, with individual service areas responsible for day-to-day oversight due to limited central resources.

While a tiered approach (Bronze, Silver, Gold) helps prioritise contracts based on risk and strategic importance, only Gold-tier contracts are reported annually to senior leadership. Breaches of contract standing orders are not reported to the Audit Committee, and contract performance is not reported routinely to any committee other than senior leadership team. There is no up-to-date Contract Management Strategy which sets out standardised processes and responsibilities.

The Contracts Register should be more regularly reviewed and updated particularly for lower-value contracts and should utilise the date from the Unit 4 finance system to ensure spend is adequately tracked and risk of is limited.

Impact: The Council currently risks not realising value for money from the delivery of its contracts. While the Procurement Act has introduced requirements for KPIs, the absence of a central tracking system and reliance on manual processes hinder effective performance management. The organisational restructure presents an opportunity to embed contract management more strategically, but current gaps in data quality and integration between the Contracts Register and the finance system Unit 4 limits reporting.



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Improving economy, efficiency and effectiveness (continued)

Improvement Recommendation 10

The Council needs to ensure contract management activity and procurement arrangements are robust and consistently applied, by:

- Enhancing contract performance monitoring through the development of a KPI tracking system. The Council should progress linking data from the finance system (Unit4) to enable better oversight of spend and contract compliance; or consider implementing a corporate contract management system to improve consistency, visibility, and oversight of contract performance across all services. This system should enable more effective tracking of KPIs, streamline reporting and strengthen assurance and risk management processes.
- Developing its central contract management capacity to ensure all contracts deliver intended outcomes from operational, performance, and commercial perspectives.
- Establishing a contract management strategy.
- Ensuring greater oversight for all high-value waivers, with clear rationale documented and reported to the Audit Committee.

Grant Thornton insight

Strengthening Contract Management and Procurement

Our national report on procurement and contract management sets out lessons learned from our VfM audits. Key findings include:

- Align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.
- Consider how contract management arrangements can protect against and identify potential fraud.

At bodies with stronger contract management, we see clear governance and regular central oversight, providing assurance on whether contracts deliver value. Devolving contract responsibility to divisions can work well but, in our experience, risks arise when roles aren't clear or commercial knowledge isn't maintained. Limited oversight makes it harder to spot trends and manage risks early.

Arrangements reflecting notable practice include developing and maintaining an up-to-date contract register, 'tiering' contracts based on risk and strategic value, and risk-based oversight of value for money and performance throughout the contract lifecycle to support timely, robust decision-making and ensure the re-tendering pipeline is informed.

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Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of partnerships, but could challenge itself to go further, based on the arrangements we see across the sector



What the Council is already doing

- The Council has set out the Dudley Borough Vision 2030 and refreshed its 3-year Council Plan (2025/26), including a Partnerships and Community Engagement theme. Key statutory partnerships remain active, and a new Placemaking Board will align future partnership activity with the Economic Regeneration Strategy.
- A live dashboard is being developed in 2025/26 to track objectives, monitor risks and financial strategy, and gather resident feedback.



What others do well

- Many Councils publish an annual partnership report summarising activities, outcomes, and impact. This provides transparency, demonstrates accountability, and helps identify opportunities for further collaboration.
- Use consolidated reporting to identify collaboration opportunities and demonstrate progress against strategic objectives.



The Council could consider

- Introducing a formal annual report to Overview and Scrutiny summarising partnership activities and key achievements.
- Using the report to include progress on the new Placemaking Board, enhancing visibility, supporting strategic oversight, and reflecting the Council's commitment to strong partnership working as set out in the Council Plan.

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05 Summary of Value for Money Recommendations raised in 2024/25

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Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	The Council must continue to prioritise rebuilding its reserves balances to a level that provides adequate financial resilience and aligns more closely with sector benchmarks. To do this, the Council must: • Maintain strict adherence to planned contributions of at least £5m per year to the General Fund reserves, as set out in the Medium-Term Financial Plan (MTFP). • Ring-fence any future windfall gains (e.g. one-off receipts) for reserves rather than applying them to offset recurrent expenditure. • Undertake regular reviews of reserve adequacy against emerging risks and sector benchmarks, and increase contributions where financial performance permits.	Financial sustainability (pages 20-21)	**Actions:** The planed contribution to general reserves of £5m is a key feature of the 2026/27 budget and the MTFP (2026/27 – 2030/31). General reserves are forecast to increase to £61.1m by the end of 2030/31. General reserves have already increased from £11.9m at the end of 2024/25 to £36.3m (forecast) at the end of 2025/26. This includes a contribution of £2.5m that was added to general reserves, in year, due to a windfall opportunity. This was approved by Cabinet in year. The updated reserves strategy also states that windfall gains will be added to reserves and also sets out the governance arrangements for all reserves including the need for a reserves holder, purpose, plan for spend. Quarterly reviews to be undertaken as part of the quarterly monitoring process and where there is no panned expenditure, for these to be transferred to a newly created volatility/smoothing reserve. A new volatility/smoothing reserves has been created to manage in year risks. A one-off contribution of £1m to the reserve is included in the 2026/27 budget. **Responsible Officer:** Lisa Kitto **Due Date:** March 2027

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Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR2	The Council must take further action to ensure the DSG deficit trajectory is brought under control, with a continued focus on strengthening transformation outcomes, robust financial forecasting and developing clear metrics to track the impact of SEND reforms. The Council must include the impact of funding the DSG deficit on its cash balances as part of Treasury management work.	Financial sustainability (pages 22-23)	**Actions:** Agreed. The Council has launched a SEND and Alternative Provision Sufficiency Strategy in March 2025. The 2026/27 budget includes funding to support the opening of two children's homes. Some new provision through mainstream has also been created. Monitoring arrangements will be enhanced to support the service and will be reported to a newly created children's transformation board. **Responsible Officer:** Lisa Kitto **Due Date:** September 2026

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Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR3	The Council must: • Prioritise the recruitment and retention of permanent finance staff across all levels • Introduce a formal quality assurance process for the preparation of the Statement of Accounts, including peer review, senior sign-off, and early engagement with external auditors to identify and resolve issues before publication • Establish clear protocols and timelines for responding to audit queries, supported by dedicated resources to ensure timely and accurate information is provided throughout the audit process • Create a workforce plan for the finance function that includes succession planning, skills development, and contingency arrangements to manage future capacity risks.	Governance (page 35)	**Actions:** CIPFA is supporting the council in developing a new finance structure that underpins a new Target Operating Model for the delivery of finance services across the Council. The structure will ensure that the breadth of skills and capacity needed is reflected in the structure. Succession plan and skills development will form part of the Target Operating Model. A year end process review has commenced and will address issues identified through the 2024/25 closure process. All recommendations are accepted and will be embedded. **Responsible Officer:** Lisa Kitto **Due Date:** September 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR4	The Council must ensure there is an embedded and continuous assurance process within its Building Safety Framework, supported by detailed process maps and ongoing assurance auditing, to strengthen delivery, maintain compliance, and enable proactive risk management.	Improvement economy, efficiency and effectiveness (page 47)	**Actions:** Agreed. **Responsible Officer:** Group Director – Housing and Assets Deliver the 2026/27 actions set out in the 5-year compliance audit programme agreed with the Regulator of Social Housing. **Due Date:** March 2027 Undertake a review of the revised BS&C management framework to ensure the new framework is embedded. **Due Date:** June 26 Produce and annual report to the Housing and Assets Group Management Team on the findings from the external assurance audits. **Due Date:** June 26 Continue to implement the findings of the Savills report. **Due Date:** March 2027 Continue engagement with the Regulator of Social Housing. **Ongoing**

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should strengthen its cashflow management arrangements by: Developing and maintaining regular cashflow forecasts to ensure sufficient liquidity is available to meet financial obligations, particularly in light of the unfunded DSG deficit. Incorporating cash balance information and liquidity risk assessments into the MTFP and routine financial monitoring reports to improve transparency and support informed decision-making. Establishing formal procedures for cashflow monitoring, including clear roles and responsibilities, to ensure proactive management of short-term funding pressures.	Financial sustainability (page 24)	**Actions:** All actions agreed. **Responsible Officer:** Lisa Kitto **Due Date:** June 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR2	The Council should undertake a comprehensive review of its financing strategy for the HRA, with particular focus on affordability, sustainability, and risk exposure. This should include: • Stress-testing financing ratios under various interest rate and revenue scenarios. • Benchmarking against comparable authorities to assess relative performance and identify practices. • Reviewing capital programme prioritisation to ensure alignment with long-term financial capacity. • Assessing the impact on rent affordability and tenant outcomes.	Financial sustainability (page 25)	**Actions:** Agreed. More work has been undertaken as part of the 2026/27 budget setting process to achieve some of these recommendations. The capital programme has been reviewed and a more realistic budget has been set that reflects priorities and capacity. This has also removed the reliance on additional borrowing in future years. Further work to address the recommendations is underway. **Responsible Officer:** Lisa Kitto **Due Date:** September 2026

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Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	The Council must strengthen its arrangements for the delivery and oversight of savings by: • Enhancing the savings tracker to ensure all schemes include complete documentation, including responsible officers, delivery status, risk ratings, and mitigation actions • Improving reporting to Cabinet by providing clearer information on forecast outturns, scheme-level risks, and progress against savings targets, to support effective oversight and challenge • Ensuring adequate assurance coverage, including reinstating internal audit reviews of key governance processes such as project and programme management and spending controls. • Monitoring high-risk areas, particularly Adult Social Care, where savings targets have historically been underachieved, and ensuring realistic delivery plans are in place.	Financial sustainability (pages 26-27)	**Actions:** A robust savings tracker has been developed and progress against the tracker is reported to Cabinet quarterly. 90% of savings in 2025/26 have been delivered or are on track. 8% of savings are part delivered and have mitigating savings to cover the shortfall. Task and finish groups have been established for new savings for 2026/27 and PMO capacity in the Council is being increased to support key projects/programmes including those relating to savings. Plans are in place for all new savings for 2026/27. A new governance structure has been established across the Council to oversee transformation of some key service areas. The Board will also oversee the compliance with spending controls (that are continuing into 2026/27). **Responsible Officer:** Lisa Kitto **Due Date:** June 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR4	The Council needs to update the Corporate Risk Management Policy and undertake a review of risk management to confirm clear ownership of processes within the revised structure and ensure that risk management arrangements remain effective.	Governance (page 36)	**Actions:** Agreed **Responsible Officer:** Aftab Razzaq **Due Date:** September 2026
IR5	The Council should ensure that: • The Council and Audit Committee liaise with the Internal Audit provider to agree the level of detail it requires to gain assurance that gaps in the control framework are being addressed and Internal Audit recommendations are implemented in accordance with agreed actions. • Follow-up reviews for all minimal assurance audits and high priority actions are completed within the specified six-month timeframe, with updates recorded in the system and consistently reviewed and validated.	Governance (page 37)	**Actions:** Agreed. **Responsible Officer:** Aftab Razzaq **Due Date:** September 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR6	The Council should establish and implement robust arrangements for monitoring financial risks associated with investments in external companies, including: • Maintaining a centralised register of all financial interests and exposures. • Introducing regular financial and governance reporting to Cabinet and Audit Committee. • Ensuring that impairments, dividend expectations, and financial performance are consistently reflected in budget monitoring reports. • Conducting periodic risk assessments of each investment, with clear escalation routes for concerns. • Reviewing lessons learned from the BCIMO case to strengthen future investment governance and oversight.	Governance (page 38)	**Actions:** Agreed **Responsible Officer:** Lisa Kitto **Due Date:** September 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR7	To enhance Audit Committee effectiveness and governance, the Committee should: • Undertake an annual self-assessment in line with CIPFA guidance and embeds a structured training programme into its processes. • Report the results of the self-assessment in the Annual Report, which should also set out the Committee's role, key activities, attendance, training, and contribution to strengthening governance, risk management, and internal controls. • Ensure the training programme includes skills assessments, scheduled training sessions with tracked attendance, and tailored development based on knowledge gaps identified within the Fit for the Future Plan.	Governance (page 39)	**Actions:** Agreed. A full assessment will be carried out in 2026/27 and embedded in core processes in future years. **Responsible Officer:** Lisa Kitto **Due Date:** March 2027

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR8	The Council should strengthen staff and Member awareness of data protection requirements through targeted training and reminders. Additionally, a structured lessons learned process should be introduced following any data breach to ensure continuous improvement and reduce the likelihood of similar breaches in the future.	Governance (page 40)	**Actions:** Agreed **Responsible Officer:** Aftab Razzaq **Due Date:** September 2026
IR9	The Council should ensure there are clear arrangements for timely and accurate responses to the LGO enquiries, appropriate signposting of complaints, and effective tracking and reporting of actions taken to meet agreed recommendations supported by staff training, defined responsibilities and regular performance oversight.	Improvement economy, efficiency and effectiveness (page 48)	**Actions:** Agreed **Responsible Officer:** Aftab Razzaq **Due Date:** September 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR10	The Council needs to ensure contract management activity and procurement arrangements are robust and consistently applied, by: • Enhancing contract performance monitoring through the development of a KPI tracking system. The Council should progress linking data from the finance system (Unit4) to enable better oversight of spend and contract compliance; or consider implementing a corporate contract management system to improve consistency, visibility, and oversight of contract performance across all services. This system should enable more effective tracking of KPIs, streamline reporting and strengthen assurance and risk management processes. • Developing its central contract management capacity to ensure all contracts deliver intended outcomes from operational, performance, and commercial perspectives. • Establishing a contract management strategy. • Ensuring greater oversight for all high-value waivers, with clear rationale documented and reported to Audit Committee.	Improvement economy, efficiency and effectiveness (page 50-51)	**Actions:** Agreed **Responsible Officer:** Lisa Kitto **Due Date:** September 2026

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06 Follow up of previous Key and Statutory recommendations

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
SR1	The Council should: 1. Maximise the opportunity for positive movement in the 2023/24 final outturn and 2024/25 budget, thereby reducing the indicative budget gap and the need to use General Fund balances in year. 2. Implement the likely steps it would need to take if the S151 officer was to issue a S114 notice or if Commissioners were appointed by the Government. This includes strictly enforcing the existing spending controls already in place without exception and taking further measures to stop all non-essential spend immediately. For example, we suggest that the Council undertakes a comprehensive review of statutory services to determine the minimum level of service legally required. This approach will assist in providing a robust business case in case the Council need to apply for exception financial support. Continued overleaf..	2023/24	We have considered the current financial position of the Authority and the steps taken to improve Financial Sustainability. We have concluded that sufficient progress has been made to remove the statutory recommendation; but two key recommendations are in place to ensure ongoing financial resilience risks are managed. Further details as follows: 1. The Council achieved a reported surplus of £17m against the revenue budget in 2024/25. No general fund balances were required to support the revenue budget and the surplus enabled the Council to increase the level of general reserves at the end of the year; but the total level of reserves still falls significantly below the recommended average for a Metropolitan Borough Council which is 20%. We have therefore raised a key recommendation in this area. We also comment on the risk to reserves in key recommendation 2, should the DSG deficit statutory override be removed.	Partially implemented	Key Recommendation 1

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
SR1	Continued: 3. Identify and develop additional expenditure reduction and income generation proposals to fully address the indicative budget gap in 2024/25 of £10.1m as well as the budget gaps in the remaining years of the current Medium Term Financial Strategy. These may be temporary short-term savings, but it is important that where possible, these should be recurrent savings to address the forecast budget gaps beyond 2024/25. 4. Create a prudent centrally-held contingency, which the S151 officer can deploy as necessary to manage any in-year pressures and fund the cost of change, by developing savings proposals that exceed the indicative budget gap.	2023/24	2 / 3. The Council has taken difficult decisions within the 2025/26 budget setting process, which included maximum annual Council Tax increases of 2.99% and 2% ASC precept, introduction of garden waste subscription fees, and an increase of 10% to other fees and charges. The Council achieved £14.4m of savings in 2024/25 (91% of the £15.8m target). Spending controls were introduced in the third quarter of 2024/25, implemented via a Pay Cost Control Board (PCCB), reviewing all recruitment/pay proposals and a VFM Control Panel (VFMCP), reviewing all non-pay expenditure over £1,000. However the savings requirement to balance the budget in 2025/26 has increased significantly. We have therefore raised an improvement recommendation in respect of the savings challenge in 2025/26. 4. A total contingency of £11.9m was included in the 2025/26 budget, with contingencies of £6.6m included in budgets for future years of the MTFP. £3m has been released from contingency to date in 2025/26, mainly to support additional costs arising within Children's Services.	Partially implemented	Improvement recommendation 3

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR1	The Council must continue to monitor its progress in managing the Dedicated Schools Grant (DSG) deficit. Members must not underestimate the impact the DSG deficit could have on the overall financial health of the Council.	2023/24	The HNB DSG deficit, remains a significant risk to the Council's financial sustainability. The increasing annual and cumulative deficits, combined with limited cash reserves and forecasted growth in demand, suggests that without significant intervention or additional funding, the Council may face serious financial strain and could lead to the Council being forced to issue a s114 notice, should the statutory override be removed. The risk is not just budgetary but also cash-based, raising concerns about how future deficits will be funded in real terms. We have concluded that the key recommendation raised in 2023/24 is retained.	Outstanding	Key recommendation 2

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR2	In relation to the disposal of Council-owned properties, the Council should take the following urgent action: 1. Review and Approve the Protocol: The Council should review and approve the newly created protocol for the disposal of its owned properties. It should ensure that the protocol establishes clear guidelines and procedures for the identification of surplus assets, marketing and sale of properties, emphasising transparency, fairness, and compliance with governance and relevant legal requirements and regulatory standards. Continued overleaf..	2023/24	1. The A&SC reviewed a draft Protocol for Disposal of Council-owned Land and Buildings in September 2024. After member feedback, a revised version was approved in February 2025 and reported in the July 2025 Annual Report. The final protocol in the constitution includes: • A structured process for identifying surplus assets. • Decision thresholds based on asset values. • References to the 2021 Consideration Protocol. • Clear accountability and conflict-of-interest checks. • Anti-bribery and anti-money-laundering compliance. • Alignment with legal and regulatory standards. • Promotion of transparency, fairness, good governance, and integrity.	Implemented.	No.

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR2	2. Training and Awareness: The Council should provide training and awareness programs to relevant staff members involved in the disposal process. This will ensure that employees understand and adhere to the revised protocol, promoting a culture of accountability and compliance within the Council. 3. Strengthen the Control Environment: The Council should strengthen internal controls in relation to the marketing and sale of Council-owned properties.	2023/24	2. Workshops began in May 2024 to incorporate the protocol into the constitution, with further sessions from Sept 2024 to update the disposal process flow and templates. Two new staff joined after finalisation and received training; existing staff were involved throughout and advised on changes. 3. A disposals process map has been created, covering key steps such as property manager and surveyor review, consultation document creation and sign-off, valuation updates, senior management review, cabinet member reporting for contentious sites, delegated authorities for decision-making, and internal challenge before legal instruction. Templates will be finalised once the constitution and scheme of delegations are updated. In December 2024, Cabinet reviewed a proposed disposal of a property for over £1m. The Cabinet report clearly referenced the land disposal protocol requirements. We concluded that the disposal met the requirements of the updated policy. We therefore conclude that the key recommendation raised in 2023/24 is closed.	Implemented.	No.

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR3	We recommend a reset in relationships between officers and members, where poor conduct will not be tolerated and action is taken to restore trust and respect towards officers. This could be achieved through the development of a charter, which sets out the way in which all members are expected to behave towards officers. Moreover, we believe that the tone from the top will be important in setting the standard for appropriate behaviour. A joint statement from the Leader and Leader of the Opposition calling out previous past behaviour and a commitment to improve standards of conduct going forward would be a helpful start. By taking these steps, we are confident that the Council can begin to rebuild trust and respect between members and officers and create a more productive and collaborative working environment for all.	2023/24	The Chief Executive and Monitoring Officer have represented to us that relationships between officers and members have improved following the organisational restructure. We note these representations but cannot confirm that the issues identified in our Wellington Road review have been fully addressed or that previous behaviours have changed in practice.	In progress	Yes

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR4	The Audit Committee must seek assurance from Internal Audit that the Council's property disposal framework — including the Disposal Protocol and Best Consideration Protocol — is operating effectively in practice and not being overridden. This should be supported by targeted retraining and reaffirmation of roles, responsibilities and required controls for both Members and officers, alongside enhanced internal scrutiny and periodic compliance testing. That assurance should confirm that: • Members provide strategic oversight only, and officers manage transactions. • All disposals follow the full process: no key steps — marketing, due diligence, approval — are bypassed. • Decisions are properly evidenced: clear, contemporaneous records of valuations, options, risks and how statutory requirements (including best consideration and subsidy control) have been assessed and met. • Subsidy risks are identified early: disposals at undervalue are formally recognised, assessed and supported by appropriate advice before decisions are made. • Audit trails are complete: all decisions and external engagement are formally recorded. • Approvals and public announcements are made only when transactions are fully supported and contractually secure.	2023/24	This recommendation was first raised in our 2023/24 Auditor's Annual Report but was not formally presented to the Council until July 2026. The Council has therefore not yet had the opportunity to seek the independent assurance we have recommended. We expect this to be addressed during 2026/27 and will consider progress as part of our value for money work.	Outstanding	Yes

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR5	The Council must set clear expectations of behaviour by reinforcing codes of conduct for members and officers, with specific guidance for property transactions and external engagement, and align these expectations with, and actively promote, the Council's whistleblowing policy as a safe route for raising concerns. Statutory officers must provide early challenge on any inappropriate conduct and reinforce role boundaries where necessary. The Council must protect officer independence by introducing clear escalation routes for concerns about pressure or inappropriate behaviour, including routes through the whistleblowing framework, with zero tolerance for retaliation. The Council must formalise all external engagement by requiring all contact with developers to be recorded, transparent and conducted through approved channels only, with no use of personal accounts. The Council must strengthen oversight and challenge by ensuring potential breaches of conduct are identified, reported and acted on promptly through the Council's governance and standards arrangements, and supported by regular monitoring controls (including periodic reviews by Internal Audit or Compliance) to test adherence to expected behaviours and protocols.	2023/24	This recommendation was first raised in our 2023/24 Auditor's Annual Report but was not formally presented to the Council until July 2026. The Council has taken steps to improve arrangements. We will consider whether these changes have been effective in addressing the underlying governance issues as part of our 25/26 value for money work.	In progress	Yes

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR6	The Council should reassess its decision not to report the data incident and, given the scale and sensitivity of the health data involved, report the breach to the ICO if the reassessment confirms that the UK GDPR reporting threshold is met, ensuring its rationale is clearly documented. The Council must ensure that data protection and information governance controls are fully embedded and consistently applied. This should include: • Reinforcing compliance: confirm that restrictions on personal email, access controls and monitoring are consistently followed in practice. • Strengthening accountability: clearly define and enforce roles, responsibilities and access rights for handling sensitive information. • Embedding good practice: require clear documentation of lawful basis, data minimisation and risk assessment for all sensitive data sharing. • Improving breach management: apply consistent processes for identifying, assessing and reporting incidents, and keep prior assessments of incidents under review in the light of any further information that may emerge. • Strengthening training: provide mandatory, regular training for all members and officers on UK GDPR requirements, including practical guidance on lawful basis, handling sensitive data and recognising reportable breaches. • Internal Audit should periodically review compliance with these arrangements to confirm that improvements are operating effectively and are sustained over time.	2023/24	This recommendation was first raised in our 2023/24 Auditor's Annual Report but was not formally presented to the Council until July 2026. The Council has taken steps to improve arrangements. We will consider whether these changes have been effective in addressing the underlying governance issues as part of our 25/26 value for money work.	In progress	Yes

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Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
KR7	The Council must seek to settle the requirements of the Regulatory Notice issued by the Regulator of Social Housing (RoSH) with respect to the identification of a failure to meet minimum service standards. The Council should resolve the recommendations to ensure the removal of the Regulatory Notice.	2023/24	External compliance reviews have confirmed substantial assurance against the compliance plan. The key issues related to legionella and fire risk assessments have also been resolved. A request to lift the notice has now been completed and the outcome and decision from the Regulator regarding lifting the Judgment is awaited. While recognising the progress made; we have retained the key recommendation until such time we can evidence the notice is lifted by the regulator.	Partially implemented	Key Recommendation 4 on page 57.

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07 Appendices

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Appendix A: Responsibilities of the Council

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

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

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

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the Council's auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
IR1	The Council should work with CIPFA to address the recommendations raised in CIPFA's review, particularly regarding improvements to budget monitoring arrangements.	2023/24	In April 2024, CIPFA reviewed the Council's financial resilience and governance. This informed the Fit for the Future Programme, launched in November 2023 with LGA support. Incorporating Peer Review recommendations, the programme successfully delivered a balanced 2024/25 budget.	Implemented.	No.
IR2	The Council should explore linking the finance system to the procurement system to ensure greater oversight of cost.	2023/24	The Council has not implemented this action. The lack of integration with the Unit 4 system remains highlighted concern. We have raised an updated IR for contract management.	Not implemented.	Improvement recommendation 10.
IR3	The Council should consider making the post of Monitoring Officer a director appointment	2022/23	The Director of Legal, Compliance & Assurance/Council Monitoring Officer was appointed in 2025/26. (July 2025)	Implemented.	No.
IR4	The Council should review and evaluate how it sets it capital budget. Consideration of this will enable it to set more realistic budgets going forward.	2023/24	The capital programme has been revised to reflect a more realistic timetable for delivery, and the cash flow impact has been reflected in the revenue budget. This will be kept under review. Several projects have been deferred beyond the 3-year MTFS period.	Implemented.	No.

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
IR5	The Council should revisit its strategic goals to ensure there is alignment between financial, operational and political agendas. There should be a clear link and corporate ownership of the medium-term financial plan and savings commitments. There should also be clear links to the objectives of key partnerships and the role that they will play in supporting the Council's agenda. The Council should also develop a transformation plan to support the revised strategy.	2023/24	Following the LGA Peer Review, the Council replaced its 2022–25 Plan with a focused one-year plan for 2024–25, aligned to the Fit for the Future Programme and aimed at improving financial sustainability and efficiency. Performance is monitored monthly, and governance improvements are underway, supported by a dedicated workstream and consultation to shape the Council's future vision and strategy.	Implemented.	No.
IR6	The Council should revisit its risk framework to determine whether changes in its processes would allow it to identify and respond to risk in a timely manner.	2023/24	The Risk Management Policy has not been updated since April 2023.	Not implemented.	Improvement recommendation 4.

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Addressed in 24/25?	Further action
IR7	The Council should appoint two co-opted appropriately qualified independent members to the audit committee.	2023/24	Two independent members were recruited to the Audit Committee. One has since left and a replacement is needed.	Partially implemented.	Yes
IR8	The Council should strengthen preventative anti-fraud and anti-corruption controls for property transactions. This should include: • Assessing bribery and corruption risks at the start of each transaction. • Ensuring independence is maintained and that all members and officers involved formally declare any actual or potential conflicts of interest at the outset and throughout the transaction. • Setting clear rules for engagement with third parties during live transactions. • Recognising and managing non-financial inducements, including reputational or political benefits. • Ensuring all interactions with developers are transparent and formally recorded. • Providing regular training to Members and officers on bribery and corruption risks, including how to identify and respond to potential inducements. • Bringing third party payments and charitable donations to non-Council events involving members within its declaration requirements. Internal Audit should periodically review these arrangements to confirm they are operating effectively.	2023/24	This recommendation was first raised in our 2023/24 Auditor's Annual Report but was not formally presented to the Council until July 2026. The Council has therefore not yet had the opportunity to seek the independent assurance we have recommended. We expect this to be addressed during 2026/27 and will consider progress as part of our value for money work.	Outstanding	Yes

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Meeting of the Audit Committee

Report of the Chief Executive/Monitoring Officer/Director of Finance

Management Responses to Updated Grant Thornton Audit Results Reports (ARR) 2023/24 and 2024/25

Purpose of report

1. The Audit Committee has previously considered both reports.

   The purpose of this covering report is therefore not to repeat the detailed findings of those reports, but to:

   - note the publication of the final 2023/24 Auditor's Annual Report following completion of Grant Thornton's Wellington Road review;
   - provide a high-level management response to the key findings and recommendations across both years; and
   - confirm the actions already undertaken and planned through the Council's Improvement Plan and wider governance and financial sustainability programmes.

Overview of Key Improvements

2. Since the periods covered by the reports, the Council has implemented improvements including:

   - strengthened financial management, spending controls and savings governance;
   - implementation of revised property disposal and governance protocols;
   - constitutional and governance reforms;
   - senior leadership restructuring;
   - strengthening of information governance arrangements;
   - continued delivery of the Housing Regulatory Improvement Programme; and

- ongoing work with the Improvement and Assurance Board, CIPFA and the Local Government Association.

Conclusion

6. The recommendations arising from both Auditor's Annual Reports are being addressed through existing improvement programmes and governance arrangements. Progress will continue to be monitored through the Audit Committee, Cabinet, the Improvement and Assurance Board and Internal Audit arrangements as appropriate.

Recommendation

7. The Audit Committee is requested to:

- Note the findings of Grant Thornton's final report and the actions taken to strengthen governance and control
- Accept Grant Thornton's key recommendations and improvement recommendations, and endorse the management response programme set out in this report.



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